



South Freestone County Water Supply Corporation

Notice of the 54th Annual Stockholders Meeting

April 30, 2024 6:00 p.m.

Corinth Baptist Church

Mitch Atchley Family Life Center – Dew, Texas

This Institution is an Equal Opportunity Provider and Employer

Door Prizes And Food

If you would like to attend you must have a ticket, please pick up at the office no later than April 19th, free of charge. One admission ticket gets 2 people in the door, you must be a member to attend. No tickets will be given at the door.

NO admittance without a ticket!!

You will receive a separate ticket at the door for door prize drawings. Door prizes will be limited in number. One door prize ticket per Member, not by number of meters.

You must be listed as an owner on the Member account to receive an admission or door prize ticket.

If you prefer not to be present, you may call the office with any questions on the audit.

ANNUAL MEETING PROGRAM

April 30, 2024

5:45 p.m. – 6:00 p.m.

Registration

6:00 p.m.

Blessing & Dinner

Call to Order

Acting President announces a quorum is established and the meeting may proceed.

Open meeting with prayer

Approve minutes of previous annual meeting

Appreciation Presentation

Scholarship Presentation

Engineering Report – Velvin & Weeks, Tyler Hendrickson

Review of 2023 Operations and Upcoming Projects

Review of October 1, 2022-September 30, 2023 Audit

Announce position results of Board of Directors

Adjourn

If, during the course of the meeting, discussion of any item on the agenda should be held in a closed meeting, the Board will conduct a closed meeting in accordance with the Texas Open Meetings Act, Government Code, Chapter 551, Subchapter H. Before any closed meeting is convened, the presiding officer will publicly identify the section or sections of the Act authorizing the closed meeting. All final votes, actions, or decisions will be taken in open meeting.

**SOUTH FREESTONE COUNTY
WATER SUPPLY CORPORATION**

BOARD MEMBERS

Earnest Colbert – Acting/Interim President

Earnest Colbert – Vice President

Anita Robinson – Secretary/Treasurer

Mary Lou Whitaker – Director

John Moore – Director

Jacob Clark – Appointed Director

EMPLOYEES

Christal Smith – General Manager

John Blackwell – Field Manager

David Lancaster – Field Operator

Kelli Lee – Billing Clerk

Jessica Foster – Admin. Asst./Payment Clerk

Trenity Keeney – Field Operator

Open – Field Operator

ANNUAL STOCKHOLDERS MEETING OF THE SOUTH FREESTONE COUNTY WATER SUPPLY CORPORATION

Announcements

Completed Projects as of 3/15/2024:

<u>I-45 TxDot Service Road Expansion –</u>	\$72,585.00
<u>GIS Mapping System -</u>	\$19,136.84
<u>System Study Engineering -</u>	\$20,940.00
<u>CR 601& CR 610 Line Upgrade for Subdivision -</u>	\$36,525.00
<u>Freestone Plant Fencing Repairs -</u>	\$6,995.00
<u>Dew Plant Culvert Install-</u>	\$1,338.60
<u>Haul Truck Purchase-</u>	\$39,999.00
<u>Mini Excavator Purchase -</u>	\$53,776.00
<u>18' Haul Trailer -</u>	\$6,321.70

Upcoming Projects:

<u>Generators –</u>	5 Well Sites pending TDEM HMGP grant funds, \$727,320.00.
<u>Capacity Upgrades –</u>	Lanely Plant: Replace existing tank and add one new tank. Pending TCEQ approval and loan funding. @\$250,000.00-300,000.00. Freestone Plant: Line Upgrades. Pending Grant/Loan Funding. @\$1,400,000.00
<u>Storage Tank Refurbishment –</u>	Freestone and Luna scheduled for Fall 2024. \$81,360.00. Dew scheduled for Spring 2025. @\$90,000.00.
<u>New Well & Plant –</u>	Hwy 179 location pending property purchase. Pending grant/loan funding. Project estimation \$1,500,000.00-\$2,000,000.00.

