



**GONZALES COUNTY WATER SUPPLY CORPORATION**  
(A Nonprofit Corporation)

**ANNUAL FINANCIAL REPORT**

**FOR THE YEARS ENDED  
DECEMBER 31, 2022 AND 2021**

GONZALES COUNTY WATER SUPPLY CORPORATION  
ANNUAL FINANCIAL REPORT  
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

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Armstrong, Vaughan & Associates, P. C.

Certified Public Accountants

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Gonzales County Water Supply Corporation  
2000 Waelder Rd  
Gonzales, Tx 78629

### **Report on the Audit of the Financial Statements**

#### ***Opinion***

We have audited the accompanying financial statements of Gonzales County Water Supply Corporation (a nonprofit corporation), which comprise the statements of financial position as of December 31, 2022, and the related statements of activities, functional expenses 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 Gonzales County Water Supply Corporation as of December 31, 2022, 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 audits 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 Gonzales County Water Supply Corporation 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.

#### ***Other Matter***

The financial statements of Gonzales County Water Supply Corporation for the year ended December 31, 2021 were audited by another auditor who expressed an unmodified opinion on those statement on March 30, 2022.

#### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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 Gonzales County Water Supply Corporation's ability to continue as a going concern for one year after the date that the financial statements are 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 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, 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 GAAS, 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 Gonzales County 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 Gonzales County 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.

*Armstrong, Vaughan & Associates, P.C.*

Armstrong, Vaughan & Associates, P.C.

April 17, 2023

GONZALES COUNTY WATER SUPPLY CORPORATION  
 STATEMENTS OF FINANCIAL POSITION  
 DECEMBER 31, 2022 AND 2021

	2022	2021*
<b>ASSETS</b>		
<i>Current Assets:</i>		
Cash and Cash Equivalents	\$ 1,231,320	\$ 1,113,878
Certificates of Deposit	319,509	318,372
Accounts Receivable - Members	217,370	182,414
Unbilled Revenue	507,827	389,518
Other Receivables	75,292	279,092
Prepaid Expenses	63,479	117,788
Inventory	191,090	170,521
<i>Total Current Assets</i>	2,605,887	2,571,583
 <i>Other Assets:</i>		
Cobank Financing Certificates	33,401	28,335
<i>Total Other Assets</i>	33,401	28,335
 <i>Property &amp; Equipment (net)</i>	12,242,054	11,219,845
 <b>TOTAL ASSETS</b>	\$ 14,881,342	\$ 13,819,763
 <b>LIABILITIES AND NET ASSETS</b>		
<i>Current Liabilities:</i>		
Accounts Payable	\$ 106,220	\$ 156,186
Accrued Salaries	21,735	99
Accrued Interest	9,294	9,247
Notes Payable Current Portion	64,912	65,956
Unearned Revenue	5,300	1,700
<i>Total Current Liabilities</i>	207,461	233,188
 <i>Long-term Debt:</i>		
Notes Payable (Net of Current)	1,411,047	1,472,541
<i>Total Long-term Debt</i>	1,411,047	1,472,541
<i>Total Liabilities</i>	1,618,508	1,705,729
 <i>Net Assets:</i>		
<i>Without Donor Restriction:</i>		
Property, Plant and Equipment (Net of Debt)	10,799,496	9,709,683
Operations	2,463,338	2,404,351
<i>Total Net Assets</i>	13,262,834	12,114,034
 <b>TOTAL LIABILITIES AND NET ASSETS</b>	\$ 14,881,342	\$ 13,819,763

\* Prior Year has been restated to show the effects of Prior Period Adjustments

GONZALES COUNTY WATER SUPPLY CORPORATION  
STATEMENTS OF ACTIVITIES  
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	Without Donor Restrictions	
	2022	2021*
<b>Operating Revenues:</b>		
Water Sales	\$ 2,926,937	\$ 2,468,175
Other Charges	456,139	392,297
<b>Total Operating Revenues</b>	3,383,076	2,860,472
<b>Operating Expenses:</b>		
Personnel Costs	994,633	949,240
Depreciation	648,363	555,306
Repairs and Maintenance	370,633	308,691
Other Expenses	272,744	236,285
Utilities	260,076	208,461
Water Costs	110,227	108,995
Professional Fees	63,231	15,569
<b>Total Operating Expenses</b>	2,719,907	2,382,547
<b>Operating Income (Loss)</b>	663,169	477,925
<b>Non-Operating Revenues (Expenses):</b>		
Membership Fees	9,600	9,314
Capital Improvement and Installation Fees	303,656	134,593
Grant Income	246,686	-
Miscellaneous Income	582	-
Investment Income	9,117	4,256
Loss on the Disposal of Capital Assets	(1,058)	(34,440)
Interest Expense	(82,952)	(85,988)
<b>Total Non-Operating Revenues (Expenses)</b>	485,631	27,735
<b>Increase in Net Assets</b>	1,148,800	505,660
Net Assets at Beginning of Year	12,114,034	10,776,470
Prior Period Adjustment	-	831,904
<b>Net Assets at End of Year</b>	\$ 13,262,834	\$ 12,114,034

