



# Montemayor Britton Bender PC

CERTIFIED PUBLIC ACCOUNTANTS

## **AQUA WATER SUPPLY CORPORATION**

FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITOR'S REPORT

DECEMBER 31, 2021 AND 2020



**Montemayor Britton Bender PC**  
CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors  
Aqua Water Supply Corporation

**INDEPENDENT AUDITOR'S REPORT**

**Opinion**

We have audited the accompanying financial statements of Aqua Water Supply Corporation (Aqua WSC), which comprise the statement of financial position as of December 31, 2021 and 2020, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Aqua WSC as of December 31, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

**Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Aqua WSC and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Aqua WSC's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

**Auditor's Responsibility for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or

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the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Aqua WSC's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Aqua WSC's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 8, 2022, on our consideration of Aqua WSC's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Aqua WSC's internal control over financial reporting and compliance.

Montemayor Britton Bender PC

March 8, 2022  
Austin, Texas

**AQUA WATER SUPPLY CORPORATION**  
**STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2021 AND 2020**

**ASSETS**

<b>CURRENT ASSETS</b>	<u><b>2021</b></u>	<u><b>2020</b></u>
Cash and cash equivalents	\$21,981,912	\$16,908,900
Accounts receivable, net of allowance for doubtful accounts of \$40,000	2,996,203	2,782,287
Inventory and other	<u>264,063</u>	<u>252,777</u>
Total current assets	25,242,178	19,943,964
RESTRICTED CASH	145,169	144,590
PROPERTY AND EQUIPMENT, net	<u>110,994,272</u>	<u>107,259,703</u>
<b>TOTAL ASSETS</b>	<u><b>\$136,381,619</b></u>	<u><b>\$127,348,257</b></u>

**LIABILITIES AND NET ASSETS**

<b>CURRENT LIABILITIES</b>		
Accounts payable	\$1,017,263	\$328,785
Accrued expenses	529,888	239,124
Member deposits and other	155,790	252,351
Current maturities of long-term debt	<u>1,942,953</u>	<u>1,942,953</u>
Total current liabilities	3,645,894	2,763,213
LONG-TERM DEBT	11,120,730	13,377,467
CONTRIBUTIONS IN AID OF CONSTRUCTION	1,713,145	1,246,398
CAPACITY RESERVATION OBLIGATION	<u>1,190,272</u>	<u>880,357</u>
<b>TOTAL LIABILITIES</b>	<u><b>17,670,041</b></u>	<u><b>18,267,435</b></u>
<b>NET ASSETS</b>		
Without donor restrictions		
Undesignated	116,984,921	107,295,446
Designated by the Board	<u>1,000,000</u>	<u>1,000,000</u>
Total net assets without donor restrictions	117,984,921	108,295,446
With donor restrictions		
Purpose restrictions- wastewater facilities	<u>726,657</u>	<u>785,376</u>
<b>TOTAL NET ASSETS</b>	<u><b>118,711,578</b></u>	<u><b>109,080,822</b></u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><b>\$136,381,619</b></u>	<u><b>\$127,348,257</b></u>

The accompanying notes are an integral part of this financial statement presentation.

# AQUA WATER SUPPLY CORPORATION

## STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUE			
Water sales	\$19,214,062	\$0	\$19,214,062
Tap fees	7,127,425	0	7,127,425
Contribution in aid of construction	748,677	0	748,677
Membership fees	212,865	0	212,865
Capacity reservation fees	92,685	0	92,685
Other revenue from contracts with customers	812,411	0	812,411
Other revenue	461,972	0	461,972
Net assets released from restriction-wastewater facilities	<u>58,719</u>	<u>(58,719)</u>	<u>0</u>
Total revenue	<u>28,728,816</u>	<u>(58,719)</u>	<u>28,670,097</u>
EXPENSES			
Program	15,231,473	0	15,231,473
General and administrative	<u>3,807,868</u>	<u>0</u>	<u>3,807,868</u>
Total expenses	<u>19,039,341</u>	<u>0</u>	<u>19,039,341</u>
CHANGE IN NET ASSETS	9,689,475	(58,719)	9,630,756
BEGINNING NET ASSETS	<u>108,295,446</u>	<u>785,376</u>	<u>109,080,822</u>
ENDING NET ASSETS	<u>\$117,984,921</u>	<u>\$726,657</u>	<u>\$118,711,578</u>

The accompanying notes are an integral part of this financial statement presentation.

