



Montemayor Britton Bender PC

CERTIFIED PUBLIC ACCOUNTANTS

SILVER CREEK VILLAGE WATER SUPPLY CORPORATION

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT

31 DECEMBER 2022



Montemayor Britton Bender PC
CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
Silver Creek Village Water Supply Corporation

INDEPENDENT AUDITOR'S REPORT

Opinion

We have audited the accompanying financial statements of Silver Creek Village Water Supply Corporation (the "Company"), which comprise the statement of financial position as of 31 December 2022, and the related statements of activities and cash flows for the year 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 the Company as of 31 December 2022, and the changes in its net assets and its cash flows for the year 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 the Company and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Correction of Error

As discussed in Note 10 to the financial statements, certain errors resulted in the overstatement of amounts reported net assets without donor restrictions as of 31 December 2021. Accordingly, an adjustment has been made to net assets without donor restrictions as of 31 December 2021 to correct these errors. Our opinion is not modified with respect to this matter.

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 the Company'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 Responsibilities 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

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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 the override of internal control. Misstatements 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 the Company'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 the Company'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.

Wautemayer Brittan Bender PC

8 January 2024
Austin, Texas

SILVER CREEK VILLAGE WATER SUPPLY CORPORATION

STATEMENT OF FINANCIAL POSITION

31 DECEMBER 2022

ASSETS

CURRENT ASSETS

Cash and cash equivalents \$158,385

Prepaid expenses 2,169

Accounts receivable 10,832

171,386

FIXED ASSETS

889,450

\$1,060,836

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable \$0

Current maturities of long-term debt 7,087

7,087

LONG-TERM DEBT

221,902

228,989

NET ASSETS

Without donor restrictions 831,847

\$1,060,836

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

SILVER CREEK VILLAGE WATER SUPPLY CORPORATION

STATEMENT OF ACTIVITIES

YEAR ENDED 31 DECEMBER 2022

	<u>Without Donor Restrictions</u>
REVENUE	
Water sales	\$106,859
Interest income	<u>420</u>
	<u>107,279</u>
EXPENSES	
Program	112,596
Administration	<u>22,733</u>
	<u>135,329</u>
CHANGE IN NET ASSETS	(28,050)
BEGINNING NET ASSETS	<u>859,897</u>
ENDING NET ASSETS	<u>\$831,847</u>

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

SILVER CREEK VILLAGE WATER SUPPLY CORPORATION

STATEMENT OF CASH FLOWS

YEAR ENDED 31 DECEMBER 2022

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	(\$28,050)
Depreciation expense	32,324
Change in prepaid expenses	<u>(2,163)</u>
	2,111

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of fixed assets	(17,462)
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CASH FLOWS FROM FINANCING ACTIVITIES

Debt principal payments	<u>(6,793)</u>
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CHANGE IN CASH	(22,144)
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BEGINNING CASH	<u>180,529</u>
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ENDING CASH	<u><u>\$158,385</u></u>
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The accompanying notes are an integral part of this financial statement presentation.

SILVER CREEK VILLAGE WATER SUPPLY CORPORATION

NOTES TO FINANCIAL STATEMENTS

NOTE 1: ORGANIZATION

Silver Creek Village Water Supply Corporation (the “Company”) is a Texas not-for-profit, member-owned and member-controlled corporation created on 1 March 1986 and operating under and in accordance with the Texas Non-Profit Corporation Act and Chapter 67 of the Texas Water Code. The Company’s mission is to provide safe, high quality water services to the community, while maintaining a standard of excellence in customer service and environmental conservation. The primary source of revenue for the Corporation is water sales.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING

The Company 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.

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.

FUNCTIONAL ALLOCATION OF EXPENSES

Expenses are currently charged directly to a program or administration based on specific identification.

CASH AND CASH EQUIVALENTS

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

SILVER CREEK VILLAGE WATER SUPPLY CORPORATION

NOTES TO FINANCIAL STATEMENTS

INVESTMENTS

Investments consist of certificates of deposit with an original maturity greater than three months, reported at amortized cost.

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 that time. Accounts receivable are recorded net of any applicable allowance for uncollectible amounts.

FIXED ASSETS

Fixed assets are recorded at cost if purchased and estimated fair value if donated. Expenditures for major renewals and betterments that extend the useful lives of property and equipment are capitalized. Expenditures for maintenance and repairs are expensed as incurred. 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, 2022.

FEDERAL INCOME TAX STATUS

The Company is a nonprofit organization exempt from Federal income taxes under IRS Code Section 501(c)(12), except to the extent it has unrelated business activities. Therefore, no provision has been made for Federal income tax in the accompanying financial statements. The Company's policy is to record interest and penalties related to income taxes as interest and other expense, respectively. At 31 December 2022, no interest or penalties have been accrued or are required to be accrued.

ESTIMATES

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

SILVER CREEK VILLAGE WATER SUPPLY CORPORATION

NOTES TO FINANCIAL STATEMENTS

REVENUE FROM CONTRACTS WITH CUSTOMERS

The Company derives its revenues primarily from providing water services to members. Other revenue from contracts with customers consists of capital improvement fees charged to members. Costs incurred to obtain a contract are expensed as incurred when the amortization period is less than a year.

