

BARTON WATER SUPPLY CORPORATION
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED
DECEMBER 31, 2020

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 statement of financial position as of December 31, 2020, and the related statement of activities and changes in net assets and the statement 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 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 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 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 financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 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 financial statements referred to above present fairly, in all material respects, the financial position of Barton Water Supply Corporation as of December 31, 2020, and the changes in its statement of activities and changes in net assets and changes in 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 23, 2021

BARTON WATER SUPPLY CORPORATION
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2020

	<u>12/31/2020</u>
ASSETS	
Current Assets:	
Cash	\$ 86,036
Short-Term Investments	121,265
Accounts Receivable, Net of Allowance for Doubtful Accounts	<u>32,101</u>
Total Current Assets	<u>239,402</u>
Noncurrent Assets:	
Capital Assets:	
Property, Plant and Equipment	1,150,159
Less: Accumulated Depreciation	<u>(612,144)</u>
Total Capital Assets	538,015
Restricted Cash	<u>332,347</u>
Total Noncurrent Assets	<u>870,362</u>
TOTAL ASSETS	<u><u>\$ 1,109,764</u></u>
 LIABILITIES AND NET ASSETS	
Liabilities:	
Current Liabilities:	
Accounts Payable	\$ 12,190
Accrued Payroll Liabilities	<u>7,638</u>
Total Current Liabilities	<u>19,828</u>
Non-Current Liabilities:	
Unearned Grant Revenue	<u>332,347</u>
Total Non-Current Liabilities	<u>332,347</u>
Total Liabilities	<u>352,175</u>
Net Assets:	
Without Donor Restrictions	<u>757,589</u>
Total Net Assets	<u>757,589</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 1,109,764</u></u>

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

BARTON WATER SUPPLY CORPORATION
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED DECEMBER 31, 2020

	<u>12/31/2020</u>
REVENUES:	
Water Sales, Net of Bad Debts	\$ 435,469
Membership and Transfer Fees	24,949
Late Charges	2,660
Reconnect Fees	600
Other	2,020
Total Revenue	<u>465,698</u>
EXPENSES:	
Contract Labor	4,502
Depreciation Expense	43,385
Insurance	7,464
Miscellaneous	5,169
Office Supplies and Expenses	9,525
Personnel - Payroll Taxes	9,928
Personnel - Salaries and Wages	132,743
Professional Fees	6,543
System Maintenance and Repairs	29,750
System Maintenance Supplies	181
Training	416
Travel	8,394
Utilities and Telephone	15,043
Wholesale Water Costs	140,471
Total Expenses	<u>413,514</u>
Total Operating Income (Loss)	<u>52,184</u>
NON-OPERATING INCOME (EXPENSE):	
Interest Income	873
Grant Revenue	16,414
SBA Loan-Forgiveness Revenue	22,500
Interest Expense	(1,133)
Total Non-Operating Income (Expense)	<u>38,654</u>
Increase (Decrease) in Net Assets	90,838
Net Assets - Beginning of Year	666,751
Net Assets - End of Year	<u><u>\$ 757,589</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, 2020

	<u>12/31/2020</u>
Cash Flows From Operating Activities:	
Cash received from customers	\$ 459,701
Cash payments to suppliers for goods and services	(229,529)
Cash payments to employees for services (and related benefits)	(135,033)
Net Cash Provided by Operating Activities	<u>95,139</u>
Cash Flows From Capital and Related Financing Activities:	
Cash received from SBA loan-forgiveness program	22,500
Cash received from capital grants	16,414
Cash payments for asset acquisitions	(64,243)
Cash payments for principal on long-term debt	(81,914)
Cash payments for interest on long-term debt	(1,133)
Net Cash Used for Capital and Related Financing Activities	<u>(108,376)</u>
Cash Flows From Investing Activities:	
Proceeds from interest and dividends	873
Net Cash Provided by Investing Activities	<u>873</u>
Net Decrease in Cash and Cash Equivalents	(12,364)
Beginning Cash and Cash Equivalents	219,665
Ending Cash and Cash Equivalents	<u><u>\$ 207,301</u></u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:	
Operating income	\$ 52,184
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:	
Depreciation	43,385
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	(5,997)
Increase (decrease) in accounts payable	(2,071)
Increase (decrease) in accrued liabilities	7,638
Net Cash Provided by Operating Activities	<u><u>\$ 95,139</u></u>
Reconciliation of Cash to Statement of Financial Position:	
Cash	\$ 86,036
Short-Term Investments	121,265
Total Cash and Cash Equivalents	<u><u>\$ 207,301</u></u>

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

BARTON WATER SUPPLY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2020

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, 2020

- 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.

- G. Net Assets: Net assets are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions - Net assets available for use in general operations and not subject to donor restrictions. The governing board has the option to internally designate funds, but no such designations have been made.

Net Assets With Donor Restrictions - Net assets subject to donor-imposed restrictions. Some donor restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Historically, these net assets primarily consist of net assets without donor restrictions such as excess membership fees, surplus, and retained earnings of the Corporation. Surplus represents capital contributed by each new line member upon joining the Corporation in an effort to offset the cost of putting the water line and meter into service.