\* Prior Year has been restated to show the effects of Prior Period Adjustments

GONZALES COUNTY WATER SUPPLY CORPORATION  
 STATEMENTS OF FUNCTIONAL EXPENSES  
 FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022		
	Program	Management and General	Total
<b>Operating Expenses:</b>			
Personnel Costs	\$ 770,325	\$ 224,308	\$ 994,633
Depreciation	648,363	-	648,363
Repairs and Maintenance	370,633	-	370,633
Other Expenses	-	272,744	272,744
Utilities	-	260,076	260,076
Water Costs	110,227	-	110,227
Professional Fees	-	63,231	63,231
<b>Non-Operating Expenses:</b>			
Interest Expense	82,952	-	82,952
<b>Total Expenses</b>	<b>\$ 1,982,500</b>	<b>\$ 820,359</b>	<b>\$ 2,802,859</b>

	2021		
	Program	Management and General	Total
<b>Operating Expenses:</b>			
Personnel Costs	\$ 707,732	\$ 241,508	\$ 949,240
Depreciation	555,306	-	555,306
Repairs and Maintenance	308,691	-	308,691
Other Expenses	-	236,285	236,285
Utilities	-	208,461	208,461
Water Costs	108,995	-	108,995
Professional Fees	(9,031)	24,600	15,569
<b>Non-Operating Expenses:</b>			
Interest Expense	85,988	-	85,988
<b>Total Expenses</b>	<b>\$ 1,757,681</b>	<b>\$ 710,854</b>	<b>\$ 2,468,535</b>

GONZALES COUNTY WATER SUPPLY CORPORATION  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022	2021*
<b>Cash Flows from Operating Activities</b>		
Cash Received from Customers	\$ 3,233,411	\$ 2,837,317
Miscellaneous Receipts	582	-
Cash Payments to Suppliers for Goods and Services	(889,337)	(834,466)
Cash Payments to Employees for Services	(972,997)	(956,706)
Cash Paid for Interest	(82,905)	(86,383)
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>1,288,754</b>	<b>959,762</b>
 <b>Cash Flows from Investing Activities</b>		
Investment Income	9,117	4,256
Purchase/Reinvestment in Certificates of Deposit	(1,137)	(583)
Purchases and Construction of Capital Assets	(1,424,944)	(943,757)
<b>Net Cash Provided (Used) by Investing Activities</b>	<b>(1,416,964)</b>	<b>(940,084)</b>
 <b>Cash Flows from Financing Activities</b>		
Principal Payments on Notes	(62,538)	(58,784)
Deferral of CoBank Capital Term Certificates	(5,066)	(1,001)
Membership Fees	9,600	9,314
Impact Fees	303,656	134,593
<b>Net Cash Provided (Used) by Financing Activities</b>	<b>245,652</b>	<b>84,122</b>
 Net Increase (Decrease) in Cash and Cash Equivalents	117,442	103,800
 Beginning Cash and Cash Equivalents - Unrestricted		
Unrestricted	1,113,878	1,010,078
Total	1,113,878	1,010,078
 Ending Cash and Cash Equivalents - Unrestricted		
Unrestricted	1,231,320	1,113,878
Total	<b>\$ 1,231,320</b>	<b>\$ 1,113,878</b>

