

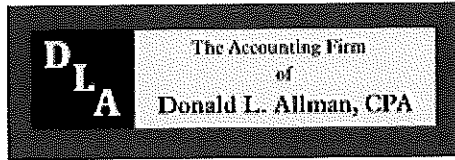
MANVILLE WATER SUPPLY CORPORATION.
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

MANVILLE WATER SUPPLY CORPORATION.

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Independent Auditor's Report

To the Board of Directors
Manville Water Supply Corporation.

Opinion

We have audited the accompanying financial statements of Manville Water Supply Corporation, (the "Corporation"), a non-profit corporation, which comprise the statements of financial position as of December 31, 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 Manville Water Supply Corporation as of December 31, 2022 and the changes in its net assets and its cash flows for the year 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 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 these 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 Corporation's ability to continue as a going concern within one year after the date 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 an error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or 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 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 judgment, 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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Budget vs. Actual is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



Donald L. Allman, CPA, PC

Georgetown, Texas
April 6, 2023

MANVILLE WATER SUPPLY CORPORATION.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2022

	2022	(Comparative Totals Only) 2021
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 2,924,655	\$ 1,858,125
Short-Term Investments	39,033,973	38,260,754
Accounts Receivable	1,690,348	1,324,375
Accrued Interest	293,115	167
Inventory	166,026	467,050
Prepaid Expenses	257,242	84,592
Other Current Assets	3,289	2,066
Total Current Assets	44,368,648	41,997,129
Noncurrent Assets		
Property, Plant and Equipment, Net of Accumulated Depreciation	83,630,400	67,991,090
Other Assets	625	225
Total Noncurrent Assets	83,631,025	67,991,315
TOTAL ASSETS	\$ 127,999,673	\$ 109,988,444
 LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts Payable	2,350,932	2,616,482
Accrued Expenses	197,498	144,473
Refundable Deposits	39,000	24,000
Unearned Revenue	64,141	61,390
Notes payable, current portion	-	447,926
Total Current Liabilities	2,651,571	3,294,271
Long-term Liabilities		
Notes payable, less current portion	-	1,139,222
Total Long-term Liabilities	-	1,139,222
Total Liabilities	2,651,571	4,433,493
Net Assets		
Without Donor Restrictions	125,348,102	105,554,951
With Donor Restrictions	-	-
Total Net Assets	125,348,102	105,554,951
TOTAL LIABILITIES AND NET ASSETS	\$ 127,999,673	\$ 109,988,444

See accompanying notes to the financial statements.

**MANVILLE WATER SUPPLY CORPORATION.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2022**

	Without Donor Restrictions	With Donor Restrictions	Total 2022	(Comparative Totals Only) 2021
OPERATING REVENUES				
Metered Water Sales	\$ 14,800,907		\$ 14,800,907	\$ 12,451,880
Installations and Reimbursements	2,307,287		2,307,287	725,098
Meter Tap and Equity Fees	500,837		500,837	1,335,951
Penalty and Reconnect Fees	98,960		98,960	99,460
Other revenues	4,115	-	4,115	3,719
Total Operating Revenues	17,712,106		17,712,106	14,616,108
WATER AND PRODUCTION COSTS				
Water Purchases	4,639,940		4,639,940	4,105,848
Water Treatment & Testing fees	384,710		384,710	205,966
Utilities	1,365,355	-	1,365,355	1,071,251
Total Cost of Water Sold	6,390,005		6,390,005	5,383,065
GROSS PROFIT ON WATER REVENUE	11,322,101	-	11,322,101	9,233,043
OPERATING EXPENSES				
Operating Expenses	10,779,568	-	10,779,568	7,488,184
Management and General	1,053,435	-	1,053,435	927,958
TOTAL OPERATING EXPENSES	11,833,003	-	11,833,003	8,416,142
OPERATING NET INCOME/(LOSS)	(510,902)	-	(510,902)	816,901
OTHER REVENUES/(EXPENSES)				
LUE Fees	18,821,000		18,821,000	5,111,450
CCN Revenue	677,740	-	677,740	3,619,246
Interest & Patronage income	423,891		423,891	9,214
Rent income	80,787		80,787	
Membership Fees	19,580		19,580	103,545
Noack WC Merger income	-		-	449,241
LUE Extension Fees	267,335		267,335	-
Miscellaneous income	22,723		22,723	173,832
Interest expense				(102,783)
Gain (Loss) on sale of assets	(9,003)		(9,003)	(23,529)
OTHER REVENUES/(EXPENSES)		-		
NET INCOME (LOSS)	20,304,053		20,304,053	9,340,216
TOTAL CHANGE IN NET ASSETS	19,793,151		19,793,151	10,157,117
Net Assets, beginning of year	105,554,951	-	105,554,951	95,397,834
Net Assets, end of year	125,348,102	-	125,348,102	105,554,951

See accompanying notes to the financial statements.

