

**RCH WATER SUPPLY CORPORATION**  
**ANNUAL FINANCIAL REPORT**  
**YEAR ENDED DECEMBER 31, 2022**

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**OFFICERS AND DIRECTORS**

President.....David Naylor  
Vice – President .....Warren Hodges  
Secretary/Treasurer .....Jack Pullen  
Director .....Steve Hatfield  
Director .....Lowell English

INDEPENDENT AUDITOR'S REPORT

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Members of the Board

**Opinion**

We have audited the financial statements of the RCH Water Supply Corporation (Corporation), a non-profit organization, which comprise the statement of cash receipts and disbursements for the year ended December 31, 2022, and related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the cash receipts and cash disbursements of RCH Water Supply Corporation as of and for the year ended December 31, 2022, in accordance with the cash basis of accounting as described in Note A.

**Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 Corporation 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.

**Basis of Accounting**

We draw attention to Note A of the financial statements, which describes the basis of accounting. The financial statements are prepared on the cash basis of accounting, which is a basis of accounting other than principles generally accepted in the United States of America. 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 the cash basis of accounting described in Note A, and for determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible 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 Corporation'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 an audit conducted in accordance with GAAS 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, misrepresentation, or the override of internal control. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of the financial statements. In performing an audit in accordance with GAAS, we:

- Exercise professional judgement 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 Corporation'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 judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Corporation'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.



August 26, 2023  
Greenville, Texas

## FINANCIAL STATEMENTS

**R C H WATER SUPPLY CORPORATION**  
**STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS**  
**YEAR ENDED DECEMBER 31, 2022**

**CASH RECEIPTS**

WATER SALES	\$ 5,182,002
LESS RETURNED CHECKS	(12,177)
INTEREST	<u>56,861</u>
 TOTAL CASH RECEIPTS	 <u>\$ 5,226,686</u>

**CASH DISBURSEMENTS**

WATER PURCHASE	\$ 1,766,195
PAYROLL	459,387
PAYROLL TAXES	102,129
REPAIR AND MAINTENANCE	210,424
SUPPLIES	21,721
CHEMICALS	11,547
ENGINEERING	127,691
UTILITIES	81,686
INSURANCE	26,336
BILLING	134,038
LEGAL	12,275
ENVIROMENTAL	37,508
ADMINISTRATIVE SERVICES	11,421
MISCELLANEOUS	<u>83,975</u>

TOTAL CASH DISBURSEMENTS	<u>\$ 3,086,333</u>
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INCREASE (DECREASE) IN CASH	\$ 2,140,353
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CASH - BEGINNING (JANUARY 1, 2022)	<u>5,114,776</u>
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<b>CASH - ENDING (DECEMBER 31, 2022)</b>	<b><u><u>\$ 7,255,129</u></u></b>
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The accompanying notes are an integral part of this statement.

**RCH WATER SUPPLY CORPORATION  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2022**

A. Statement of Operations

The RCH Water Supply Corporation (Corporation) is a not-for-profit entity organized under the laws of the State of Texas. The Corporation exists to provide potable water service to the unincorporated areas of central and southeast Rockwall County and includes parts of the incorporated area known as McLendon-Chisholm. Management rests with the Board of Directors elected by the members. The Board controls the issuance of contracts, payment of funds, investment decisions and establishment of accounting guidelines.

B. Summary of Significant Accounting Policies

1. Basis of Accounting

The organization's fund type is accounted for using the cash receipts and cash disbursements basis of accounting which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under that basis, the only asset recognized is cash and no liabilities are recognized. All transactions are recognized as either cash receipts or cash disbursements, and noncash transactions are not recognized in the financial statement. The cash basis differs from accounting principles generally accepted in the United States of America primarily because the effects of receivables, capital assets, and liabilities are not included in the financial statements.

2. Basis of Presentation

The Financial Accounting Standards Board issued Accounting Standards Codification Topic 958, *Financial Statements of Not-for-Profit Organizations* (ASC 958). ASC 958 provides standards for external financial statements of certain types of nonprofit organizations. Member owned utility corporations do not meet the definition of a not-for-profit organization under ASC 958. As such, these financial statements are presented in the format of a small business.

3. Use of Estimates

The preparation of financial statements in conformity with the cash basis of accounting requires management to make estimates and assumptions that affect the reported amounts of cash receipts and disbursement. Actual results could differ from those estimates.

4. Fair Value of Financial Instruments

The carrying amount of the Corporation's cash approximates market value at year end.

5. Federal Income Taxes

The Corporation is exempt from Federal Income Taxes under Section 501(c)(12) of the Internal Revenue Code. This exemption was approved by the Internal Revenue Service and the service has identified the Corporation as an entity other than a private foundation.

B. Cash and Cash Equivalents

Cash and Cash Equivalents are comprised of the following at year end:

Alliance Bank	\$	943,544
American National Bank		254,027
American National Bank		6,057,558
Total Cash and Cash Equivalents	\$	7,255,129

During the year, the Corporation's operating fund was maintained at the Alliance Bank, Sulphur Springs, Texas and investment accounts at the American National Bank of Texas, Terrell, Texas. These institutions are members of the Federal Deposit Insurance Corporation (FDIC). Deposits at these financial institutions exceeded FDIC insurance limits during the year. The Corporation does appear to be subject to custodial credit risk throughout the year.



**RCH WATER SUPPLY CORPORATION  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2022**

C. Risk Management

The Corporation is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year, the Corporation purchased commercial insurance to cover these liabilities. There were no significant reductions in coverage in the past fiscal year, and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

D. Litigation

The Corporation does not appear to be involved in any pending litigation as of year-end.

E. Subsequent Events

Management of the Corporation has evaluated subsequent events through August 26, 2023, which is the date the financial statements were available to issue. There do not appear to be any events occurring after year end that could have a material effect on the financial statements at year end as presented.