



# **RCH Water Supply Corporation**

Annual Financial Report

For the Year Ended December 31, 2025

**RCH Water Supply Corporation**  
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**DECEMBER 31, 2025**

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**SNOW GARRETT WILLIAMS**  
CERTIFIED PUBLIC ACCOUNTANTS

**Independent Auditor's Report**

To the Board of Directors  
RCH Water Supply Corporation  
Rockwall, Texas

**Opinion**

We have audited the accompanying financial statements of RCH Water Supply Corporation (a nonprofit organization), which comprise the statement of financial position as of December 31, 2025, 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 RCH Water Supply Corporation as of December 31, 2025, and the changes in its net assets and 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 RCH Water Supply 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.

**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 RCH Water Supply 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 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 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 RCH Water Supply 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 judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about RCH Water Supply 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.

*Snow Garrett Williams*

Snow Garrett Williams  
April 24, 2026

**RCH WATER SUPPLY CORPORATION  
STATEMENT OF FINANCIAL POSITION  
DECEMBER 31, 2025**

**ASSETS**

**Current Assets**

Cash and cash equivalents	\$ 1,807,744
Accounts receivable	428,602
Inventory	140,000
Prepaid construction	11,118,674
Prepaid expense	76,931

**Total Current Assets** 13,571,951

**Fixed Assets**

Property, plant, and equipment	44,578,790
Less accumulated depreciation	<u>(22,180,226)</u>

**Total Fixed Assets (net)** 22,398,564

**TOTAL ASSETS** \$ 35,970,515

**LIABILITIES AND NET ASSETS**

**Current Liabilities**

Accounts payable	\$ 2,650,051
Membership refunds payable	84,450
Accrued expenses	48,288
Deferred revenue	661,257
Notes payable - current portion	486,850

**Total Current Liabilities** 3,930,896

**Long-term Debt**

Notes payable	18,611,684
Notes payable - current portion	<u>(486,850)</u>

**Total Long-term Debt** 18,124,834

**TOTAL LIABILITIES** 22,055,730

**Net Assets**

Without Restrictions	
Memberships	488,250
Undesignated	<u>13,426,535</u>

**Total Net Assets** 13,914,785

**TOTAL LIABILITIES AND NET ASSETS** \$ 35,970,515

The accompanying notes are an integral part of these statements.

**RCH WATER SUPPLY CORPORATION**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2025**

<b>Operating Revenues</b>	
Water revenue	\$ 6,076,642
Other	<u>14,529</u>
<b>Total Operating Revenues</b>	<u>6,091,171</u>
 <b>Operating Expenses</b>	
Administrative services	263,468
Depreciation	1,038,514
Dues and fees	44,357
Insurance	36,972
Miscellaneous expense	38,676
Operating supplies	112,196
Professional services	1,120,901
Repairs and maintenance	82,500
Salaries and related expenses	751,672
Supplies and postage	9,334
Vehicle expense	16,397
Water purchases	<u>2,009,520</u>
<b>Total Operating Expenses</b>	<u>5,524,507</u>
<b>Operating Income</b>	<u>566,664</u>
 <b>Other Revenue and (Expenses)</b>	
Interest revenue	376,751
Interest expense	(1,068,291)
Developer equity buy-in fees	526,575
Gain on disposal of asset	<u>26,076</u>
<b>Total Other Revenue and (Expenses)</b>	<u>(138,889)</u>
<b>Change in Net Assets</b>	427,775
Net assets, beginning of year	13,460,697
Prior period adjustment (restatement)	<u>29,463</u>
Net assets, beginning of year, as restated	13,490,160
Changes in memberships, net	<u>(3,150)</u>
<b>Net Assets, End of Year</b>	<u><u>\$ 13,914,785</u></u>

The accompanying notes are an integral part of these statements.

**RCH WATER SUPPLY CORPORATION  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2025**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Net Operating Income	\$ 566,664
Adjustments to reconcile net operating income to net cash provided by operating activities:	
Depreciation	1,038,514
(Increase) Decrease in:	
Accounts receivable	(79,706)
Inventory	35,000
Prepaid construction	6,673,470
Prepaid expense	(17,300)
Increase (Decrease) in:	
Accounts payable	1,642,838
Accrued expenses	(34,394)
Deferred revenue	<u>661,257</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>10,486,343</u>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Interest income	376,515
Purchases of fixed assets	<u>(11,695,943)</u>
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<u>(11,319,428)</u>

**CASH FLOWS FROM FINANCING ACTIVITIES**

Issuance of note payable	650,000
Principal payments on note payable	(154,316)
Membership additions	111,000
Developer equity buy-in fees	526,575
Interest paid	<u>(1,170,536)</u>
<b>NET CASH USED IN FINANCING ACTIVITIES</b>	<u>(37,277)</u>

**NET DECREASE IN CASH**

(870,362)

**CASH AND CASH EQUIVALENTS - BEGINNING OF THE YEAR**

2,678,106

**CASH AND CASH EQUIVALENTS - END OF THE YEAR**

\$ 1,807,744

**SUPPLEMENTAL CASH FLOW INFORMATION:**

CASH PAID FOR INTEREST	<u><u>\$ 1,291,691</u></u>
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The accompanying notes are an integral part of these statements.

