

BARTON WATER SUPPLY CORPORATION
ANNUAL FINANCIAL REPORT
FOR THE SIX MONTHS ENDED
DECEMBER 31, 2017

This page left intentionally blank.

BARTON WATER SUPPLY CORPORATION
TABLE OF CONTENTS
SIX MONTHS ENDED DECEMBER 31, 2017

	<u>Page</u>
Independent Auditor's Report	1
Statement of Financial Position	2
Statement of Activities	3
Statement of Cash Flows	4
Notes to the Financial Statements	5

This page left intentionally blank.

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Barton Water Supply Corporation
P.O. Box 272
Gordon, Texas 76453

Report on the Financial Statements

I have audited the accompanying consolidated financial statements of Barton Water Supply Corporation (a not-for-profit corporation), which comprise the consolidated statement of financial position as of December 31, 2017, and the related consolidated statements of activities, and cash flows for the six months then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these consolidated financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates by management, as well as evaluating the overall presentation of the consolidated financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Barton Water Supply Corporation as of December 31, 2017, and the changes in its net assets and its cash flows for the six months then ended in accordance with account principles generally accepted in the United States of America.

Cameron L. Gulley
Certified Public Accountant

March 22, 2018

This page left intentionally blank.

BARTON WATER SUPPLY CORPORATION
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2017

	12/31/2017
ASSETS	
Current Assets:	
Cash	\$ 66,989
Short-Term Investments	125,806
Accounts Receivable, Net of Allowance for Doubtful Accounts	25,359
Total Current Assets	218,154
Noncurrent Assets:	
Capital Assets:	
Property, Plant and Equipment	952,484
Less: Accumulated Depreciation	(513,923)
Total Capital Assets	438,561
Restricted Cash	144,500
Total Noncurrent Assets	583,061
TOTAL ASSETS	\$ 801,215
 LIABILITIES AND NET ASSETS	
Liabilities:	
Current Liabilities:	
Accounts Payable	\$ 14,121
Accrued Payroll Liabilities	1,687
Current Portion of Long-Term Debt	17,397
Total Current Liabilities	33,205
Non-Current Liabilities:	
Unearned Grant Revenue	144,500
Long-Term Notes Payable	100,274
Less: Current Portion	(17,397)
Total Non-Current Liabilities	227,377
Total Liabilities	260,582
Net Assets:	
Unrestricted	540,633
Total Net Assets	540,633
TOTAL LIABILITIES AND NET ASSETS	\$ 801,215

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

BARTON WATER SUPPLY CORPORATION
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2017

	12/31/2017
CHANGES IN NET ASSETS	
Support:	
Water Sales, Net of Bad Debts	\$ 160,802
Less: Water Purchased	(57,308)
Net Water Revenue	103,494
Other Support:	
Membership and Transfer Fees	13,600
Late Charges	1,520
Reconnect Fees	140
Grant Revenue	55,500
Interest Income	523
Other	367
Total Net Support	175,144
Expenses:	
Advertising and Promotion	-
Contract Labor	2,001
Depreciation Expense	14,973
Insurance	7,500
Interest	1,336
Miscellaneous	2,605
Office Supplies and Expenses	4,877
Personnel - Payroll Taxes	2,997
Personnel - Salaries and Wages	37,373
System Maintenance and Repairs	9,415
System Maintenance Supplies	2,235
Training	-
Travel	4,141
Utilities and Telephone	8,225
Total Expenses	97,678
Increase (Decrease) in Net Assets	77,466
Net Assets - Beginning of Year	463,167
Net Assets - End of Year	\$ 540,633

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

BARTON WATER SUPPLY CORPORATION
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2017