# AQUA WATER SUPPLY CORPORATION

## STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUE			
Water sales	\$18,863,913	\$0	\$18,863,913
Tap fees	5,755,913	0	5,755,913
Contribution in aid of construction	246,507	0	246,507
Capacity reservation fees	54,343	0	54,343
Other revenue from contracts with customers	679,803	0	679,803
Other revenue	337,831	0	337,831
Net assets released from restriction-wastewater facilities	<u>58,719</u>	<u>(58,719)</u>	<u>0</u>
Total revenue	<u>25,997,029</u>	<u>(58,719)</u>	<u>25,938,310</u>
EXPENSES			
Program	13,965,487	0	13,965,487
General and administrative	<u>3,491,372</u>	<u>0</u>	<u>3,491,372</u>
Total expenses	<u>17,456,859</u>	<u>0</u>	<u>17,456,859</u>
CHANGE IN NET ASSETS	8,540,170	(58,719)	8,481,451
BEGINNING NET ASSETS	<u>99,755,276</u>	<u>844,095</u>	<u>100,599,371</u>
ENDING NET ASSETS	<u><u>\$108,295,446</u></u>	<u><u>\$785,376</u></u>	<u><u>\$109,080,822</u></u>

The accompanying notes are an integral part of this financial statement presentation.

**AQUA WATER SUPPLY CORPORATION**  
**STATEMENT OF CASH FLOWS**  
**YEARS ENDED DECEMBER 31, 2021 AND 2020**

CASH FLOWS FROM OPERATING ACTIVITIES	<u>2021</u>	<u>2020</u>
Change in net assets	\$9,630,756	\$8,481,451
Depreciation	4,830,486	4,742,095
Bad debt expense	21,035	27,719
(Gain)/loss on sale of fixed assets	(34,271)	(3,418)
Change in accounts receivable	(234,951)	(235,497)
Change in inventory and other	(11,286)	9,866
Change in accounts payable	688,478	27,316
Change in accrued expenses	290,764	30,256
Change in member deposits and other	(96,561)	11,199
Change in capacity reservation obligation	<u>309,915</u>	<u>880,357</u>
Net cash provided by operating activities	<u>15,394,365</u>	<u>13,971,344</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(8,593,190)	(8,787,138)
Disposals of property and equipment	28,135	25,676
Proceeds from sale of property and equipment	<u>34,271</u>	<u>3,418</u>
Net cash used in investing activities	<u>(8,530,784)</u>	<u>(8,758,044)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Advances and contributions for construction	1,204,024	1,492,905
Payments from advances and contributions for construction	(737,277)	(246,507)
Principal payments on notes payable	<u>(2,256,737)</u>	<u>(2,151,072)</u>
Net cash used in financing activities	<u>(1,789,990)</u>	<u>(904,674)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS AND RESTRICTED CASH	5,073,591	4,308,626
BEGINNING CASH AND CASH EQUIVALENTS AND RESTRICTED CASH	<u>17,053,490</u>	<u>12,744,864</u>
ENDING CASH AND CASH EQUIVALENTS AND RESTRICTED CASH	<u>\$22,127,081</u>	<u>\$17,053,490</u>
CASH PAID FOR INTEREST	<u>\$755,660</u>	<u>\$893,848</u>

The accompanying notes are an integral part of this financial statement presentation.