Grant Application Information:

<u>Freestone County -</u>	Received \$50,000.00 Donation to credit towards the Gorman Generator Project.
<u>TDEM HMGP –</u>	Approval Pending, In Final Stages, \$727,320.00.
<u>Comm. Dev. Block Grant -</u>	Application denied. Will be applying for the next term 2025-2026.
<u>Water Finance Exchange –</u>	2 applications have been filed with Texas Water Development Board for 2 of the above upcoming projects.

ANNUAL STOCKHOLDERS MEETING OF THE SOUTH FREESTONE COUNTY WATER SUPPLY CORPORATION

Announcements

Lead & Copper Information:

EPA and TCEQ have changed the requirements for Lead & Copper reporting. All water companies must report to TCEQ by October 2024 the type of material coming in (service line) and out (customer line) of each customer's meter, and to provide proof and keep this information on file in the office. There will be additional changes coming in the future which have not been released to the water companies at this time. Office staff have been compiling this information for well over a year in preparation of these rule changes. If you have questions regarding the changes, please contact the office.

High School Scholarship:

The Board of Directors voted in September 2023 to fund two scholarships for local high school graduating seniors. South Freestone Water is funding \$1,000.00 each scholarship. We are also accepting donations via your monthly bill at \$1.00 per month or one-time donations. If you are interested in donating to this cause, please contact the office to get set up. We will be presenting 2 scholarships at the meeting.

ANNUAL STOCKHOLDERS MEETING OF THE SOUTH FREESTONE COUNTY WATER SUPPLY CORPORATION

Board Member Election

Anita Robinson:

Anita Robinson has served on the Board of Directors for quite some time. She currently serves as the Secretary-Treasurer. Since Mrs. Robinson was unopposed in the recent election for the Board of Directors, she will maintain her position on the Board of Directors for the ensuing 3 years.

Earnest Colbert:

Earnest Colbert has served on the Board of Directors for 6 years. He currently holds the position of Vice President but has been serving as the Acting President since February 2024 upon President, Jeff Clark's resignation due to health reasons. Since Mr. Colbert was unopposed in the recent election for the Board of Directors, he will maintain his position on the Board of Directors for the ensuing 3 years.

Jacob Clark:

Jacob Clark was appointed in a unanimous vote by the Board of Directors on February 1, 2024. Jacob has been a member of the water system for 4 years. He is currently serving as Director of the Board. Jacob is a Supervisor at Luminant Mine in Kosse, Texas. He brings a vast amount of business, finance, and management experience to the Board of Directors.

No other positions were up for re-election.

SOUTH FREESTONE COUNTY WATER SUPPLY CORPORATION
STATEMENTS OF ASSETS, LIABILITIES AND NET ASSETS
MODIFIED CASH BASIS

September 30,	2023	2022
Assets		
Current assets		
Cash and cash equivalents	\$ 580,982	\$ 617,468
Certificates of deposit	335,000	135,000
Inventory	93,002	86,849
Total current assets	1,008,984	839,317
Board designated cash reserves	223,044	166,835
Certificates of deposit	-	135,000
Property and equipment, net	1,000,057	847,438
Total assets	\$ 2,232,085	\$ 1,988,590
Liabilities and net assets		
Current liabilities		
Accrued expenses	\$ 30,316	\$ 15,041
Deposits	44,675	-
Current maturities of long-term debt	20,079	19,151
Total current liabilities	95,070	34,192
Refundable membership deposits	132,855	128,255
Long-term debt less current portion	378,533	398,612
Total liabilities	606,458	561,059
Net assets		
Net assets without donor restrictions	1,625,627	1,427,531
Net assets with donor restrictions	-	-
Total net assets	1,625,627	1,427,531
Total liabilities and net assets	\$ 2,232,085	\$ 1,988,590

SOUTH FREESTONE COUNTY WATER SUPPLY CORPORATION
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
MODIFIED CASH BASIS

