

BARTON WATER SUPPLY CORPORATION
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED
DECEMBER 31, 2019

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BARTON WATER SUPPLY CORPORATION
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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, 2019, and the related consolidated statements of activities, and cash flows for the year 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, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with account principles generally accepted in the United States of America.

Cameron L. Gulley
Certified Public Accountant

March 12, 2020

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BARTON WATER SUPPLY CORPORATION
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2019

	<u>12/31/2019</u>
ASSETS	
Current Assets:	
Cash	\$ 51,725
Short-Term Investments	167,940
Accounts Receivable, Net of Allowance for Doubtful Accounts	<u>26,104</u>
Total Current Assets	<u>245,769</u>
Noncurrent Assets:	
Capital Assets:	
Property, Plant and Equipment	1,090,916
Less: Accumulated Depreciation	<u>(568,759)</u>
Total Capital Assets	522,157
Restricted Cash	<u>348,761</u>
Total Noncurrent Assets	<u>870,918</u>
TOTAL ASSETS	<u><u>\$ 1,116,687</u></u>
 LIABILITIES AND NET ASSETS	
Liabilities:	
Current Liabilities:	
Accounts Payable	\$ 19,261
Accrued Payroll Liabilities	-
Current Portion of Long-Term Debt	<u>72,132</u>
Total Current Liabilities	<u>91,393</u>
Non-Current Liabilities:	
Unearned Grant Revenue	348,761
Long-Term Notes Payable	81,914
Less: Current Portion	<u>(72,132)</u>
Total Non-Current Liabilities	<u>358,543</u>
Total Liabilities	<u>449,936</u>
Net Assets:	
Unrestricted	<u>666,751</u>
Total Net Assets	<u>666,751</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 1,116,687</u></u>

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

BARTON WATER SUPPLY CORPORATION
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2019

	<u>12/31/2019</u>
CHANGES IN NET ASSETS	
Support:	
Water Sales, Net of Bad Debts	\$ 354,183
Less: Water Purchased	<u>(127,280)</u>
Net Water Revenue	<u>226,903</u>
Other Support:	
Membership and Transfer Fees	33,771
Late Charges	2,710
Reconnect Fees	300
Grant Revenue	64,005
Interest Income	1,744
Other	<u>2,030</u>
Total Net Support	<u>331,463</u>
Expenses:	
Advertising and Promotion	-
Contract Labor	9,453
Depreciation Expense	34,323
Insurance	7,888
Interest	3,874
Miscellaneous	14,282
Office Supplies and Expenses	9,023
Personnel - Payroll Taxes	8,611
Personnel - Salaries and Wages	108,186
Professional Fees	5,900
System Maintenance and Repairs	37,837
System Maintenance Supplies	728
Training	1,943
Travel	12,074
Utilities and Telephone	<u>17,160</u>
Total Expenses	<u>271,282</u>
Increase (Decrease) in Net Assets	60,181
Net Assets - Beginning of Year	<u>606,570</u>
Net Assets - End of Year	<u><u>\$ 666,751</u></u>

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

BARTON WATER SUPPLY CORPORATION
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2019

	12/31/2019
Cash Flows From Operating Activities:	
Cash received from customers	\$ 391,672
Cash payments to suppliers for goods and services	(242,020)
Cash payments to employees for services (and related benefits)	(118,266)
Net Cash Provided by Operating Activities	<u>31,386</u>
Cash Flows From Capital and Related Financing Activities:	
Cash received from capital loans	23,932
Cash received from capital grants	64,005
Cash payments for asset acquisitions	(86,184)
Cash payments for principal on long-term debt	(24,407)
Cash payments for interest on long-term debt	(3,874)
Net Cash Used for Capital and Related Financing Activities	<u>(26,528)</u>
Cash Flows From Investing Activities:	
Proceeds from interest and dividends	1,744
Net Cash Provided by Investing Activities	<u>1,744</u>
Net Increase in Cash and Cash Equivalents	6,602
Beginning Cash and Cash Equivalents	213,063
Ending Cash and Cash Equivalents	<u><u>\$ 219,665</u></u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:	
Changes in net assets	\$ 60,181
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:	
Depreciation	34,323
Interest expense	3,874
Grant income	(64,005)
Interest and dividend income	(1,744)
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	(1,322)
Increase (decrease) in accounts payable	1,548
Increase (decrease) in accrued liabilities	(1,469)
Net Cash Provided by Operating Activities	<u><u>\$ 31,386</u></u>
Reconciliation of Cash to Statement of Financial Position:	
Cash	\$ 51,725
Short-Term Investments	167,940
Total Cash and Cash Equivalents	<u><u>\$ 219,665</u></u>

