

MILLSAP WATER SUPPLY CORPORATION

**Annual Financial Statements
For the Years Ended November 30, 2022 and 2021**

MILLSAP WATER SUPPLY CORPORATION
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MILLSAP WATER SUPPLY CORPORATION
Principal Officials
For the Year Ended November 30, 2022

<u>Name</u>	<u>Office</u>
Jamie French	President
Jason Schrick	Vice President
Fred Griffin	Secretary/Treasurer
Jason Mathews	Board Member
Joe D. Young	Board Member
Julie Freeman	Board Member
Kenneth Barnes	Board Member
Dawne Steen	Office Manager/Bookkeeper
Matt Souders	Operator

FINANCIAL SECTION



SNOW GARRETT WILLIAMS
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Millsap Water Supply Corporation

Opinion

We have audited the accompanying financial statements of Millsap Water Supply Corporation (a nonprofit organization), which comprise the balance sheets as of November 30, 2022 and 2021, and the related statements of revenue and expenses, net assets and members' equity, and cash flows for the years 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 Millsap Water Supply Corporation as of November 30, 2022 and 2021, and the changes in its net assets, members' equity, and cash flows for the years 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. 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 Millsap 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.

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 Millsap 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 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 Millsap 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 Millsap 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
January 16, 2023

MILLSAP WATER SUPPLY CORPORATION
Balance Sheets
November 30, 2022 and 2021

ASSETS	2022	2021
CURRENT ASSETS		
Cash and cash equivalents	\$ 423,974	\$ 287,156
Accounts receivable	69,583	66,721
Inventory	41,229	53,825
TOTAL CURRENT ASSETS	534,786	407,702
PROPERTY AND EQUIPMENT, AT COST		
Land	15,471	15,471
Easements	5,900	5,900
Buildings	118,285	118,285
Building improvements	101,226	101,226
Construction in progress	4,727	4,727
Water distribution system	1,541,200	1,409,227
Vehicle	34,993	34,993
Equipment	5,282	5,282
Office equipment	12,438	12,438
Total Property and Equipment	1,839,522	1,707,549
Less: Accumulated depreciation	(1,089,854)	(1,041,510)
NET PROPERTY AND EQUIPMENT	749,668	666,039
OTHER ASSETS		
Utility deposit	50	50
TOTAL OTHER ASSETS	50	50
TOTAL ASSETS	\$ 1,284,504	\$1,073,791

The accompanying notes are an integral part of these financial statements.

MILLSAP WATER SUPPLY CORPORATION
Balance Sheets
November 30, 2022 and 2021

LIABILITIES, NET ASSETS, AND MEMBERS' EQUITY	2022	2021
CURRENT LIABILITIES		
Accounts payable	\$ 28,973	\$ 22,557
Payroll taxes payable	3,509	2,999
TOTAL CURRENT LIABILITIES	32,482	25,556
NET ASSETS AND MEMBERS' EQUITY		
Without Restrictions:		
Net assets	587,274	442,098
Memberships	249,420	190,809
Donated capital	415,328	415,328
TOTAL NET ASSETS AND MEMBERS' EQUITY	1,252,022	1,048,235
TOTAL LIABILITIES, NET ASSETS, AND MEMBERS' EQUITY	\$ 1,284,504	\$1,073,791

The accompanying notes are an integral part of these financial statements.

MILLSAP WATER SUPPLY CORPORATION
Statements of Revenues and Expenses
For the Years Ended November 30, 2022 and 2021