BARTON WATER SUPPLY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2020

- H. Functional Expenses: The financial statements report categories of expenses that are attributed to either program or supporting functions. The Corporation classifies all costs between programs, administration/management and general based on the direct relation to the organization's mission and purpose.
- I. Income Taxes: The Corporation is exempt from federal income taxes under Section 501(c)(12) of the Internal Revenue Code. Therefore, the Corporation has not made provision for federal income taxes in the accompanying financial statements. Forms 990, *Return of Organization Exempt from Income Tax*, for the years 2017, 2018, and 2019 are subject to examination by the IRS, generally for three years after they were filed.
- J. 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 vary from those assumptions.
- K. Fair Value of Financial Assets: The Corporation measures and discloses certain financial assets and liabilities at fair value. GAAP defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. GAAP also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. GAAP describes three levels of inputs that may be used to measure fair value:

Level 1 - Quoted prices in active markets for identical assets or liabilities.

Level 2 - Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

For disclosure purposes, assets and liabilities are classified in their entirety in the fair value hierarchy level based on the lowest level of input that is significant to the overall fair value measurement. The Corporation's assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the placement within the fair value hierarchy.

BARTON WATER SUPPLY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2020

The Corporation uses the active market approach to measure fair value of financial assets or liabilities.

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, 2020 are listed as follows:

Investment Type	Market Value	Due < 1 Yr	Due > 1 Yr
Money market savings accounts	\$ 89,865	\$ 89,865	
Certificates of deposit	31,400	31,400	
Total Investments	\$ 121,265	\$ 121,265	

Note 3 - 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, 2020:

	Property, Plant and Equipment			
	Balance 1/1/2020	Additions	Retirements	Balance 12/31/2020
Land and Easements	\$ 12,405			\$ 12,405
Water Distribution System	921,385	50,122		971,507
Buildings and Improvements	47,907			47,907
Furniture and Equipment	109,219	9,121		118,340
Total	\$ 1,090,916	\$ 59,243		\$ 1,150,159
	Accumulated Depreciation			
	Balance 1/1/2020	Depreciation	Retirements	Balance 12/31/2020
Water Distribution System	\$ 477,031	\$ 29,015		\$ 506,046
Buildings and Improvements	21,068	1,638		22,706
Furniture and Equipment	70,660	12,732		83,392
Total	568,759	43,385		612,144
Net Prop, Plant & Eqpt.	\$ 522,157	\$ 15,858		\$ 538,015

BARTON WATER SUPPLY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2020

Note 4 - Long-Term Debt

The Corporation had the following long-term liabilities at December 31, 2020:

Debt Instrument	Interest Rate	Beginning Balance	Additions	Retirements	Ending Balance	Due Within One Year
Ford Motor Credit	3.39%	\$ 8,415		\$ 8,415	\$ 0	\$ 0
Spirit of Texas Bank	4.00%	55,633		55,633	0	0
Spirit of Texas Bank	4.75%	17,866		17,866	0	0
Total		<u>\$ 81,914</u>		<u>\$ 81,914</u>	<u>\$ 0</u>	<u>\$ 0</u>

Note 5 - 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 6 - 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 \$68,956 for remaining unexpended balances on the loan-forgiveness grant were reflected on the Statement of Financial Position at December 31, 2020.

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 \$263,391 for remaining unexpended balances on the loan-forgiveness grant were reflected on the Statement of Financial Position at December 31, 2020.

Note 7 - Subsequent Events

Management has evaluated subsequent events through March 23, 2021; the date which the financial statements were available for distribution. There were none noted.

BARTON WATER SUPPLY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2020

Note 8 - Functional Expense Allocation

Expenses	Program	Administrative	Total
Contract labor	\$ 4,502		\$ 4,502
Depreciation expense	43,385		43,385
Insurance	7,464		7,464
Interest	1,133		1,133
Miscellaneous	5,169		5,169
Office supplies and expense		9,525	9,525
Personnel - payroll taxes	8,056	1,872	9,928
Personnel - salaries and wages	108,274	24,469	132,743
Professional fees	543	6,000	6,543
System maintenance and repairs	29,750		29,750
System maintenance supplies	181		181
Training	416		416
Travel	8,394		8,394
Utilities and telephone	11,927	3,116	15,043
Wholesale water costs	140,471		140,471
Total Expenses	\$ 369,665	\$ 44,982	\$ 414,647
Percent Allocation	89%	11%	100%

Note 9 - Liquidity

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of net position date, comprise of the following:

Cash, savings and CDs	\$ 207,301
Accounts receivable	32,101
Total	<u>\$ 239,402</u>

BARTON WATER SUPPLY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
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As part of the Corporation's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. The policy is that monthly revenues are to cover monthly expenses. Monthly revenues and expenditures are deposited in and deducted from the operating accounts.

Any excess cash for the year is to be used for general capital purchases in the upcoming years. These funds are invested in savings and certificate of deposit accounts with short term maturities.