# **AQUA WATER SUPPLY CORPORATION**

## **NOTES TO FINANCIAL STATEMENTS**

### **NOTE 1: ORGANIZATION**

Aqua Water Supply Corporation (Aqua WSC) is a non-profit cooperative headquartered in Bastrop County, Texas, owned by its customers who are its members, with each member holding one share in the corporation. More than 50,000 people rely on Aqua WSC to provide water for their daily lives. Most are homeowners, farmers, and ranchers who count on Aqua WSC for safe and reliable drinking water.

### **NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **BASIS OF ACCOUNTING**

Aqua WSC uses the accrual basis method of accounting. Revenues and support are recorded when earned, rather than when received. Expenses are recorded when incurred regardless of when paid.

#### **FINANCIAL STATEMENT PRESENTATION**

Net assets are classified based on the existence or absence of donor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

##### Net Assets Without Donor Restrictions

Net assets available for use in general operations and not subject to donor restrictions. The governing board has designated, from net assets without donor restrictions, net assets for an operating reserve.

##### Net Assets With Donor Restrictions

Net assets subject to donor imposed restrictions. Some donor restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor imposed restrictions are released when a restriction expires, that is when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

#### **CASH AND CASH EQUIVALENTS**

Aqua WSC considers all highly liquid investments with an original maturity of three months or less and certificate of deposits to be cash equivalents.

#### **INVENTORY**

Finished goods inventory is valued at the lower of cost (first-in, first-out) or market.



# **AQUA WATER SUPPLY CORPORATION**

## **NOTES TO FINANCIAL STATEMENTS**

### **NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **ACCOUNTS RECEIVABLE**

Accounts receivable are recorded at the value of the revenue earned and require payments within thirty days. Account balances with charges over thirty days old are considered delinquent and management begins collection efforts at the time. Delinquent invoices do not accrue interest. Aqua WSC continually monitors each customer's credit worthiness individually and recognizes allowances for estimated bad debts for incorrect meter readings and uncollectible accounts. Aqua WSC regularly adjusts any allowance for subsequent collections and final determination that a trade account receivable is no longer collectible.

#### **FUNCTIONAL EXPENSE ALLOCATION**

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Aqua WSC allocates all costs between program, general and administrative, and fundraising by estimating the percentage of personnel time spent on each area as estimated by management. The estimates are reviewed periodically and the allocations revised, if necessary, to reflect changes in the activities of the organization.

#### **PROPERTY AND EQUIPMENT**

Fixed assets over \$5,000 are recorded at cost if purchased and estimated fair value if donated; costs that are specifically attributable to a project included in construction in progress are capitalized regardless of their cost. It is Aqua WSC's policy to imply a time restriction on all gifts of long-lived assets equal to the useful life of the assets. Depreciation is provided using the straight-line method based on the assets' estimated useful lives of 5 to 50 years.

#### **IMPAIRMENT OF LONG-LIVED ASSETS**

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the amount recorded may not be recoverable. An impairment loss is recognized for the amount in which the carrying amount of the asset exceeds the fair value, if the carrying amount of the asset is not recoverable. Management believes there has been no impairment as of December 31, 2021 and 2020.

#### **NET ASSETS DESIGNATED BY THE BOARD**

In December 2009, the Board designated \$1,000,000 for future operating needs.

# **AQUA WATER SUPPLY CORPORATION**

## **NOTES TO FINANCIAL STATEMENTS**

### **NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **REVENUES FROM CONTRACTS WITH CUSTOMERS**

Aqua WSC derives its revenues primarily from providing water and wastewater services to members. Other revenue from contracts with customers consists of tap fees, capacity reservation fees, membership fees, miscellaneous fees charged to members, and other contracts. Costs incurred to obtain a contract are expensed as incurred when the amortization period is less than a year.

Revenues received for tap fees are recognized when Aqua WSC satisfies the performance obligation to transfer the meter to the customer, which typically occurs at a point in time when the meter is installed.