MANVILLE WATER SUPPLY CORPORATION.
STATEMENT OF FUNCTIONAL EXPENSES
DECEMBER 31, 2022

	Operating	Management & General	Total 2022	(Comparative Totals Only) 2021
Salaries & Benefits	\$ 2,532,655	\$ -	\$ 2,532,655	\$ 2,235,338
Customer Goodwill	37,251	-	37,251	23,118
Board of Director Expenses	-	20,578	20,578	16,705
Insurance - Casualty and Liability	149,217	-	149,217	114,535
Professional Fees	243,968	-	243,968	210,795
Easements, Inspections and Permit Fees	33,011	-	33,011	24,877
Depreciation	2,136,870	263,220	2,400,090	2,187,850
Employment Fees - New Hire and Testing	-	6,677	6,677	2,298
Office Supplies, Janitorial and Maintenance	-	77,827	77,827	64,001
Postage and Printing	-	94,750	94,750	84,548
Internet, Web and Software Maintenance	-	151,149	151,149	116,750
Furniture & Equipment Maintenance	-	43,207	43,207	18,800
Official Hospitality	-	12,861	12,861	8,703
Publication - Legal Notices and Filing Fees	-	1,090	1,090	-
Uniform Service	-	16,171	16,171	13,352
Repairs & Maintenance - Water System	2,161,890	-	2,161,890	1,475,417
Repairs & Maintenance - Facilities	380,438	-	380,438	273,607
Repairs & Maintenance - SCADA	283,220	-	283,220	228,426
Repairs & Maintenance - Equipment	94,572	-	94,572	34,697
Repairs & Maintenance - Customer Property	10,083	-	10,083	8,429
Parts, Supplies, Water Meters	2,422,882	-	2,422,882	830,383
Equipment Storage Rentals	131	-	131	742
Service Vehicle Operating Expenses	226,297	-	226,297	157,081
Bank and Credit Card Fees	-	177,593	177,593	151,420
Communications - Telephone and Radio	-	62,264	62,264	56,498
TCEQ System Fees	21,836	-	21,836	23,140
Staff Professional Development Fees	-	19,190	19,190	14,603
Association Dues	-	9,068	9,068	8,964
Annual Meeting	-	8,699	8,699	22,445
Bad Debt Expenses	-	9,542	9,542	8,620
Accounting Fees	-	18,410	18,410	-
Legal Fees	-	61,139	61,139	-
Interest Expenses	45,247	-	45,247	-
TOTAL EXPENSES	\$ 10,779,568	\$ 1,053,435	\$ 11,833,003	\$ 8,416,142

See accompanying notes to financial statements.

MANVILLE WATER SUPPLY CORPORATION.
STATEMENT OF CASH FLOWS
DECEMBER 31, 2022

	2022	(Comparative Totals Only) 2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	19,793,151	5,985,085
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	2,400,090	2,187,850
(Gain) Loss from Sale of Assets	9,003	23,529
(Increase) Decrease in operating assets:		
(Increase)/Decrease in accounts receivable	(365,973)	(17,692)
(Increase)/Decrease in accrued interest receivable	(292,948)	590
(Increase)/Decrease in Inventory	301,024	(375,185)
(Increase)/Decrease in Prepaid Expenses	(172,650)	92,216
(Increase)/Decrease in other assets	(1,223)	931
Increase (Decrease) in operating liabilities:		
Increase (Decrease) in accounts payable	(265,550)	1,596,451
Increase/(Decrease) in accrued expenses	53,025	(4,962)
Increase/(Decrease) in refundable deposits	15,000	(7,500)
Increase/(Decrease) in Unearned Revenue	2,751	16,305
NET CASH PROVIDED BY OPERATING ACTIVITIES	21,475,700	9,497,618
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(18,050,992)	(9,283,954)
Proceeds from Sale of Assets	2,189	3,925
Purchase of Short-Term Investments	(773,219)	(4,193,009)
NET CASH USED BY INVESTING ACTIVITIES	(18,822,022)	(13,473,038)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on Long-Term debt	(1,587,148)	(429,078)
Proceeds from CCN revenue		3,619,246
Proceeds from memberships		103,545
Proceeds from merger with Noack WSC	-	449,241
NET CASH USED BY FINANCING ACTIVITIES	(1,587,148)	3,742,954
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,066,530	(232,466)
CASH AND CASH EQUIVALENTS, beginning of year	1,858,125	2,090,591
CASH AND CASH EQUIVALENTS, end of year	\$ 2,924,655	\$ 1,858,125
Supplemental disclosure of cash flow information:		
Cash paid for interest expense	\$ 45,247	\$ 107,382