\* Prior Year has been restated to show the effects of Prior Period Adjustments



GONZALES COUNTY WATER SUPPLY CORPORATION  
STATEMENTS OF CASH FLOWS (CONT.)  
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022	2021*
<b>Reconciliation of Operating Income to Net Cash Provided (Used)</b>		
<b>by Operating Activities</b>		
Operating Income (Loss)	\$ 663,169	\$ 477,925
Adjustments to Reconcile Income from Operations to Net Cash		
Provided by Operating Activities:		
Depreciation	648,363	555,306
Interest Expense	(82,952)	(85,988)
Miscellaneous Receipts	582	-
Change in Assets and Liabilities:		
(Increase) Decrease in Accounts Receivable - Members	(34,956)	11,612
(Increase) Decrease in Unbilled Revenue	(118,309)	(34,767)
(Increase) Decrease in Other Receivable	203,800	204,898
(Increase) Decrease in Prepaid Expenses	54,309	(3,703)
(Increase) Decrease in Inventory	(20,569)	(36,187)
Increase (Decrease) in Accounts Payable	(49,966)	(121,473)
Increase (Decrease) in Accrued Salaries	21,636	(7,466)
Increase (Decrease) in Accrued Interest	47	(395)
Increase (Decrease) in Prepaid Customer Balances	3,600	-
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>\$ 1,288,754</b>	<b>\$ 959,762</b>

\* Prior Year has been restated to show the effects of Prior Period Adjustments

GONZALES COUNTY WATER SUPPLY CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022 AND 2021

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

**1. NATURE OF ACTIVITIES**

Gonzales County Water Supply Corporation is a non-profit corporation organized to deliver and sell water through its distribution system for individual and commercial entities in the rural communities of Belmont, Cost, Dilworth, Hamon, Harwood, Leesville, Monthalia, Nickel, Oak Forest, Sandy Fork, Saturn, Summerville, Westhoff, Wrightsboro, Texas. The Corporation was organized as a nonprofit corporation in November 1971. The accounting policies of the Corporation conform to generally accepted accounting principles. The following is a summary of the more significant policies.

**2. FINANCIAL STATEMENT PRESENTATION**

The financial statements of Gonzales County Water Supply Corporation are presented in accordance with the provisions of Financial Accounting Standards Board (FASB) ASC 958-605-15 and 958-205-05. Under these provisions, net assets, revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Corporation and changes therein are classified and reported as follows:

*Without Donor Restrictions* – net assets that are not subject to donor-imposed stipulations.

*With Donor Restrictions* – net assets subject to donor-imposed stipulations that control the use of the assets either by nature or timing.

Donor-restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of the transaction. When a restriction expires, net assets are reclassified to net assets without donor restrictions. However, if restrictions are met in the same reporting period, the amounts will be reported in the changes of net assets without donor restrictions.

**3. CASH AND CASH EQUIVALENTS**

The Corporation considers checking accounts, savings accounts, money market accounts, and certificates of deposit with a maturity date within three months from the date of purchase to be cash and cash equivalents.

**4. INVESTMENTS**

Investments consist of certificates of deposit which are reported at amortized cost.

GONZALES COUNTY WATER SUPPLY CORPORATION  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2022 AND 2021

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

**5. ACCOUNTS RECEIVABLE/REVENUE RECOGNITION**

The Corporation considers the customer relationship to be contractual in nature and secured by a membership fee, making it collectible. The performance obligation is the delivery of water, which is achieved on a daily basis. Thus, water sales revenue, as reported on the Statement of Activities, is considered contract revenue recognized as water is delivered. Customers are billed monthly for water delivered to their meter over the previous month based upon published rates established in the Corporation's tariff. A contract asset (Unbilled Revenue) is recorded at year end for water delivered since the last reading but not yet billed to customers. The balance of the contract asset as of December 31, 2022, 2021, and 2020 was \$507,827, \$389,518, and \$354,751, respectively.

In addition, the Corporation charges capital improvement fees upon adding a new meter to the system. These fees are a recovery of prior capital assets to develop the capacity to deliver the water to these new customers. The fees also cover costs of final connection to water mains. Revenue from these transactions is recorded upon connection of the new meter to the system (the performance obligation).

Accounts receivable -- members is made up of amounts owed for water consumption and related fees. The receivable is reported net of management's estimate for uncollectible accounts in the amount of \$217,370 and \$182,414 as of December 31, 2022 and 2021.

**6. INVENTORY**

Inventory is recorded at the lower of cost or market value using the first in, first out (FIFO) method.