Years ended September 30,	2023	2022
Revenues		
Water sales	\$ 1,008,486	\$ 894,138
Installation charges	52,581	69,015
Penalties and other charges	30,345	23,235
Grant	50,000	-
Other income	-	45
Gain on disposal of asset	-	3,146
Interest and dividends	30,637	11,943
Total revenues	1,172,049	1,001,522
Expenses		
Program Services	735,037	625,747
Administration	238,916	236,651
Fundraising	-	-
Total expenses	973,953	862,398
Change in net assets, without donor restrictions	198,096	139,124
Net assets without donor restrictions - beginning of year	1,427,531	1,288,407
Net assets without donor restrictions - end of year	\$ 1,625,627	\$ 1,427,531

SOUTH FREESTONE COUNTY WATER SUPPLY CORPORATION
STATEMENTS OF FUNCTIONAL EXPENSES
MODIFIED CASH BASIS

Year Ended September 30, 2023	Program	Administration	Fundraising	Total
Expenses				
Salaries	\$ 248,412	\$ 116,900	\$ -	\$ 365,312
Employee health insurance	55,906	20,677	-	76,583
Taxes - payroll	19,345	9,103	-	28,448
Employee S.E.P.	12,273	6,609	-	18,882
Depreciation	116,136	2,612	-	118,748
Repairs and maintenance	92,677	-	-	92,677
Fuel, oil, and auto maintenance	26,020	-	-	26,020
Utilities	63,027	11,122	-	74,149
Chemicals	55,134	-	-	55,134
Office	-	30,575	-	30,575
Insurance	20,463	8,769	-	29,232
Professional fees	4,615	18,461	-	23,076
Interest	19,428	-	-	19,428
Uniforms	1,601	-	-	1,601
Directors fees	-	2,835	-	2,835
Annual meeting	-	3,550	-	3,550
Recording fees	-	2,046	-	2,046
Miscellaneous	-	5,657	-	5,657
Total expenses	\$ 735,037	\$ 238,916	\$ -	\$ 973,953

Year Ended September 30, 2022	Program	Administration	Fundraising	Total
Expenses				
Salaries	\$ 227,312	\$ 106,971	\$ -	\$ 334,283
Employee health insurance	55,072	20,369	-	75,441
Taxes - payroll	17,783	8,369	-	26,152
Employee S.E.P.	11,052	5,951	-	17,003
Depreciation	97,079	3,965	-	101,044
Repairs and maintenance	53,152	-	-	53,152
Extensions	230	-	-	230
Fuel, oil, and auto maintenance	21,615	-	-	21,615
Utilities	51,363	9,064	-	60,427
Chemicals	46,860	-	-	46,860
Office	-	35,708	-	35,708
Insurance	16,403	7,030	-	23,433
Professional fees	5,752	23,010	-	28,762
Interest	20,315	-	-	20,315
Uniforms	1,759	-	-	1,759
Directors fees	-	3,375	-	3,375
Annual meeting	-	3,310	-	3,310
Recording fees	-	2,764	-	2,764
Miscellaneous	-	6,765	-	6,765
Total expenses	\$ 625,747	\$ 236,651	\$ -	\$ 862,398

SOUTH FREESTONE COUNTY WATER SUPPLY CORPORATION
STATEMENTS OF CASH FLOWS
MODIFIED CASH BASIS

Years ended September 30,	2023	2022
Cash flows from operating activities:		
Change in net assets	\$ 198,096	\$ 139,124
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	118,748	101,044
(Gain) loss on sale of assets	-	(3,146)
Changes in operating assets and liabilities:		
Inventory	(6,153)	(41,013)
Accounts payable	-	-
Accrued expenses	15,276	4,005
Deposits	44,675	-
Net cash flows provided by operating activities	370,642	200,014
Cash flows from investing activities:		
(Purchase) Redemption of certificates of deposit	(65,000)	135,000
Increase in cash reserved for long-term liabilities	(56,209)	(6,107)
Purchase of property and equipment	(271,367)	(84,553)
Net cash flows provided by (used in) investing activities	(392,576)	44,340
Cash flows from financing activities:		
Principal payments on debt	(19,152)	(18,265)
Change in refundable membership deposits	4,600	6,105
Net cash flows used in financing activities	(14,552)	(12,160)
Net change in cash and cash equivalents	(36,486)	232,194
Cash and cash equivalents - beginning of year	617,468	385,274
Cash and cash equivalents - end of year	\$ 580,982	\$ 617,468
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ 19,428	\$ 20,315
Cash paid for income taxes	\$ -	\$ -