Revenues for water services and capital improvement fees are recognized over time as the customer receives the benefit of the service.

SUBSEQUENT EVENTS

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

NOTE 3: CONCENTRATIONS

As of 31 December 2022, the Company has no cash balances in excess of FDIC coverage.

NOTE 4: INVESTMENTS

Investments consist of certificates of deposit with an original maturity greater than three months, reported at amortized cost.

NOTE 5: LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, within one year of the statement of financial position date, comprise the following:

Cash and cash equivalents	\$158,385
Accounts receivable	<u>10,832</u>
	<u>\$169,217</u>

As part of the Company'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 and provide funding for capital expenditures. Monthly revenues and expenditures are deposited in and deducted from the Corporation's operating accounts. Excess cash funds are invested in interest bearing certificates of deposits.

SILVER CREEK VILLAGE WATER SUPPLY CORPORATION

NOTES TO FINANCIAL STATEMENTS

NOTE 6: FIXED ASSETS

Land	\$60,275
Water, plant, and equipment	1,103,776
Accumulated depreciation	<u>(274,601)</u>
	<u>\$889,450</u>

NOTE 7: LONG-TERM DEBT

The Company obtained a USDA Rural Development loan for \$328,000. The note bears a 4.5% fixed interest rate; In November 2003 the Company began making principal and interest payments of \$17,695 until the notes maturity in October 2043. The loan is collateralized by receivables and fixed assets. At year end the loan balance is \$228,989.

Future long-term debt payments as of 31 December 2022 are as follows:

2023	\$7,087
2024	7,412
2025	7,753
2026	8,109
2027	8,481
Thereafter	<u>190,147</u>
	<u>\$228,989</u>

NOTE 8: REVENUE FROM CONTRACTS WITH CUSTOMERS

The following table desegregates the Company's revenue based on the timing of satisfaction of performance obligations for the year ended 31 December 2022:

Performance obligations satisfied over time	<u>\$106,859</u>
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Revenue recognized over time primarily includes capital improvement fees and water service contracts. Revenue is recognized over time as water is provided to customers.

SILVER CREEK VILLAGE WATER SUPPLY CORPORATION

NOTES TO FINANCIAL STATEMENTS

CONTRACT BALANCES

Contract assets consist of the Company's right to payment from customers for water services that have been provided to the customers. The balances of contract receivables at 31 December 2022 and 31 December 2021 were \$10,832 and \$10,832, respectively. There were no contract liabilities during the year.

PERFORMANCE OBLIGATION

Revenue related to water sales and capital improvement fees are recognized over time as the control of the goods or service is transferred to the customer. The Company 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 using the invoice practical expedient. The amounts are billed to customers 2 weeks in arrears. In general, revenue recognized does not have a significant financing component because payment terms are relatively short.

NOTE 9: CHANGE IN ACCOUNTING PRINCIPLE

During the year, the Company adopted Accounting Standards Update (ASU) 2016-02, *Leases* (ASC Topic 842) and Subsequent Amendments. ASC 842 affects all companies that enter into lease arrangements, with certain exclusions under limited scope limitations. Under ASU 2016-02, an entity recognizes right-of-use assets and lease obligations on its statement of financial position for all leases with a lease term of more than 12 months. Short-term rentals under year-to-year leases or remaining lease terms of 12 months or less are exempt from being capitalized. Adoption of this standard did not have a significant impact on the financial statements for the year ended 31 December 2022.

NOTE 10: PRIOR PERIOD ADJUSTMENT

As of 31 December 2021, net assets without donor restrictions were understated by \$37,541, due to overstated fixed assets and accumulated depreciation. A prior period adjustment has been recorded to correct beginning net assets without donor restrictions. The change in net assets without donor restrictions increased by \$37,541 for the year ended 31 December 2021 as a result of this adjustment.

Beginning net assets without donor restrictions, as previously reported	\$822,356
Prior period adjustments:	
To correct understated fixed assets	<u>37,541</u>
Beginning net assets without donor restrictions, restated	<u>\$859,897</u>

SILVER CREEK VILLAGE WATER SUPPLY CORPORATION

NOTES TO FINANCIAL STATEMENTS

NOTE 11: FUNCTIONAL ALLOCATION OF EXPENSES

	<u>Program</u>	<u>Administration</u>	<u>Total</u>
Depreciation	\$32,324	\$0	\$32,324
System operator	\$23,292	\$0	\$23,292
Business manager	0	21,685	21,685
Insurance	13,359	0	13,359
Interest expense	10,762	0	10,762
Construction	9,978	0	9,978
Backup operator	5,064	0	5,064
Utility billing	4,556	0	4,556
Professional fees	3,825	275	4,100
Supplies	2,790	0	2,790
Water test	2,260	0	2,260
Advertising	1,820	0	1,820
Office supplies	1,532	0	1,532
Repairs	1,034	0	1,034
Dues	0	440	440
Other	<u>0</u>	<u>333</u>	<u>333</u>
	<u>\$112,596</u>	<u>\$22,733</u>	<u>\$135,329</u>