**7. PROPERTY, PLANT AND EQUIPMENT**

Capital assets, which include land, buildings and improvements, equipment, and water plant and distribution systems, are recorded at cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The Costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Interest has not been capitalized during the construction periods on water plant and distribution systems. Purchases with a useful life in excess of one year and a cost of at least \$5,000 are capitalized and depreciated using the straight-line method over the following estimated useful lives:

Vehicles and Equipment	5 to 7 years
Plant and Distribution Systems	5 to 50 years

GONZALES COUNTY WATER SUPPLY CORPORATION  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2022 AND 2021

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

**8. INCOME TAXES**

The Corporation is a not-for-profit organization exempt from federal income taxes pursuant to Section 501(c)12 of the Internal Revenue Code, except to the extent it has unrelated business income. As such, no provision for income taxes has been made in the financial statements. The Corporation generally is no longer subject to income tax examination by Federal authorities for years prior to December 31, 2019.

**9. USE OF ESTIMATES**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**10. FUNCTIONAL EXPENSES**

The Corporation operates one program to deliver water to its members. Costs associated with producing and delivering the water are shown as program expenses. Costs directly related to the office are allocated to management and general. Personnel costs for office employees are allocated to management and general at fifty to seventy-five percent based on estimate of their hours spent on program activities.

**11. SUBSEQUENT EVENTS**

Subsequent events have been evaluated through April 17, 2023, which is the date the financial statements were available to be issued.

**12. RECLASSIFICATIONS**

Certain reclassifications were made to the 2021 financial statements to conform to the 2022 presentation. These reclassifications had no effect on the change in net assets.

GONZALES COUNTY WATER SUPPLY CORPORATION  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 DECEMBER 31, 2022 AND 2021

**NOTE B -- CASH COLLATERALIZATION**

The Corporation's cash and cash equivalents are held in multiple financial institutions, and cash balances of up to \$250,000 are secured by the Federal Deposit Insurance Corporation (FDIC) at each financial institution. Cash balances at two (2) institutions were \$318,306 in excess of federal deposit insurance coverage as of December 31, 2022. The Corporation may lose these deposits in the event of a bank failure.

**NOTE C -- ACCOUNTS RECEIVABLE**

Accounts receivable balances consist of the following as of December 31, 2022 and 2021:

	2022	2021
Customer Balances	\$ 217,370	\$ 182,414
Unbilled Revenues	507,827	389,518
Other Receivables	75,292	279,092
Total	<u>\$ 800,489</u>	<u>\$ 851,024</u>

**NOTE D -- PROPERTY, PLANT AND EQUIPMENT**

The Corporation's property, plant, and equipment as of December 31 consisted of the following:

	2022	2021
Land and Land Rights	\$ 190,259	\$ 190,259
Water Rights	46,235	46,235
Plant & Distribution	18,647,240	17,706,623
Vehicles and Equipment	2,434,059	1,947,949
Construction in Progress	325,453	111,144
	<u>21,643,246</u>	<u>20,002,210</u>
<i>Less Accumulated Depreciation</i>		
Vehicles and Equipment	(1,541,503)	(1,344,002)
Plant and Distribution	(7,859,689)	(7,438,363)
	<u>(9,401,192)</u>	<u>(8,782,365)</u>
Property & Equipment, Net	<u>\$ 12,242,054</u>	<u>\$ 11,219,845</u>

Land, water rights and construction in progress are not depreciated. The property and equipment are pledged as collateral for the Corporation's notes payable.

GONZALES COUNTY WATER SUPPLY CORPORATION  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2022 AND 2021

**NOTE E -- PRIOR PERIOD ADJUSTMENT**

Adjustments were made to correct items on the financial statements for the year ending December 31, 2021 and December 31, 2020. These adjustments are summarized as follows:

Adjustment	2021	2020
Net Assets, Previously Reported	\$ 11,442,082	\$ 10,776,471
Unrecorded Unbilled Revenue	389,518	354,751
Overstated Prepays	(23,651)	(32,682)
Overstated Deferred Revenues	306,085	509,834
Net Assets, Restated	<u>\$ 12,114,034</u>	<u>\$ 11,608,374</u>

**NOTE F -- LONG-TERM DEBT**

The Corporation has the following notes payable:

Institution	Original Issue		Interest Rate	Maturity Date	Monthly Payment
	Amount	Date			
CoBank T02	\$ 1,200,000	8/24/2015	5.24%	7/31/2036	\$ 8,256
CoBank T04	616,625	7/18/2018	5.41%	7/20/2038	10,075

The CoBank monthly payment fluctuates based on a floating interest calculation. The CoBank notes contain two financial ratio covenants: debt service coverage ratio and total debt to total capitalization ratio. As of December 31, 2022 and 2021, the Corporation complied with these covenants.