Revenues for capacity reservation fees are recognized over time because the customer both receives and consumes the benefit of having the capacity available each day. The revenues are recognized on a straight line basis over the term during which the customer has the capacity available which ranges from 10 to 40 years.

#### **CONTRIBUTIONS IN AID OF CONSTRUCTION**

Contributions in aid of construction are funds received from developers to offset the acquisition, improvement or construction costs of Aqua WSC's property, facilities, or equipment used to provide utility services to the public. Revenues from contributions in aid of construction are recognized as related expenses are incurred.

#### **TAX STATUS**

Aqua WSC is a nonprofit organization exempt from Federal income taxes under IRS Code Section 501(c)(12), except with respect to any unrelated business income. Therefore, no provision has been made for Federal income tax in the accompanying financial statements. Aqua WSC's policy is to record interest and penalties related to income taxes as interest and other expense, respectively. At December 31, 2021 and 2020 no interest and penalties have been or are required to be accrued.

#### **ESTIMATES**

The preparation of financial statements in conformity with the U.S. generally accepted accounting principles require management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

#### **SUBSEQUENT EVENTS**

Aqua WSC has evaluated subsequent events as of the date of the Independent Auditor's Report, the date the financial statements were available to be issued.

# AQUA WATER SUPPLY CORPORATION

## NOTES TO FINANCIAL STATEMENTS

### NOTE 3: CONCENTRATION

At December 31, 2021 and 2020, Aqua WSC had cash balances in excess of FDIC insurance of \$9,698,406 and \$8,373,220 respectively. Aqua WSC has not experienced any losses due to this credit risk.

### NOTE 4: RESTRICTED CASH

The note payable to the United States Department of Agriculture (USDA) requires that Aqua WSC reserve cash in designated accounts totaling \$136,752 that cannot be withdrawn unless prior written approval is obtained from the lenders for such things as loan installments, emergency maintenance, extensions to facilities and replacement of short-lived assets. The reserve amounts are reported on the statement of financial position as restricted cash. The notes payable have cross default provisions, which would cause a default on the notes if there were a default on any other obligations. At December 31, 2021 and 2020 the designated accounts had balances of \$145,169 and \$144,590, respectively.

### NOTE 5: PROPERTY AND EQUIPMENT

	<u>2021</u>	<u>2020</u>
Land	\$3,572,886	\$3,572,886
Construction in progress	18,193,507	18,747,842
Water lines and extensions	83,232,255	78,788,012
Pump station	22,694,325	22,694,325
Well sites and easements	26,201,114	23,712,953
Wastewater facilities	8,139,732	8,139,732
Furniture and equipment	8,715,316	7,533,989
Building and improvements	3,495,810	3,465,239
Transportation equipment	3,684,481	3,197,061
Accumulated depreciation	<u>(66,935,154)</u>	<u>(62,592,336)</u>
	<u>\$110,994,272</u>	<u>\$107,259,703</u>

# AQUA WATER SUPPLY CORPORATION

## NOTES TO FINANCIAL STATEMENTS

### NOTE 6: DEFINED CONTRIBUTION PLAN

Aqua WSC sponsors a defined contribution plan under Section 401(k) of the Internal Revenue Code (IRC) for all eligible employees who are age 21 or older and have completed one year of continuous service. Participating employees may contribute up to the maximum allowed by the IRC. Aqua WSC may make matching contributions, qualified matching contributions and non-elective contributions at the sole discretion of Aqua WSC's management. Total employer contributions to the plan during the year ended December 31, 2021 and 2020 were \$542,190 and \$415,534 respectively.