See accompanying notes to the financial statements.

**MANVILLE WATER SUPPLY CORPORATION.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 1 – NATURE OF THE ENTITY

Reporting Entity

Manville Water Supply Corporation (the “Corporation”) is a member-owned, tax exempt organization, incorporated October 21, 1969 pursuant to Chapter 67 of the Texas Water Code and the Texas Business Organizations Code, under Texas Certificate of Convenience and Necessity (CCN) No. 11144, for the purpose of making a potable water utility service to rural members in northeast Travis, southeast Williamson and portions of Bastrop and Lee counties, along with suburban and rural communities of Manor, Pflugerville and Coupland, Texas. Operating policies, rates, tariffs and regulations are formulated by a Board of Directors, duly elected by members of the Corporation.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as promulgated by the Financial Accounting Standards Board.

Basis of Presentation

The financial statements are presented on the basis of net assets with donor restrictions or net assets without donor restrictions. Assets with donor restrictions are shown as restricted support in the period earned and reclassified to net assets without donor restrictions in the period in which the restriction is met. All of the Corporation’s net assets were without donor restrictions at December 31, 2022, and may be expended for any purpose in performing the primary objectives of the Corporation at the discretion of the Corporation’s management, under the direction of the Board of Directors. The following is a schedule of unrestricted net assets.

NET ASSETS WITHOUT DONOR RESTRICTIONS	2022
Memberships	
Balance – January 1	\$1,194,710
Member investment – current year	<u>19,580</u>
Balance – December 31	<u>\$1,214,290</u>
Designated by the Board	
Balance - January 1	\$ 549,670
Allocation to (from) Undesignated Net Assets	<u>657,526</u>
Balance - December 31	\$1,207,196

See accompanying notes to the financial statements.

MANVILLE WATER SUPPLY CORPORATION.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Undesignated

Balance – January 1	\$ 103,810,571
Allocation from Undesignated Net Assets	(657,526)
Change in Net Assets from Operations and Other Activities	<u>19,773,571</u>
Balance – December 31	<u>\$ 122,926,616</u>
TOTAL NET ASSETS	<u>\$ 125,348,102</u>

Basis of Accounting

The financial statements are prepared using the accrual basis of accounting. Under this method, revenues are recorded in the period earned and when the amount and timing of the revenue can be reasonably determined. Expenses and asset additions are recognized at the time a liability arises which is normally at the time title passes or a service is received.

Cost Allocation

Expenses are currently charged directly to a program or management and general category based on specific identification.

Income Taxes and Other Taxes

The Corporation is exempt from federal income tax under Section 501(c) (12) of the Internal Revenue Code, except for income tax related to certain unrelated business income. The Corporation had no significant unrelated business income during the year ended December 31, 2022. The Corporation is also exempt from State of Texas franchise taxes and local property taxes. Because the Corporation is exempt, no provision for income taxes has been made.

Member Investment

Membership in the Corporation is currently sold for \$100 per member. One membership must be purchased to use system facilities. The membership cost is refundable; however, it is not transferable. At December 31, 2022, there were 11,928 active retail memberships, respectively.

**MANVILLE WATER SUPPLY CORPORATION.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and Cash Equivalents

The Corporation considers all checking accounts, money market accounts, and highly liquid investments with a maturity of 90 days or less when purchased to be cash and cash equivalents. The carrying value of cash and cash equivalents approximates fair value because of the short maturities of these financial instruments.

Investments

All Investments are recorded at amortized cost, which the Corporation considers to be fair value. Investment revenues and gains and losses on investments are reported as increases or decreases in net assets without donor restrictions, unless a donor stipulation restricts their use. All investment revenues reported this year and last year are from interest earned.