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

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BARTON WATER SUPPLY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019

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
YEAR ENDED DECEMBER 31, 2019

- 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 Corporation 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, 2019 are listed as follows:

Investment Type	Market Value	Due < 1 Yr	Due > 1 Yr
Money market savings accounts	\$ 54,544	\$ 54,544	
Certificates of deposit	113,396	113,396	
Total Investments	\$ 167,940	\$ 167,940	

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
YEAR ENDED DECEMBER 31, 2019

Note 4 - Property, Plant, and Equipment

Following is a summary of additions and retirements to the Corporation's property, plant, and equipment for the year ended December 31, 2019:

Property, Plant and Equipment				
	Balance 1/1/2019	Additions	Retirements	Balance 12/31/2019
Land and Easements	\$ 12,405			\$ 12,405
Water Distribution System	833,198	88,187		921,385
Buildings and Improvements	47,907			47,907
Furniture and Equipment	117,127	21,191	29,099	109,219
Total	\$ 1,010,637	\$ 109,378	\$ 29,099	\$ 1,090,916
Accumulated Depreciation				
	Balance 1/1/2019	Depreciation	Retirements	Balance 12/31/2019
Water Distribution System	\$ 455,490	\$ 21,541		\$ 477,031
Buildings and Improvements	19,430	1,638		21,068
Furniture and Equipment	70,671	11,144	11,155	70,660
Total	545,591	34,323	11,155	568,759
Net Prop, Plant & Eqpt.	\$ 465,046	\$ 75,055	\$ 17,944	\$ 522,157

Note 5 - Long-Term Debt

The Corporation had the following long-term liabilities at December 31, 2019:

Debt Instrument	Interest Rate	Beginning Balance	Additions	Retirements	Ending Balance	Due Within One Year
Ford Motor Credit	3.39%	\$ 15,883		\$ 7,468	\$ 8,415	\$ 8,415
Spirit of Texas Bank	4.00%	66,256		10,623	55,633	55,633
Spirit of Texas Bank	4.75%	0	24,182	6,316	17,866	8,084
Total		\$ 82,139	\$ 24,182	\$ 24,407	\$ 81,914	\$ 72,132

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
YEAR ENDED DECEMBER 31, 2019

On August 28, 2017, the Corporation financed the purchase and installation of new electronic meters through Spirit of Texas 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.

On January 22, 2019, the Corporation financed the purchase and installation of a new 3,000 gallon pressure tank through Spirit of Texas Bank. Terms of the agreement were for payment in 36 monthly installments of \$731 beginning March 1, 2019 with final maturity on February 1, 2022 at an annual interest rate of 4.75%. Total amount financed was \$24,182.

Future debt service requirements were as follows:

Year ended December 31,	Principal	Interest	Total
2020	\$ 72,132	\$ 2,248	\$ 74,380
2021	8,494	281	8,775
2022	1,288	7	1,295
Total	<u>\$ 81,914</u>	<u>\$ 2,536</u>	<u>\$ 84,450</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 \$75,995 for remaining unexpended balances on the loan-forgiveness grant were reflected on the Statement of Financial Position at December 31, 2019.

The Corporation entered into a loan-forgiveness grant agreement with the Texas Water Development Board (the "TWDB") on May 9, 2018 totaling \$300,000 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 \$272,766 for remaining unexpended balances on the loan-forgiveness grant were reflected on the Statement of Financial Position at December 31, 2019.

BARTON WATER SUPPLY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019

Note 8 - Subsequent Events

Management has evaluated subsequent events through March 12, 2020; the date which the financial statements were available for distribution. There were none noted.

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