### NOTE 7: COMMITMENTS

At December 31, 2021 Aqua WSC had the following commitments for contracts related to water system improvements:

<u>Vendor Name</u>	<u>Total Contract Amount</u>	<u>Remaining commitment at December 31, 2021</u>
A&M Construction & Utilities	\$650,500	\$343,650
TTE, LLC.	2,027,911	2,005,321
Nelson Lewis Construction	<u>5,554,033</u>	<u>5,485,528</u>
	<u>\$8,232,444</u>	<u>\$7,834,499</u>

At December 31, 2020 Aqua WSC had the following commitments for contracts related to water system improvements:

<u>Vendor Name</u>	<u>Total Contract Amount</u>	<u>Remaining commitment at December 31, 2020</u>
Gulf States Protective Coatings, Inc.	\$720,520	\$207,028
TTE, LLC.	2,662,352	1,406,872
Austin Engineering Co., Inc.	<u>1,032,742</u>	<u>52,811</u>
	<u>\$4,415,614</u>	<u>\$1,666,711</u>

# AQUA WATER SUPPLY CORPORATION

## NOTES TO FINANCIAL STATEMENTS

### NOTE 8: FUNCTIONAL EXPENSE ALLOCATION

Functional expense allocation at December 31, 2021:

	<u>Program</u>	<u>General and Administrative</u>	<u>Total</u>
Personnel	\$5,413,054	\$1,353,264	\$6,766,318
Depreciation	3,864,389	966,097	4,830,486
General and administrative	2,284,806	571,202	2,856,008
Electric	973,551	243,388	1,216,939
Repairs and maintenance	694,432	173,608	868,040
Material and supplies	637,029	159,257	796,286
Interest	610,891	152,723	763,614
Other	<u>753,321</u>	<u>188,329</u>	<u>941,650</u>
Total expenses	<u>\$15,231,473</u>	<u>\$3,807,868</u>	<u>\$19,039,341</u>

Functional expense allocation at December 31, 2020:

	<u>Program</u>	<u>General and Administrative</u>	<u>Total</u>
Personnel	\$4,802,466	\$1,200,617	\$6,003,083
Depreciation	3,793,676	948,419	4,742,095
General and administrative	1,957,476	489,369	2,446,845
Electric	876,226	219,057	1,095,283
Interest	721,442	180,360	901,802
Material and supplies	631,392	157,848	789,240
Repairs and maintenance	564,385	141,096	705,481
Other	<u>618,424</u>	<u>154,606</u>	<u>773,030</u>
Total expenses	<u>\$13,965,487</u>	<u>\$3,491,372</u>	<u>\$17,456,859</u>

# AQUA WATER SUPPLY CORPORATION

## NOTES TO FINANCIAL STATEMENTS

### NOTE 9: LONG-TERM DEBT

	<u>2021</u>	<u>2020</u>
\$7 million CoBank Revolving Term Loan with interest due monthly at a weekly quoted CoBank variable rate (4.45% at December 31, 2021 and 2020), matures May 20, 2037	\$4,005,468	\$4,181,525
\$2 million CoBank Revolving Term Loan with interest and principal due monthly at a weekly quoted CoBank variable rate (4.50% at December 31, 2021 and 2020) matures May 20, 2031	1,126,564	1,227,205
\$9.2 million CoBank Revolving Term Loan with principal and interest due monthly at 6.87%, matures November 20, 2022	604,770	1,256,189
\$4 million CoBank Revolving Term Loan with principal and interest due monthly at 6.45%, matures December 20, 2023	568,922	835,792
\$9 million CoBank Revolving Term Loan with principal and interest due monthly at 6.98% for \$3,567,753 and 6.82% for \$708,574, matures September 20, 2024	1,926,286	2,545,275
\$5.5 million CoBank Revolving Term Loan with principal and interest due monthly at 4.72%, matures January 20, 2028	2,738,924	3,072,030
\$2,293,000 Note Payable to USDA, principal and interest paid in monthly installments totaling \$10,778 at 4.75%, matures September 26, 2042, secured by all real property, personal property and assignment of income and contracts	1,640,257	1,687,534
\$54,530 Loan Payable to Texas Water Development Board, principal and interest paid in monthly installments ranging from \$560 to \$580 at a variable interest rate (3.66% and 3.66% at December 31, 2021 and 2020), matures March 15, 2024, secured by Aqua WSC's gross revenues (exclusive of restricted gifts, grants, donations and contributions)	14,630	20,630
\$800,000 CoBank Term Loan with interest and principal due monthly at a weekly quoted CoBank variable rate (3.18% at December 31, 2021 and 2020) matures October 20, 2028	<u>437,862</u>	<u>494,240</u>
	13,063,683	15,320,420
Less: current maturities of long-term debt	<u>1,942,953</u>	<u>1,942,953</u>
Total long-term debt	<u>\$11,120,730</u>	<u>\$13,377,467</u>