Receivables

The Corporation provides for uncollectible accounts receivables through the allowance method of accounting. Under this method a provision for uncollectible accounts is charged to bad debt expense, and the allowance account is increased based on past collection history and management's evaluation of accounts receivable. All amounts considered uncollectible are charged against the allowance account, and recoveries of previously charged off accounts are added to the account. At December 31, 2022, the Corporation had an allowance for doubtful accounts of \$3,356.

Inventory

The Corporation uses the last-in, first-out method of accounting for the value of materials inventory because it more realistically reflects operating results. Inventory on hand is valued at the lower of actual cost or market.

Prepaid Assets

Prepaid expenses consist of insurance, annual service fees and other expenses typically amortized over the period to be benefited, generally not exceeding twelve months.

MANVILLE WATER SUPPLY CORPORATION.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, Plant and Equipment

The Corporation has established a policy of capitalizing all property, plant and equipment with a useful life of at least two years and a total cost of \$5,000 or more. Property, plant and equipment are capitalized at cost as of the date of acquisition or at estimated acquisition value as of the date contributed. The corporation depreciates its property, plant and equipment over estimated useful lives of 3 to 50 years using a straight-line method. Additional disclosure is provided in Note 4. Maintenance and repairs that do not improve or extend the useful life of the asset are expensed.

Unearned Revenue

Unearned revenue represents customer payments received in advance of billings for water usage. Unearned revenues arise when a potential revenue does not meet both the “measurable” and “available” criteria for recognition in the current period. In subsequent periods, when revenue recognition criteria are met, the liability for unearned revenue is removed from the balance sheet and revenue is recognized.

Accrued Vacation Payable

Under terms of the Corporation’s personnel policy, employees earn annual leave monthly depending on tenure and can carry a maximum of 240 hours year to year. In the event of termination, an employee is paid for all accumulated vacation leave. The liability is recorded when earned by the employee. The liability for unused vacation as of December 31, 2022 was \$126,180.

Rental Revenues

The Corporation has negotiated several agreements to lease portions of its land and water tower sites for antennas and other special uses. During the year ended 2022, the Corporation received \$80,787, from the various lease agreements.

Fair Value Measurements

Fair value accounting requires characterization of the inputs used to measure fair value into a three-level fair value hierarchy as follows:

**MANVILLE WATER SUPPLY CORPORATION.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- Level 1 inputs are based on unadjusted quoted market prices for identical assets or liabilities in an active market the entity has the ability to access.
- Level 2 inputs are observable inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from sources independent from the entity.
- Level 3 are unobservable inputs that reflect the entity’s own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available.

There are three general valuation techniques that may be used to measure fair value:

- Market approach – uses prices generated by market transactions involving identical or comparable assets or liabilities.
- Cost approach – uses the amount that currently would be required to replace the service capacity of an asset (replacement cost)
- Income approach – uses valuation techniques to convert future amounts to present amounts based on current market expectations.

The Corporation uses Level 1 inputs to value its invested funds.

Budgeting

The Board of Directors annually adopts an unappropriated budget. The budget can be reasonably amended at any time during the period by a majority vote of the Board of Directors.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America required 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 financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**MANVILLE WATER SUPPLY CORPORATION.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022**

Subsequent Events

In preparing these financial statements, management has evaluated and disclosed all material subsequent events through April 6, 2023, which is the date these statements were available to be issued.

NOTE 3 – DEPOSITS AND INVESTMENTS

Deposits

Custodial credit risk is the risk that, in the event of failure of a depository financial institution, an entity will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The Corporation's investment policy for custodial credit risk requires compliance with Texas statutes, including the requirement that deposits shall, to the extent not insured by the Federal Deposit Insurance Company (the "FDIC") or its successor, be continuously secured by a valid pledge to the Corporation of securities eligible under the laws of Texas to secure the funds of the Corporation, having an aggregate market value, including accrued interest, at all times equal to the uninsured deposits.

At December 31, 2022, the carrying amount of the Corporation's deposits included cash balances totaling \$2,924,655 and securities accounts totaling \$39,033,973. The total balance of \$41,958,628 was covered by FDIC insurance and other pledged collateral.

Investments

The Corporation has invested funds, stated at market value (which approximates cost), with various financial institutions, represented by the Certificate of Deposit Account Registry Service (CDARS). The Corporation uses Level 1 inputs to value its invested funds. The investments consisted of the following:

Comerica Securities Operating Account	\$19,081,434
Comerica Securities Capital Account	\$18,915,608
Comerica Securities Membership Account	\$ 1,036,932

MANVILLE WATER SUPPLY CORPORATION.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 4 – PROPERTY, PLANT AND EQUIPMENT

The following schedule provides a summary of the Corporation’s property, plant and equipment, depreciation expense and accumulated depreciation by asset classification. At December 31, 2022, property, plant and equipment, net of accumulated depreciation, was \$83,630,400. Construction in progress at December 31, 2022 was \$18,565,459.