<u>WITHOUT RESTRICTIONS</u>	2022	2021
REVENUES		
Water revenue	\$ 623,056	\$ 453,320
Connect and installation fees	29,988	14,263
Late payment charges	11,300	10,690
TOTAL REVENUES	664,344	478,273
COST OF GOODS SOLD		
Water purchases	242,699	165,876
Direct labor	55,133	53,011
Contract labor	50,945	21,163
Equipment rental	120	120
Utilities	4,739	3,303
Plant supplies and chemicals	717	4,263
Lab costs	1,864	1,514
TOTAL COST OF GOODS SOLD	356,217	249,250
GROSS PROFIT	308,127	229,023
OPERATING EXPENSES		
Accounting	14,725	14,725
Advertising	462	-
Building and land rent	747	667
Depreciation	48,344	45,945
Dues and subscriptions	695	695
Fuel	3,696	1,842
Insurance	20,244	19,846
Licenses and fees	4,939	5,776
Miscellaneous expenses	8,208	17,360
Office salaries	57,136	55,703
Office supplies	9,552	8,205
Other taxes	4,462	3,374
Postage	4,183	3,799
Payroll taxes	11,748	10,208
Repairs and maintenance	59,389	29,774
Telephone and utilities (office)	7,543	6,933
Training	846	-
Travel	120	-
TOTAL OPERATING EXPENSES	257,039	224,852
NET OPERATING INCOME	51,088	4,171
OTHER REVENUE		
Interest revenues	194	289
Miscellaneous revenues	22,894	2,586
TOTAL OTHER REVENUE	23,088	2,875
INCOME BEFORE DEVELOPER CONTRIBUTIONS	74,176	7,046
DEVELOPER CONTRIBUTIONS	71,000	-
INCREASE IN NET ASSETS	\$ 145,176	\$ 7,046

The accompanying notes are an integral part of these financial statements.

MILLSAP WATER SUPPLY CORPORATION
Statements of Net Assets and Members' Equity
For the Years Ended November 30, 2022 and 2021

2022	Without Restrictions			Total
	Net Assets	Memberships	Donated Capital	
Beginning Balance	\$ 442,098	\$ 190,809	\$ 415,328	\$ 1,048,235
Net Increase	145,176	-	-	145,176
Memberships (Net)	-	58,611	-	58,611
Ending Balance	<u>\$ 587,274</u>	<u>\$ 249,420</u>	<u>\$ 415,328</u>	<u>\$ 1,252,022</u>

2021	Without Restrictions			Total
	Net Assets	Memberships	Donated Capital	
Beginning Balance	\$ 435,052	\$ 130,075	\$ 415,328	\$ 980,455
Net Increase	7,046	-	-	7,046
Memberships (Net)	-	60,734	-	60,734
Ending Balance	<u>\$ 442,098</u>	<u>\$ 190,809</u>	<u>\$ 415,328</u>	<u>\$ 1,048,235</u>

The accompanying notes are an integral part of these financial statements.

MILLSAP WATER SUPPLY CORPORATION
Statements of Cash Flows
For the Years Ended November 30, 2022 and 2021

	2022	2021
CASH FLOW FROM OPERATING ACTIVITIES		
Increase in Net Assets	\$ 145,176	\$ 7,046
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	48,344	45,945
(Increase) decrease in:		
Accounts receivable	(2,862)	(15,579)
Inventory	12,596	(13,776)
Increase (decrease) in:		
Accounts payable	6,416	6,922
Payroll taxes payable	510	360
Net Cash Provided by Operating Activities	210,180	30,918
CASH FLOW FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(131,973)	(168,166)
Net Cash Used in Investing Activities	(131,973)	(168,166)
CASH FLOW FROM FINANCING ACTIVITIES		
Net membership additions	58,611	60,734
Net Cash Provided by Financing Activities	58,611	60,734
NET INCREASE/(DECREASE) IN CASH	136,818	(76,514)
Cash and Cash Equivalents		
Beginning of the Year	287,156	363,670
CASH AND CASH EQUIVALENTS		
End of the Year	\$ 423,974	\$ 287,156

The accompanying notes are an integral part of these financial statements.

MILLSAP WATER SUPPLY CORPORATION
Notes to Financial Statements
November 30, 2022 and 2021

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

Organization

The Millsap Water Supply Corporation is a nonprofit organization comprised of the members of the community purchasing a membership. The governing body is a Board of Directors elected at large from the members; officers are elected among the Board Members. The purpose of the Corporation is to provide rural water service to its members at as low a cost as possible.

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. As mentioned above, 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 stipulations imposed by others including contracts, grants, and legal documents such as bond documents. Some restrictions are temporary in nature; those restrictions will be met by actions of the Corporation or by the passage of time. Other restrictions are perpetual in nature, whereby the funds are maintained in perpetuity.

There were no restrictions on the Corporation's net assets and members' equity for the fiscal years ended November 30, 2022 and 2021.

Cash and Cash Equivalents

For purposes of the statement of cash flows, cash and cash equivalents includes all unrestricted cash and highly liquid debt instruments purchased with maturities of three months or less.