SOUTH FREESTONE COUNTY WATER SUPPLY CORPORATION
NOTES TO FINANCIAL STATEMENTS

Note 1 – Nature of the Organization

South Freestone County Water Supply Corporation (the “Organization”) supplies water and related services to individual and business customers within Freestone County, Texas. The Organization is committed to providing safe, high quality water services to their community, while maintaining a standard of excellence in customer service and environmental conservation.

Note 2 – Basis of Accounting

The accompanying financial statements have been prepared on the modified cash basis of accounting. Consequently, certain revenues and expenses are recognized in the determination of income in different reporting periods than they would be if the financial statements were prepared in conformity with generally accepted accounting principles. Under the modified cash basis of accounting, the Organization recognizes revenues when received rather than when earned and recognizes expenses when paid rather than when incurred, with the exception of accounts payable, depreciation, and payroll and related expenses.

Note 3 – Summary of Significant Accounting Policies

Use of Estimates – The preparation of financial statements in conformity with the modified cash basis of accounting requires management to make estimates and assumptions that affect reported amounts and related disclosures. Actual results could differ from those estimates.

Basis of Presentation – Net assets of the Organization and changes therein are classified and reported as follows:

Net assets without donor restrictions – Net assets that are not subject to donor-imposed restrictions and board-designated net assets.

Net assets with donor restrictions – Net assets subject to donor-imposed restrictions that will be met either by actions of the Organization and/or the passage of time, or that they be maintained permanently by the Organization. Generally, the donors of assets to be maintained permanently by the Organization permit the Organization to use all or part of the income earned on related investments for general or specific purposes.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is donor restricted or restricted by law. Expirations of donor restrictions on net assets (i.e., the donor restriction has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions.

Currently, all net assets of the Organization are unrestricted. However, net assets are subject to certain loan covenants and board designations as described in Notes 4 and 12.

Cash and Cash Equivalents – For the purpose of the statement of cash flows, the Organization considers all short-term investments with original maturities of three months or less to be cash equivalents.

Federal Income Tax – The Organization qualifies as a tax-exempt organization under Section 501(a) of the Internal Revenue Code as an organization described in Section 501(c)(12) and, therefore, has no provision for federal income taxes.

Property and Equipment – Property and equipment are stated at cost. Major expenditures for renewals or betterments are capitalized. Expenditures for maintenance and repairs are charged to expenses as incurred. Assets sold or otherwise disposed of are removed from the accounts, including accumulated depreciation and any resulting gain or loss is recognized in income.

SOUTH FREESTONE COUNTY WATER SUPPLY CORPORATION
NOTES TO FINANCIAL STATEMENTS

Depreciation is computed for financial statement purposes on a straight-line basis over the estimated useful lives of the related assets.

Written consent of the U.S. Department of Agriculture – Rural Development is required prior to disposition or transfer of title to the facility or any part thereof, including lands and interest in lands by sale, security instrument, lease or other encumbrance.

Functional Expenses – The costs of providing program and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Such allocations are determined by management.

Concentrations of Credit Risk – Financial instruments that potentially subject the Organization to concentrations of credit risk consist of cash, cash equivalents, and certificates of deposit. Cash, cash equivalents, and certificates of deposit are placed with high quality financial institutions that from time to time exceed FDIC (Federal Deposit Insurance Corporation) and SIPC (Securities Investor Protection Corporation) limits. The Organization has not experienced any losses with respect to these accounts. The Organization exceeded its SIPC coverage at September 30, 2023.