**RCH WATER SUPPLY CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2025**

**NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Organization

RCH Water Supply Corporation (the Corporation) is a nonprofit organization incorporated under the laws of the State of Texas on July 24, 1961. The Company 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-Chisolm. Management of the Corporation is vested in a Board of Directors elected by the members. The Board establishes policies and provides oversight of significant matters, including contracts, major expenditures and investments. Day-to-day operations are delegated to the General Manager/Chief Executive Officer, who is responsible for implementing Board policies and managing the Corporation's activities.

Financial Statement Presentation

The Corporation prepares its financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Under this method of accounting, all revenues are recognized when earned and expenses are recognized in the period in which the liabilities are incurred. Expenses are reported in the financial statements according to their natural classification under a single function of operating expenses related to the sale of water. The Corporation is required to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without restrictions: Net assets that are not subject to restrictions and may be expended for any purpose in performing the primary objectives of the Corporation. These net assets may be used at the discretion of the Corporation's management and the Board of Directors.

Net assets with restrictions: Net assets subject to restrictions imposed by others that are temporary in nature, such as those that will be met by the passage of time or other events specified. Other restrictions are perpetual in nature, where the restriction stipulates those resources be maintained in perpetuity.

Income Taxes

The Corporation is qualified as an exempt organization for federal income tax purposes under Internal Revenue Code Section 501(c)(12) and has been determined by the Internal Revenue Service not to be a "private foundation" within the meaning of Section 509(A) of the Code.

Income tax benefits are recognized for income tax positions taken or expected to be taken in a tax return only when it is determined that the income tax position will more-likely-than-not be sustained upon examination of taxing authorities. The Corporation has analyzed tax positions taken for filing with the Internal Revenue Service. The Corporation believes that income tax filing positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse effect on the Corporation's financial condition, results of operations, or cash flows. Accordingly, the Corporation has not recorded any reserve, or related accruals for interest and penalties for uncertain income tax positions at December 31, 2025.

**RCH WATER SUPPLY CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2025**

**NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Cash and Cash Equivalents

The Corporation considers all cash and highly liquid financial instruments with original maturities of three months or less to be cash and cash equivalents.

Accounts Receivable

Accounts receivable consists of amounts due from customers for water service. The Corporation writes off bad debts to income when it is determined that an account is uncollectible. It is management's opinion that substantially all receivables at December 31, 2025 are collectible. Accordingly, no allowance for credit losses is recorded. In evaluating the need for an allowance for credit losses, the Corporation considers historical collection experience, current economic conditions, and reasonable and supportable forecasts; however, based on this evaluation, management concluded that expected credit losses are not material at December 31, 2025. The beginning and ending balances of accounts receivable for the year ended December 31, 2025, are as follows:

Accounts Receivable	January 1, 2025	December 31, 2025
Water billing	\$ 348,896	\$ 400,714
Repairs	-	27,888
	\$ 348,896	\$ 428,602

Inventory

Inventory consists primarily of water meters and related parts and is stated at cost, which approximates net realizable value.

Property and Equipment

Property and equipment that have a useful life of more than one year, and that have a unit cost of \$2,500 or more are stated at cost. Donated property and equipment are recorded at estimated fair value at the date of donation. Depreciation expense is calculated on the straight-line basis over the estimated useful lives of the assets.

The estimated useful lives of the major classes of assets are as follows:

Machinery and Equipment	20-30 years
Pumps and Tanks	5-30 years
Vehicles	5-10 years

Maintenance and repairs are charged to expense as incurred. When facilities are retired or otherwise disposed of, the cost is removed from the asset accounts and the related depreciation reserve is adjusted with the difference being charged to income.

**RCH WATER SUPPLY CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2025**

**NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Revenue Recognition

Revenue from contracts with customers consists of monthly billings for water charges as well as installation fees. Monthly water charges are composed of a monthly minimum charge, which is applied to all accounts regardless of usage and is pro-rated for meter installations and service terminations falling during the calendar month, and a usage charge, which is based on actual monthly meter readings calculated from reading date to reading date. Meters are read at the end of each month, and bills are mailed on the first day of the following month. All bills are due by the 15<sup>th</sup> of the month following the period to which the charges relate, after which a penalty is applied. Installation fees consist of all labor, materials, engineering, legal, and administrative costs necessary to provide individual metered service and are charged on a per tap basis. Payment is due and revenue is recognized at the time installation is requested by the member.