Inventory

Inventory consists of materials and supplies used for repairs and is recorded at cost, which approximates market, using the last-in, first-out method.

MILLSAP WATER SUPPLY CORPORATION
Notes to Financial Statements
November 30, 2022 and 2021

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and Equipment

Property and equipment that have a useful life of one year or more, and that cost over \$1,000, are capitalized and stated at cost. Donated property and equipment are recorded at estimated fair value at the date the assets are placed in service. 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:

Buildings	39 years
Building Improvements	10 years
Water System	20-50 years
Machinery and Equipment	5-10 years
Office Equipment	5-10 years

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

Accounts Receivable and Bad Debts

Accounts receivable consists of receivables related to water services. Accounts receivable includes an accrual for unbilled revenue earned during the month of November. 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 November 30, 2022 and 2021 are collectible. Accordingly, no allowance for bad debts is required.

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 reserves, or related accruals for interest and penalties for uncertain income tax positions at November 30, 2022.

MILLSAP WATER SUPPLY CORPORATION
Notes to Financial Statements
November 30, 2022 and 2021

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of Estimates

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

NOTE 2 - DEPOSITS, SECURITIES, AND INVESTMENTS

The Corporation maintains its cash in bank deposit accounts at high credit quality financial institutions. The balances at the financial institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. The bank accounts, at times, may exceed federally insured limits. On November 30, 2022 and 2021, the Corporation had uninsured cash balances of \$28,764 and \$0.

NOTE 3 - AVAILABILITY AND LIQUIDITY

The Corporation's financial assets reported as current assets at November 30, 2022 and 2021 of \$534,786 and \$407,702, respectively, are available to meet the Corporation's general expenses over the next year from the balance sheet date. The Corporation's goal is generally to maintain liquidity and provide timely working funds that are sufficient to cover anticipated expenses over the next twelve months.

MILLSAP WATER SUPPLY CORPORATION
Notes to Financial Statements
November 30, 2022 and 2021

NOTE 4 - CHANGES IN PROPERTY AND EQUIPMENT

Property and equipment activity for the year ended November 30, 2022 was as follows:

	Balance 12/1/2021	Additions	Deletions	Balance 11/30/2022
Land	\$ 15,471	\$ -	\$ -	\$ 15,471
Easements	5,900	-	-	5,900
Buildings	118,285	-	-	118,285
Building improvements	101,226	-	-	101,226
Construction in progress	4,727	-	-	4,727
Water distribution system	1,409,227	131,973	-	1,541,200
Vehicle	34,993	-	-	34,993
Equipment	5,282	-	-	5,282
Office equipment	12,438	-	-	12,438
Totals	<u>\$ 1,707,549</u>	<u>\$ 131,973</u>	<u>\$ -</u>	<u>\$ 1,839,522</u>

Property and equipment activity for the year ended November 30, 2021 was as follows:

	Balance 12/1/2020	Additions	Deletions	Balance 11/30/2021
Land	\$ 15,471	\$ -	\$ -	\$ 15,471
Easements	5,900	-	-	5,900
Buildings	118,285	-	-	118,285
Building improvements	101,226	-	-	101,226
Construction in Progress	7,377	-	2,650	4,727
Water distribution system	1,238,411	170,816	-	1,409,227
Vehicle	34,993	-	-	34,993
Equipment	5,282	-	-	5,282
Office equipment	12,438	-	-	12,438
Totals	<u>\$ 1,539,383</u>	<u>\$ 170,816</u>	<u>\$ 2,650</u>	<u>\$ 1,707,549</u>

MILLSAP WATER SUPPLY CORPORATION
Notes to Financial Statements
November 30, 2022 and 2021

NOTE 5 - RELATED PARTY TRANSACTIONS

The Corporation incurred the following transactions with related parties:

In 2022 and 2021, the Corporation paid \$785 and \$175,979, respectively, for construction and repair and maintenance costs to a company owned by a board member.

In 2022 and 2021, the Corporation paid \$0 and \$480, respectively, to a board member for consulting services related to operations.

NOTE 6 - SUBSEQUENT EVENTS

The Corporation has evaluated subsequent events through January 16, 2023, the date the financial statements were available to be issued and noted nothing significant requiring disclosure.