<u>Asset Type</u>	<u>Cost</u>	<u>Estimated Life in Years</u>	<u>Annual Depreciation Expenses</u>	<u>Total Accumulated Depreciation</u>	<u>Net Remaining Basis</u>
Fiscal Year Ending 12/31/22					
Land	\$ 1,875,117	N/A			\$ 1,875,117
Construction in Progress	18,565,459	N/A			18,565,459
Distribution System	49,445,176	30-50	1,185,243	15,356,797	34,088,379
Plant and Equipment	36,647,035	10-50	876,954	10,816,960	25,830,075
Trailers and Construction Equip.	867,189	3-10	46,670	442,132	425,057
Service Vehicles	1,085,690	3-5	75,490	837,493	248,197
Office Equipment	503,605	3-7	43,085	399,310	104,295
Office Buildings	<u>2,931,618</u>	15-40	<u>75,424</u>	<u>437,797</u>	<u>2,493,821</u>
	\$ 111,920,889		2,302,866	28,290,489	\$ 83,630,400

NOTE 5 – LONG-TERM DEBT

The Corporation was indebted to USDA-Rural Development for a note funding major water system infrastructure and improvements. This note payable was paid off in full in 2022. The Corporation has no long-term debt as of December 31, 2022.

**MANVILLE WATER SUPPLY CORPORATION.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 6 DEFERRED COMPENSATION PLAN

The corporation offers a defined contribution pension plan established in accordance with Internal Revenue Code 457(b). Eligibility to participate in the plan begins after one year of service and vests incrementally in years 2 through 6. Each member of the plan may make contributions to the plan, and the Corporation will match contributions up to 5% of the employee's compensation. Assets and income of the Corporation's plan are held in custodial accounts for the exclusive benefit of participants and their beneficiaries. Accordingly, the plan's assets and liabilities are not recorded in the Corporation's basic financial statements. During the year ended December 31, 2022, the Corporation's expenditures related to the plan totaled \$89,028.

NOTE 7 LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

As part of the Corporation'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. In addition, as part of its liquidity management, the Corporation invests cash in excess of federal depository insurance limits in short-term investments. As of December 31, 2022, the corporation has cash without donor restrictions of \$2,924,655 and investments without donor restrictions of \$39,033,973. The Corporation has a goal to maintain funds in the operating checking account to meet at least two months of operating expenses, which are, on average, approximately, \$3,000,000. Any excess funds not needed for immediate operations or to make immediate capital improvements, are to be invested in certificates of deposits of varying maturities not to exceed two years or bank accounts insured by the FDIC.

NOTE 8 CONCENTRATIONS, COMMITMENTS AND CONTINGENCIES

The Corporation received substantial revenues from the sale of water and related fees. The ration of retail and wholesale revenues is approximately 40-50% and 55-60%, respectively. The wholesale revenues are evidenced by contracts which may extend beyond 10 or more years and include price adjustment clauses. The service area is protected by a Certificate of Convenience and Necessity (CCN) giving the Corporation exclusive service rights. The Corporation maintains its water delivery infrastructure to accommodate growth throughout the system.

Below is the water pumped, bought and sold to members for the years indicated.

	2022	2021
Gallons pumped from wells	2,306,688,855	1,130,733,000
Gallons purchased from entities	1,274,848,270	1,911,588,302
Gallons sold to members	3,581,537,125	2,678,218,883

**MANVILLE WATER SUPPLY CORPORATION.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022**

**NOTE 8 CONCENTRATIONS, COMMITMENTS AN CONTINGENCIES
(Continued)**

The Corporation is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; an natural disasters for which the Corporation carries commercial insurance. The Corporation has not significantly reduced insurance coverage or had settlements which exceeded coverage amounts for the past three fiscal years.