The Corporation has a revolving line of credit through CoBank with an interest rate of 6.4%. The line of credit matures on 7/31/2023 and has an outstanding balance of \$0 as of December 31, 2022.

The Corporation's long-term debt activity as of and for the year ending December 31, 2022 is as follows:

Debt	Balance Outstanding	Additions	Retirements	Balance Outstanding	Due Within One Year
	1/1/2022			12/31/2022	
CoBank T02	\$ 475,761	\$ -	\$ (25,006)	\$ 450,755	\$ 25,841
CoBank T04	1,076,097	-	(40,975)	1,035,122	43,279
Loan Origination Fees	(13,361)	-	3,443	(9,918)	(4,208)
Totals	<u>\$ 1,538,497</u>	<u>\$ -</u>	<u>\$ (62,538)</u>	<u>\$ 1,475,959</u>	<u>\$ 64,912</u>

GONZALES COUNTY WATER SUPPLY CORPORATION  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2022 AND 2021

**NOTE F -- LONG-TERM DEBT (CONT.)**

The annual requirements to service notes outstanding as of December 31, 2022, including interest payments, are as follows:

Year End December 31,	Principal Payments	Interest Payments	Total
2023	\$ 69,120	\$ 69,933	\$ 139,053
2024	71,713	66,999	138,712
2025	74,861	63,425	138,286
2026	79,505	59,258	138,763
2027	83,325	55,020	138,345
2028-2032	480,751	215,565	696,316
2033-2037	562,130	85,725	647,855
2038	64,472	1,207	65,679
Total	<u>\$ 1,485,877</u>	<u>\$ 617,132</u>	<u>\$ 2,103,009</u>

**NOTE G – LIQUIDITY AND AVAILABILITY**

The Corporation is substantially supported by monthly water bills to customers. The Corporation rarely receives contributions of a restricted nature and thus all of the current assets reported on the Statement of Financial Position (\$2,605,887 and \$2,571,583 as of December 31, 2022 and 2021, respectively) are available to fund the operations of the Corporation. The majority of this balance is held in cash and certificates of deposit that can be drawn upon in the event of financial distress. Because of the cyclical nature of the operations, the Board strives to keep six months of operating costs (less depreciation) and debt service (approximately \$1.1 million) in cash and certificates of deposit. The Corporation exceeded this mark as of December 31, 2022 and 2021.

**NOTE H – RETIREMENT PLAN**

The Corporation sponsors a simple IRA for eligible employees. Employees are eligible to join the plan if compensation is expected to exceed \$5,000 in the calendar year. The Corporation matches employee contributions up to 3% of eligible employee’s wages. Employee contributions are voluntary and are required in order to receive the employer contributions. Employees are vested upon the start of participation in the plan. Corporation contributions were \$10,861 and \$11,274 for the year ending December 31, 2022 and 2021, respectively.

**NOTE I – CONCENTRATIONS**

The Corporation’s customers are regionally concentrated inside of their Certificate of Convenience and Necessity (CCN) approved by the Texas Commission on Environmental Quality (TCEQ).

**NOTE J – LITIGATION**

Management and legal counsel are actively in discussion with the P.U.C. regarding a complaint over services to one customer. Management and legal counsel are not able to estimate an outcome, or potential affects to the financial statements of these proceedings.

GONZALES COUNTY WATER SUPPLY CORPORATION  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2022 AND 2021

**NOTE K -- FUTURE COMMITMENTS**

The Corporation has multiple groundwater and well site contracts that renew year to year and can be terminated in less than one year with notice. These leases have no minimum payment. In addition, the Corporation has one lease, which commenced on January 1, 2019. It requires a minimum payment of \$27,800, and can be cancelled at any time, but payment will continue until a minimum of ten (10) annual payments have been made. Further, the Corporation has a water rights contract with the City of Gonzales, which commenced in 2015, and automatically renews every seven (7) years, after an initial three (3) years. The contract is set to expire after three (3) automatic renewals. The contract requires a minimum take of 500,000 gallons per month, charged at the City's Industrial rate dictated per City Ordinance 2011-14.



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