# AQUA WATER SUPPLY CORPORATION

## NOTES TO FINANCIAL STATEMENTS

### NOTE 9: LONG-TERM DEBT

Future long-term debt payments as of December 31, 2021 are as follows:

2022	\$1,942,953
2023	1,785,002
2024	1,436,354
2025	909,470
2026	967,491
Thereafter	<u>6,022,413</u>
	<u>\$13,063,683</u>

Assets pledged as collateral on loans is all land, construction in progress, and other building and property and equipment, see Note 5.

At December 31, 2021 and 2020, Aqua WSC had a \$2,000,000 CoBank line of credit, with interest due monthly at the weekly quoted CoBank variable rate, maturing on June 30, 2022. Aqua WSC did not draw on the line of credit during the year ended December 31, 2021 or 2020.

The CoBank revolving term loans (Loans) are under a Master Loan Agreement with CoBank dated November 25, 2002, which was amended and restated on May 5, 2010, May 14, 2013, November 6, 2013, August 23, 2016 and July 19, 2018. The Loans are secured by all real and personal property of Aqua WSC. The Master Loan Agreement has cross default provisions on any other obligations. It also contains a material adverse change provision, which would allow the bank to subjectively deem adverse changes in Aqua WSC to be in default on the Loans. It requires compliance with financial covenants, including a debt service coverage ratio greater than 1.25 and a debt to capitalization ratio less than 0.65.

### NOTE 10: LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$21,981,912	\$16,908,900
Accounts receivable	2,996,203	2,782,287
Less: donor restricted for wastewater facilities	<u>(726,657)</u>	<u>(785,376)</u>
	<u>\$24,251,458</u>	<u>\$18,905,811</u>

# AQUA WATER SUPPLY CORPORATION

## NOTES TO FINANCIAL STATEMENTS

### NOTE 10: LIQUIDITY AND AVAILABILITY

As part of Aqua WSC's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. The policy is that monthly revenues are to cover monthly expenses. Monthly revenues and expenditures are deposited in and deducted from Aqua WSC's operating accounts.

Any excess cash for the year is to be used for general capital purchases in the next year. These funds are invested in CDARS accounts with short term maturities to be available for yearly capital spending. A capital depository account is maintained for these funds to be deposited as well as any new service monies that Aqua WSC receives.

In 2013 Aqua WSC's Board of Directors approved a list of financial institutions for which it may deposit funds. Limits were set at each of the financial institutions, so monies are transferred when needed to stay within the guidelines.

Aqua WSC is required to have a reserve in the amount of \$136,752 on hand per USDA loan requirements. Aqua WSC has designated a certificate of deposit to maintain compliance with the reserve. As of December 31, 2021 and 2020 the account had a balance of \$145,169 and \$144,590 respectively, and was recorded as restricted cash.

Other investments of Aqua WSC are the Board Designated Reserves. Per Board direction in 2009, \$1,000,000 was to be set aside for emergency purposes. The funds are accruing interest, but have not been spent to date.

Aqua WSC borrows for construction in progress projects when needed. As described in Note 9, Aqua WSC has an existing line of credit with CoBank in the amount of \$2,000,000, which it could draw upon in the event of an unanticipated liquidity need.

Aqua WSC is subject to certain loan covenants related to their revolving term loans as discussed in Note 9.

