

**3G WATER SUPPLY CORPORATION**

**Audited Financial Statements**

**For the Year Ended January 31, 2024**

**and Independent Auditors' Report**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of  
3G Water Supply Corporation  
26550 Ranch Road 12, Ste. 1  
Dripping Springs, TX 78620

### Opinion

We have audited the accompanying financial statements of 3G Water Supply Company (a nonprofit corporation), which comprise the balance sheet as of January 31, 2024, and the related statements of income, membership investment, and cash flow 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 3G Water Supply Corporation as of January 31, 2024, and the results of its operations and its cash flow for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of 3G 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 3G 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.

## Auditors' 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, 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 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 3G 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 3G 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.

A handwritten signature in black ink, appearing to read "Ludwick, Montgomer, & Stuart, PC".

Temple, Texas  
July 7, 2024

**3G WATER SUPPLY CORPORATION**

Balance Sheet

January 31, 2024

	<u>2024</u>
<b>Assets</b>	
Current Assets	
Cash and cash equivalents	\$ 442,040
Accounts receivable	23,670
Total Current Assets	<u>465,710</u>
Fixed Assets	
Land	40,000
Equipment	2,752
Water system	569,274
Construction in progress	7,499
Less: accumulated depreciation	(329,866)
Total Fixed Assets	<u>289,659</u>
Total Assets	<u>\$ 755,369</u>
<b>Liabilities &amp; Membership Investment</b>	
Current Liabilities	
Accounts payable	16,147
Deposits	95,646
Total Current Liabilities	<u>111,793</u>
Membership Investment	
Membership investment	102,900
Unappropriated retained earnings	540,676
Total Membership Investment	<u>643,576</u>
Total Liabilities & Membership Investment	<u>\$ 755,369</u>

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

### 3G WATER SUPPLY CORPORATION

#### Statement of Income

For the Year Ended January 31, 2024

	<u>2024</u>
Revenue	
Water sales	\$ 276,842
Water taps	1,000
Fees	2,790
Miscellaneous	4,350
Total Revenue	<u>284,982</u>
Expenses	
Chemicals	3,004
Credit loss	336
Customer expenses	6,125
Depreciation	10,963
Dues and subscriptions	500
Insurance expenses	5,702
Internet	552
Laboratory	1,748
Management fees	75,133
Miscellaneous	2,854
Membership refunds	146
Office expenses	31,895
Other fees	206
Parts and supplies	11,605
Professional expenses	1,302
Regulatory expenses	3,125
Repairs and maintenance	43,649
Services	1,054
Total Expenses	<u>199,899</u>
Income (Loss) From Operations	<u>85,083</u>
Other Income and (Expense)	
Interest earned	11,323
Total Other Income and (Expense)	<u>11,323</u>
Net Income (Loss)	<u>\$ 96,406</u>

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

**3G WATER SUPPLY CORPORATION**

## Statement of Membership Investment

For the Year Ended January 31, 2024

	<u>Total Members</u>	<u>Membership Investment</u>	<u>Retained Earnings Unappropriated</u>	<u>Total</u>
Balance				
01/31/2023	285	\$ -	\$ 544,020	\$ 544,020
Reclassifications				
2024	-	99,750	(99,750)	-
Additions				
2024	9	3,150	-	3,150
Reductions				
2024	(6)	-	-	-
Net Income				
2024	-	-	96,406	96,406
Balance				
01/31/2024	<u>288</u>	<u>\$ 102,900</u>	<u>\$ 540,676</u>	<u>\$ 643,576</u>

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

### 3G WATER SUPPLY CORPORATION

#### Statement of Cash Flows

For the Year Ended January 31, 2024

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	<u>2024</u>
Cash Flows from Operating Activities	
Net Income (loss)	\$ 96,406
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities:	
Depreciation expense	10,963
Changes in operating assets and liabilities	
(Increase) decrease in accounts receivable	(23,670)
(Increase) decrease in deposits	(350)
(Decrease) increase in accounts payable	16,147
Net cash provided (used) by operating activities	<u>99,496</u>
Cash Flows from Investing Activities	
Purchase of fixed assets	(149,774)
Net cash provided (used) by investing activities	<u>(149,774)</u>
Cash Flows from Financing Activities	
Increase in membership investment	3,150
Net cash provided (used) by financing activities	<u>3,150</u>
Net increase (decrease) in cash	(47,128)
Cash at beginning of year	<u>489,168</u>
Cash at end of year	<u>\$ 442,040</u>

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



## **3G WATER SUPPLY CORPORATION**

Notes to Financial Statements

For the Year Ended January 31, 2024

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### **NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### Nature of Operations

3G Water Supply Corporation is a member-owned tax-exempt organization, which incorporated pursuant to Chapter 67 of the Texas Water Code for the purpose of providing potable water to its' members. Operating policies, rates, tariffs and regulations are formulated by a Board of Directors, duly elected by members of the Corporation.

#### Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

#### Recently Issued Accounting Pronouncements

In June 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Codification ("ASC") 326, Financial Instruments – Credit Losses. The standard was effective for year-ends beginning after December 15, 2022. We adopted the requirements of the new standard effective January 1, 2023 and applied the standard retrospectively to the one year presented, the year ended January 31, 2024.

#### Cash and Cash Equivalents

For purposes of the statement of cash flow, cash deposits are considered to be cash equivalents.

#### Accounts Receivable

Accounts receivable are recorded at the amount the Corporation expects to collect on balances outstanding at year-end. Uncollectible amounts are periodically reviewed, based on historical performance the Corporation decides whether or not to write off. Allowance for credit losses at January 31, 2024 was \$-0-. Past due balances (over 60 days) as of January 31, 2024 was \$137.

#### Fixed Assets

Property and equipment are recorded at original cost except for the original value of the water system which was estimated by the developer. Depreciation on assets is computed by the straight-line method based on expected service life. When fixed assets are retired or disposed of, the cost of the assets and the applicable depreciation are removed from the accounts and any gain or loss is recorded in the income statement.

#### Tax Exempt Status

The Corporation qualifies as an exempt organization under state franchise tax regulations. Exempt status has been granted by the Internal Revenue Service under IRC Section 501(c)(12). A required information return is filed annually.

The federal income tax returns for the Corporation for 2022, 2021, and 2020 are subject to examination by the IRS, generally for three years after they were filed.

## **3G WATER SUPPLY CORPORATION**

Notes to Financial Statements

For the Year Ended January 31, 2024

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### **NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### Use of Estimates

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

#### Revenue Recognition

The Corporation adopted Accounting Standards Update (ASU) 2014-09, “Revenue from Contracts with Customers (Topic 606)” as of January 1, 2019, which related to revenue recognition. In general, for revenue not associated with financial instruments, guarantees, and lease contracts, management applies the following steps when recognizing revenue from contracts with customers: (I) identify the contract, (II) identify the performance obligation, (III) determine the transaction price, (IV) allocate the transaction price to the performance obligation and (V) recognize revenue when a performance obligation is satisfied.

The core guidance in ASU 2014-09 is to recognize to depict the transfer of promised goods or services to customers in amounts that reflect the consideration to which the Corporation expects to be entitled in exchange for those goods or services. The amount to which the Corporation expects to be entitled is calculated as the transaction price and recorded as revenue in exchange for providing goods or services.

The Corporation’s contracts with customers are short-term in nature, typically due within one year or less or cancelable by us or our customer upon a short notice period. Performance obligations for customer contracts are satisfied at a single point, typically when the transaction is complete, or overtime. For performance obligations satisfied over time, the Corporation primarily uses the output method, directly measuring the value of products/services transferred to the customer, to determine when performance obligations have been satisfied. The Corporation typically receives payment from customers and recognizes revenue concurrent with the satisfaction of its performance obligations. In most cases, this occurs within a single financial reporting period. For payments received in advance of the satisfaction of performance obligations, revenue recognition is deferred until such time as the performance obligations have been satisfied.

In cases where the Corporation has not received payment, despite the satisfaction of its performance obligations, and accrual is made of an estimate of the amount due in the period its performance obligation has been satisfied.

### **NOTE 2 – MEMBERSHIP FEES**

Members are required to purchase one share of stock per meter in order to use the system. The membership fee is \$350 per meter and is refundable.

### 3G WATER SUPPLY CORPORATION

Notes to Financial Statements

For the Year Ended January 31, 2024

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#### **NOTE 3 – FIXED ASSETS**

Fixed assets, together with estimated useful lives, consisted of the following:

	<u>2024</u>	<u>Useful lives in Years</u>
Land	\$ 40,000	
Equipment	2,752	5 yrs.
Water system	569,274	5-30 yrs.
Construction in progress	7,499	30 yrs.
	<u>619,525</u>	
Less accumulated depreciation	(329,866)	
Total fixed assets	<u>\$ 289,659</u>	

Depreciation expense for the year ended January 31, 2024 was \$10,963.

#### **NOTE 4 – FAIR VALUE OF FINANCIAL INSTRUMENTS**

The Corporation calculates the fair value of its assets and liabilities which qualify as financial instruments and includes this additional information in the notes to financial statements when the fair value is different than the carrying value of these financial instruments. The estimated fair value of accounts receivable, accounts payable, and accrued liabilities approximate the carrying amounts due to the relatively short maturity of these instruments. None of these instruments are held for trading purposes.

#### **NOTE 5 – DEPOSITS IN EXCESS OF FDIC LIMIT**

As of January 31, 2024, the Corporation has \$119,378 of cash deposits in excess of the FDIC insured limit of \$250,000.

#### **NOTE 6 – EVALUATION OF SUBSEQUENT EVENTS**

The Corporation has evaluated subsequent events through July 7, 2024, the date which the financial statements were available to be issued. No subsequent items require disclosure to the financial statements.