The Organization’s revenue is derived from the production and sale of water and related services within its geographic area.

Reclassifications – Certain reclassifications may have been made to the 2022 financial statement presentation in order to conform to the 2023 financial statement presentation.

Subsequent Events – In preparing the financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through March 14, 2024, which is the date the financial statements were available to be issued.

Note 4 – Limits on Net Assets Without Donor Restrictions

USDA-Rural Development loan covenants require the Organization to set aside into an account designated as the Reserve Account an amount equal to one year’s payment for each USDA-Rural Development loan. The Organization must set aside each month an amount equal to 1/120 of one year’s payment until there is accumulated in that account the sum of one year’s payment. USDA-Rural Development approval is required prior to any disbursements from the Reserve Account. Cash set aside for these loan covenants amounted to \$38,580 and \$38,578 as of September 30, 2023 and 2022, respectively.

The board has designated cash reserves to be maintained in an amount equal to the outstanding balance of the refundable deposits. Cash set aside for these refundable deposits amounted to \$132,855 and \$128,255 for the years ended September 30, 2023, and 2022, respectively.

The board has designated cash reserves to be set aside for future capacity improvements, such as line upgrades, new tanks, treatment, or production. Cash set aside for future capacity improvements amounted to \$51,609 and \$28,353 for the years ended September 30, 2023 and 2022, respectively.

SOUTH FREESTONE COUNTY WATER SUPPLY CORPORATION
NOTES TO FINANCIAL STATEMENTS

Note 5 – Long-term Debt

Long-term debt consists of the following note payable to the U.S. Department of Agriculture – Rural Development:

	<u>2023</u>	<u>2022</u>
Note payable, USDA-Rural Development, 4.75% interest, payable in monthly installments of \$3,215 (including interest), maturing September 2, 2038, secured by all present and future contract rights, accounts receivable, general intangibles arising in connection with the facility, real estate and chattels.	\$ 398,612	\$ 417,763
Less current maturities	(20,079)	(19,151)
Total long-term debt	\$ 378,533	\$ 398,612

The Organization paid \$19,428 and \$20,315 in interest expense for the years ended September 30, 2023 and 2022, respectively.

The scheduled maturities of long-term debt outstanding as of September 30, 2023, are as follows:

2024	\$	20,079
2025		21,053
2026		22,075
2027		23,147
2028		24,271
Thereafter		287,987
Total	\$	398,612

SOUTH FREESTONE COUNTY WATER SUPPLY CORPORATION
NOTES TO FINANCIAL STATEMENTS

Note 6 – Property and Equipment

Property and equipment consist of:

	<i>Estimated Useful Lives</i>		2023		2022
Vehicles	5 years	\$	126,205	\$	126,205
Building	10-25 years		102,833		97,573
Distribution system	5-20 years		1,923,820		1,701,403
Water wells and pumps	7-25 years		1,277,652		1,189,812
Equipment	5-10 years		100,711		100,711
Construction in Progress			-		44,150
Land			14,738		14,738
			3,545,959		3,274,592
Less accumulated depreciation			(2,545,902)		(2,427,154)
Total property and equipment net		\$	1,000,057	\$	847,438

The cost and related accumulated depreciation of assets sold, returned, or otherwise disposed of is removed from the respective accounts at the time of disposition. Any resulting profit or loss from the disposition of assets is reflected in income for the period. The cost of maintenance and repairs is charged to expense as incurred; significant renewals and betterments are capitalized.

Total depreciation expense was \$118,748 and \$101,044 in 2023 and 2022, respectively.

Note 7 – Inventories

The Organization values its inventory at the lower of cost or net realizable value. Inventory consists primarily of pipe, fittings, and valves. Obsolete and damaged goods are not included in inventory.