	12/31/2017
Cash Flows From Operating Activities:	
Cash received from customers	\$ 176,139
Cash payments to suppliers for goods and services	(105,126)
Cash payments to employees for services (and related benefits)	(40,286)
Net Cash Provided by Operating Activities	30,727
Cash Flows From Capital and Related Financing Activities:	
Cash received from capital loans	80,000
Cash received from capital grants	55,500
Cash payments for asset acquisitions	(138,168)
Cash payments for principal on long-term debt	(14,648)
Cash payments for interest on long-term debt	(1,336)
Net Cash Used for Capital and Related Financing Activities	(18,652)
Cash Flows From Investing Activities:	
Proceeds from interest and dividends	523
Net Cash Provided by Investing Activities	523
Net Increase in Cash and Cash Equivalents	12,598
Beginning Cash and Cash Equivalents	180,197
Ending Cash and Cash Equivalents	\$ 192,795
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:	
Changes in net assets	\$ 77,466
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:	
Depreciation	14,973
Interest expense	1,336
Grant income	(55,500)
Interest and dividend income	(523)
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	(290)
Increase (decrease) in accounts payable	(6,819)
Increase (decrease) in accrued liabilities	84
Net Cash Provided by Operating Activities	\$ 30,727
Reconciliation of Cash to Statement of Financial Position:	
Cash	\$ 66,989
Short-Term Investments	125,806
Total Cash and Cash Equivalents	\$ 192,795

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

This page left intentionally blank.

BARTON WATER SUPPLY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
SIX MONTHS ENDED DECEMBER 31, 2017

Note 1 - Summary of Significant Accounting Principles

- A. Organization: Barton Water Supply Corporation (the "Corporation") is a Texas non-profit corporation. Its purpose is to provide water service to its approximately 300 members located in Erath and Palo Pinto Counties, Texas.

The Corporation was granted a tax exempt status by the Internal Revenue Service under Code Section 501(c)(12) and will be recognized as exempt in those years in which receipts from members are at least 85% of the total income of the Corporation. Information on the return Form 990 has been timely filed by the corporation.

The Corporation is governed by a Board of Directors consisting of seven elected board members. The board is not included in any other "reporting entity" and has decision making authority, the power to designate management, the responsibility to significantly influence operations and primary accountability for fiscal matters.

- B. Basis of Accounting: The Corporation utilizes the accrual basis of accounting. Under this method, revenues are recognized in the accounting period in which they become both available and measurable. Expenses are recognized in the accounting period in which the liability is incurred, if measurable.
- C. Financial Statement Presentation: The Corporation has elected to adopt Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-for-Profit Organizations." Under SFAS No. 117, the Corporation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, the Corporation is required to present a statement of cash flows. As permitted by this new statement, the Corporation has discontinued its use of fund accounting and has, accordingly, reclassified its financial statements to present the three classes of net assets required.
- D. Depreciation and Amortization: Fixed assets are stated at cost. Fixed assets are depreciated over their estimated useful lives ranging from 5 to 50 years, utilizing the straight-line method of depreciation.
- E. Cash and Cash Equivalents: For purposes of the statement of cash flows, the Corporation considers all highly liquid investments available for current use with an initial maturity of twelve months or less to be cash equivalents.

BARTON WATER SUPPLY CORPORATION
 NOTES TO THE FINANCIAL STATEMENTS
 SIX MONTHS ENDED DECEMBER 31, 2017

- F. Concentration of Credit Risk: Credit risk is the failure of another party to perform in accordance with the contract terms. Financial instruments which potentially subject the Museum to concentrations of credit risk consist primarily of cash and cash equivalents, investments and receivables.

The Corporation places its cash and cash equivalents with investment-grade institutions. These account balances do not usually exceed federally insured limits. The Corporation has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

Investment securities, in general, are exposed to various risks, such as interest rate, credit and overall market volatility. Since all of the Corporation's investments are in certificates of deposit, the overall market risk is considered minimal.

With respect to receivables, the Corporation routinely assesses the financial strength of the creditors and believes that the related credit risk exposure is limited.

Note 2 - Investments

The investments of the Corporation consist of savings and certificates of deposit in local insured financial institutions in the State of Texas. Investments as of December 31, 2017 are listed as follows:

Investment Type	Market Value	Due < 1 Yr	Due > 1 Yr
Money market savings accounts	\$ 15,874	\$ 15,874	\$ 0
Certificates of deposit	109,932	109,932	0
Total Investments	\$ 125,806	\$ 125,806	\$ 0

Note 3 - Federal Income Taxes

The Corporation has been notified by the Internal Revenue Service that it is exempt from Federal Income Tax under Internal Revenue Code Section 501(c)(12) and will be recognized as exempt in those years that receipts from members are at least 85% of the total income.