### NOTE 11: REVENUE FROM CONTRACTS WITH CUSTOMERS

The following table disaggregates Aqua WSC's revenue based on the timing of satisfaction of performance obligations for the year ended December 31:

	<u>2021</u>	<u>2020</u>
Performance obligations satisfied over time	\$20,125,365	\$19,370,446
Performance obligations satisfied at a point in time	<u>7,334,083</u>	<u>5,983,526</u>
	<u>\$27,459,448</u>	<u>\$25,353,972</u>



# AQUA WATER SUPPLY CORPORATION

## NOTES TO FINANCIAL STATEMENTS

### NOTE 11: REVENUE FROM CONTRACTS WITH CUSTOMERS

Revenue recognized at a point of time primarily includes tap fees and miscellaneous water fees. These fees are typically recognized at the date at which control of the service transfers to the customer. Typically, control of the service is deemed to transfer at the date at which the service is provided.

Revenue recognized over time consists primarily of water and wastewater service contracts. Revenue is recognized over time as water is provided to customers. Revenue from capacity reservation fees are recognized over the life of the contract.

#### CONTRACT BALANCES

Contract assets consist of Aqua WSC's right to payment from customers for water and wastewater services that have been provided to the customers. The balances of contract receivables at December 31, 2021 and 2020 were \$2,934,935 and \$2,731,710 respectively.

Contract liabilities consist of Aqua WSC's obligation to retain water capacity for customers for which Aqua WSC has received consideration from the customer. Contract liabilities primarily relate to capacity reservation fees that are charged to customers to reserve the right to water for future years and must be recognized as revenues over the expected period of benefit. Balances of contract liabilities at December 31, 2021 and 2020 were \$1,190,272 and \$880,357 respectively.

#### PERFORMANCE OBLIGATIONS

With respect to tap fees and miscellaneous water fees, revenue is recognized at a point in time, then control of the services transfers to the customer in an amount that reflects the consideration Aqua WSC expects to be entitled to in exchange for those services. Typically, control is deemed to transfer at the date at which the service is provided. Payment is typically due upon completion of the services. Transaction prices vary depending on the size of the meter installed. In general, revenue recognized does not have a significant financing component because payments terms are relatively short.

Revenue related to water sales is recognized over time as control of the goods or service is transferred to the customer. Aqua WSC generally has a right to consideration in an amount that corresponds directly with the value to the customer of the entity's performance completed to date and may recognize revenue in the amount to which the entity has a right to invoice and has elected to recognize revenue for its sales of water and wastewater using the invoice practical expedient. The amounts are billed to customers one month in arrears. In general, revenue recognized does not have a significant financing component because payments terms are relatively short.

# **AQUA WATER SUPPLY CORPORATION**

## **NOTES TO FINANCIAL STATEMENTS**

### **NOTE 11: REVENUE FROM CONTRACTS WITH CUSTOMERS**

Revenue related to capacity reservation fees is recognized over time evenly on a straight-line basis, as control transfers to the customer over the life of the agreement, which is 10-40 years depending on the contract. In exchange for advance payment, Aqua WSC guarantees water services will be available for the duration of the agreement. Customers pay in advance at the time each contract is executed. Capacity reservation fees are typically \$600 per Living Unit Equivalent. In general, revenue recognized does not have a significant financing component because the customer pays in advance, and the timing of the transfer is at the discretion of the customer.

Determining a measure of progress requires management to make judgments that affect the timing of revenue recognized. Aqua WSC has determined that the above methods provide a faithful depiction of the transfer of goods or services to the customer.



Montemayor Britton Bender PC  
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON  
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Directors  
Aqua Water Supply Corporation

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Aqua Water Supply Corporation (Aqua WSC), which comprise the statement of financial position as of December 31, 2021 and 2020, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated March 8, 2022.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Aqua WSC's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Aqua WSC's internal control. Accordingly, we do not express an opinion on the effectiveness of Aqua WSC's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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#### Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Aqua WSC's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

#### Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Montemayor Britton Bender PC

March 8, 2022  
Austin, Texas