Note 8 – Related Party Transactions

The Organization has entered into a lease agreement with the Field Manager to lease the following equipment for \$1,400 per month: backhoe, truck, fuel and trailer to transport equipment, water pump and miscellaneous hand tools. The lease period ends March 31, 2024. The lessor agrees to operate the equipment in the performance of the duties of Field Manager. The contract does not include the installation of new lines, replacement of existing lines over 500 feet and installation of new lines for the purpose of upgrading the system. These items will be negotiated under a separate contract. It is also agreed by both parties that should the lessor's employment with the Organization be terminated for whatever reason, the lease agreement becomes null and void. The Organization paid to the Field Manager \$16,800 for the lease of equipment for the years ended September 30, 2023 and 2022. The Organization paid to the Field Manager \$2,825 and \$1,020 for other contract services for the years ended September 30, 2023 and 2022, respectively. The future lease payments to be made in 2024 is \$8,400. The lease will not be renewed after the last payment is made in 2024.

SOUTH FREESTONE COUNTY WATER SUPPLY CORPORATION
NOTES TO FINANCIAL STATEMENTS

Note 9 – Pension Plan

The Organization has a simplified employee pension (SEP) and all employees of the Organization are eligible to participate in the plan. The Organization contributed \$18,882 and \$17,003 for the years ended September 30, 2023 and 2022, respectively.

Note 10 – Commitments and Contingencies

The Organization’s facilities are subject to periodic inspections of its water quality by state regulatory agencies. Compliance with applicable regulations has not had, nor does Organization management expect such compliance to have, any material effect on the financial condition of the Organization.

Note 11 – Operating Lease

The Organization leases office equipment under a lease agreement that expired in February 2023, which required a base monthly lease payment of \$251. The Organization renewed this lease agreement during the current year. The new agreement requires a base monthly lease payment of \$256 and expires in December 2027. Rent expense was \$2,943 and \$3,270 at September 30, 2023 and 2022, respectively.

Future minimum lease payments are as follows:

2024	\$	3,072
2025		3,072
2026		3,072
2027		767
<hr/>		
Total	\$	9,983

Note 12 – Liquidity and Availability

The Organization strives to maintain liquid financial assets sufficient to cover a minimum of 180 days of general expenses. General expenses do not include cost of improvements, extensive wells repairs, and various expenses for growth. Due to this fact, the Organization has recently increased rates, added an additional fee for first time customers, and is in process of applying for grants.

As of September 30, 2023, the Organization has liquid assets that would be sufficient to cover approximately nine months of general expenses. In addition to the financial assets available to meet general expenses over a twelve-month period, the Organization operates with a balanced budget and anticipates sufficient revenue to cover general expenses. The Organization’s board of directors works closely with management to maintain fiscal accountability and responsibility.

The Organization’s management invests approximately 37% of liquid funds in short-term investments to continue gains for the Organization, as well as allow for use of assets as needed for daily operations.

Financial assets available for general expenses, that is, without donor or other restrictions limiting their use, within one year of September 30 are:

	2023	2022
Total financial assets:		
Cash and cash equivalents	\$ 580,982	617,468
Investments	335,000	135,000
Total	915,982	752,468
Less:		
Reserve for covenants	38,580	38,580
Reserve for refundable deposits	132,855	128,255
Reserve for future capacity improvements	51,609	28,353
Reserve for Gorman Exterior Refurbishment	15,000	-
Reserve for TDEM/HMGT grant, if awarded requires 10% down payment	72,000	-
Reserve for 8" valve for IH-45 project	4,820	-
Reserve for subdivision water line installation	36,575	-
Total	351,439	195,188
Financial assets available to meet cash needs for general expenses within one year	\$ 564,543	\$ 557,280

Note 13 – Grant

The Organization applied for and received a grant of \$50,000 from Freestone County. The funds were to be used toward addressing those emergency situations in providing potable water in the Freestone County area. All funds were received and expended during the current year for the intended purpose of the grant.

South Freestone County Water Supply Corp.
490 State Hwy 179, Teague, Texas 75860

Official Notice of
Annual Stockholders Meeting
April 30, 2024