Use of Estimates

The preparation of financial statements in conformity with 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.

**NOTE B: CONCENTRATIONS OF CREDIT RISK**

The Corporation maintains its cash deposits with financial institutions which, at times, may exceed federally insured limits. The Federal Deposit Insurance Corporation (FDIC) insures deposits up to \$250,000 per depositor, per insured bank. At December 31, 2025, the Corporation's cash balances exceeded FDIC insured limits by \$1,002,431.

**NOTE C: PROPERTY, PLANT AND EQUIPMENT**

Property and equipment consisted of the following at December 31, 2025:

Land	\$ 5,494,878
Machinery and equipment	24,888,223
Pumps and tanks	2,084,726
Vehicles	179,414
Construction in progress	<u>11,931,549</u>
Total at cost	\$ 44,578,790
Accumulated Depreciation	<u>(22,180,226)</u>
Fixed assets, net	<u>\$ 22,398,564</u>

Depreciation expense was \$1,038,514 for the year ending December 31, 2025.

**RCH WATER SUPPLY CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2025**

**NOTE E: LONG-TERM DEBT**

The Corporation has a note payable with a financial institution, which was converted from a line of credit during the year, to finance system improvements. The note bears interest at a fixed rate of 6.36% and requires monthly payments of principal and interest. The note matures in 2045. The outstanding balance of the note was \$18,611,684 as of December 31, 2025. The note is secured by the Corporation's water system assets. Interest incurred totaled \$1,189,446, of which \$121,155 was capitalized in connection with construction activities.

Future maturities of long-term debt are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 486,850	\$ 1,187,518	\$ 1,674,368
2027	519,188	1,155,315	1,674,503
2028	550,426	1,124,152	1,674,578
2029	590,236	1,084,486	1,674,722
2030	629,441	1,045,423	1,674,864
Thereafter	15,835,543	8,751,547	24,587,090
Total	<u>\$ 18,611,684</u>	<u>\$ 14,348,441</u>	<u>\$ 32,960,125</u>

**NOTE F: LIQUIDITY AND AVAILABILITY OF RESOURCES**

The Corporation's financial assets available within one year of the statement of financial position date for general expenditures consist of cash and accounts receivable totaling \$2,236,346 as of December 31, 2025.

The Corporation manages its liquidity by maintaining adequate cash balances to meet its operating needs and other contractual obligations as they become due. As part of its liquidity management, the Corporation structures its financial assets to be available to meet general expenditures, liabilities, and other obligations as they come due within one year.

**NOTE G: RETIREMENT PLAN**

The Corporation sponsors a defined contribution 401(k) retirement plan (the Plan) covering substantially all employees who meet eligibility requirements. The Corporation matches employee contributions up to 5% of eligible compensation, as defined by the Plan.

Employer contributions to the Plan totaled \$25,547 for the year ended December 31, 2025.

All participants are immediately 100% vested in both employee and employer contributions. Withdrawals from the Plan prior to retirement are subject to applicable federal income taxes and penalties.

**RCH WATER SUPPLY CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2025**

**NOTE H: CONTINGENCIES**

The Corporation is involved in litigation related to alleged breaches of fiduciary duty by a former service provider. A judgment was rendered in favor of the Corporation; however, the defendant has filed an appeal, and the matter is currently pending before the Texas Court of Appeals.

As of December 31, 2025, no amounts have been collected related to this matter. In accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification 450, *Contingencies*, no gain has been recognized in the accompanying financial statements, as realization has not occurred and the matter remains subject to appeal.

**NOTE I: PRIOR PERIOD ADJUSTMENT**

The Corporation identified an error in the prior year related to the calculation of memberships. The number of active members used in determining member equity balances was overstated, resulting in an overstatement of net assets without donor restrictions and an understatement in revenues.

As a result of correcting this error, beginning net assets without donor restrictions as of January 1, 2025 have been decreased by \$29,463. The adjustment has been recorded to properly reflect the number of active members and the related member equity balances.

The effect of the restatement on the Corporation's financial position as of January 1, 2025 is as follows:

Net assets without donor restrictions, as previously reported	\$ 13,460,697
Adjustment to member equity	<u>29,463</u>
Net assets without donor restrictions, as restated	<u>\$ 13,490,160</u>

**NOTE J: SUBSEQUENT EVENTS**

The Corporation evaluated subsequent events through April 24, 2026, the date the financial statements were available to be issued and noted nothing significant requiring disclosure.