Capital Funds for Infrastructure Development

The Corporation complies with current regulations regarding developer requests for system upgrades to accommodate additional living unit equivalents (LUEs) within the Corporation's CNN boundaries. Developers prepare and submit non-standard requests for service and, usually, a plat of the area to be developed. The Corporation will submit these requests an needed information to its engineers for hydraulic assessment to determine the cost to provide water utility service at the required flow and pressure. An estimate of cost to construct the improvements will be submitted to the developer(s) and payment is required prior to construction contracts being approved by the Board of Directors. A capital recovery operating account and CDARS investment account is maintained to account for these various funds deposited to fund multiple projects. At December 31, 2022, the capital recovery operating account and CDARS investment account totaled \$1,207,196 and \$18,915,608, respectively.

REQUIRED SUPPLEMENTARY INFORMATION

**MANVILLE WATER SUPPLY CORPORATION.
SCHEDULE OF BUDGET VS. ACTUAL EXPENSES
DECEMBER 31, 2022**

OPERATING REVENUES	Budget	Actual	Variance with Budget
Membership fees		19,580	19,580
Water Revenue	13,643,163	14,800,907	1,157,744
LUE Fees	17,192,350	18,821,000	1,628,650
CCN Revenues	1,110,900	677,740	(433,160)
Reconnect & other fees	96,733	98,960	2,227
Reimbursements	1,219,354	2,307,287	1,087,933
New Meter Installs	1,518,589	368,362	(1,150,227)
Other Construction income	306,239	132,475	(173,764)
Interest income	3,000	412,156	409,156
Rent income	75,179	80,787	5,608
Miscellaneous income	24,657	22,723	(1,934)
LUE extension fees	62,500	267,335	204,835
Patronage dividends	9,106	11,736	2,630
Sewer revenue	3,463	4,115	652
Total Income	35,265,233	38,025,163	2,759,930
WATER AND PRODUCTION COSTS			
Water Purchases	5,432,990	4,639,940	(793,050)
Water Treatment and Testing Fees	428,397	384,710	(43,687)
Utilities	1,325,079	1,365,355	40,276
Total Cost of Goods Sold	7,186,466	6,390,005	(796,461)
OPERATING EXPENSES			
Salaries & Benefits	2,757,292	2,532,655	(224,637)
Customer Goodwill	72,883	37,251	(35,632)
Board of Director Expenses	23,557	20,578	(2,979)
Insurance - Casualty and Liability	147,582	149,217	1,635
Professional Fees	307,227	243,968	(63,259)
Easements, Inspections and Permit Fees	37,390	33,011	(4,379)
Depreciation	2,053,891	2,400,090	346,199
Employment Fees - New Hire and Testing	4,869	6,677	1,808
Office Supplies, Janitorial and Maintenance	115,689	77,827	(37,862)
Postage and Printing	88,231	94,750	6,519
Internet, Web and Software Maintenance	207,871	151,149	(56,722)
Furniture & Equipment Maintenance	35,182	43,207	8,025
Official Hospitality	13,567	12,861	(706)
Publication - Legal Notices and Filing Fees	2,000	1,090	(910)
Uniform Service	15,750	16,171	421

MANVILLE WATER SUPPLY CORPORATION.
SCHEDULE OF BUDGET VS. ACTUAL EXPENSES (Continued)
DECEMBER 31, 2022

OPERATING EXPENSES

Repairs & Maintenance - Water System	2,541,999	2,161,890	(380,109)
Repairs & Maintenance - Facilities	329,935	380,438	50,503
Repairs & Maintenance - SCADA	596,109	283,220	(312,889)
Repairs & Maintenance - Equipment	44,084	94,572	50,488
Repairs & Maintenance - Customer Property	10,115	10,083	(32)
Parts, Supplies, Water Meters	798,861	2,422,882	1,624,021
Equipment Storage Rentals	931	131	(800)
Service Vehicle Operating Expenses	197,612	226,297	28,685
Bank and Credit Card Fees	171,045	177,593	6,548
Communications - Telephone and Radio	61,896	62,264	368
TCEQ System Fees	24,744	21,836	(2,908)
Staff Professional Development Fees	33,549	19,190	(14,359)
Association Dues	9,511	9,068	(443)
Annual Meeting	24,690	8,699	(15,991)
Bad Debt Expenses	10,455	9,542	(913)
Accounting Fees	28,881	18,410	(10,471)
Legal Fees	65,215	61,140	(4,075)
Interest Expenses	60,514	45,247	(15,267)
Loss on sale of assets	10,000	9,003	(997)
TOTAL EXPENSES	<u>18,089,593</u>	<u>18,232,012</u>	<u>142,419</u>
Change in Net Assets	<u>17,175,640</u>	<u>19,793,151</u>	<u>2,617,511</u>