BARTON WATER SUPPLY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
SIX MONTHS ENDED DECEMBER 31, 2017

Note 4 - Property, Plant, and Equipment

Following is a summary of additions and retirements to the Corporation's property, plant, and equipment for the six months ended December 31, 2017:

	Property, Plant and Equipment			
	Balance 7/1/17	Additions	Retirements	Balance 12/31/17
Land and Easements	\$ 12,259	\$ 146	\$	\$ 12,405
Water Distribution System	655,022	128,190		783,212
Buildings and Improvements	39,481	3,200		42,681
Furniture and Equipment	108,782	6,632	1,228	114,186
Total	\$ 815,544	\$ 138,168	\$ 1,228	\$ 952,484
	Accumulated Depreciation			
	Balance 7/1/17	Depreciation	Retirements	Balance 12/31/17
Water Distribution System	\$ 429,708	\$ 8,024	\$	\$ 437,732
Buildings and Improvements	17,310	663		17,973
Furniture and Equipment	53,160	6,286	1,228	58,218
Total	\$ 500,178	\$ 14,973	\$ 1,228	\$ 513,923
Net Prop, Plant & Eqpt.	\$ 315,366	\$ 123,195	\$ 0	\$ 438,561

Note 5 - Long-Term Debt

The Corporation had the following long-term liabilities at December 31, 2017:

Debt Instrument	Interest Rate	Beginning Balance	Additions	Retirements	Ending Balance	Due Within One Year
Ford Motor Credit	3.39%	\$ 27,614	\$	\$ 3,844	\$ 23,770	\$ 7,219
Comanche National Bank	4.00%	0	80,000	3,496	76,504	10,178
Texas Bank	4.05%	7,308		7,308	0	0
Total		\$ 34,922	\$ 80,000	\$ 14,648	\$ 100,274	\$ 17,397

On December 3, 2015, the Corporation financed the purchase of a 2016 Ford F250 pickup through Ford Motor Credit. Terms of the agreement were for payment in 60 monthly installments of \$714 beginning January 3, 2016 with final maturity on December 3, 2020 at an annual interest rate of 3.39%. Total amount financed was \$39,367.

BARTON WATER SUPPLY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
SIX MONTHS ENDED DECEMBER 31, 2017

On August 28, 2017, the Corporation financed the purchase and installation of new electronic meters through Comanche National Bank. Terms of the agreement were for payment in 35 monthly installments of \$1,093 beginning September 15, 2017 with final maturity on August 15, 2020 at which time a final balloon payment for the unpaid principal balance will be due at an annual interest rate of 4.00%. Total amount financed was \$80,000.

Future debt service requirements were as follows:

Year ended December 31,	Principal	Interest	Total
2018	\$ 17,397	\$ 3,571	\$ 20,968
2019	18,788	2,895	21,683
2020	64,089	1,559	65,648
Total	<u>\$ 100,274</u>	<u>\$ 8,025</u>	<u>\$ 108,299</u>

Note 6 - Economic Dependency

The Corporation’s existence depends substantially on the following vendors for its source of water to its customers without which it could not provide services: City of Gordon, Texas.

Note 7 - Restricted Cash and Unearned Grant Revenue

The Corporation entered into a loan-forgiveness grant agreement with the Texas Water Development Board (the “TWDB”) on July 6, 2017 totaling \$200,000 for infrastructure improvements. Funds received were placed in escrow only to be released by authorization of the TWDB. Related restricted cash and unearned grant revenue liability balances totaling \$144,500 for remaining unexpended balances on the loan-forgiveness grant were reflected on the Statement of Financial Position at December 31, 2017.

Note 8 - Subsequent Events

Management has evaluated subsequent events through March 22, 2018; the date which the financial statements were available for distribution. There were none noted.