

BARTON WATER SUPPLY CORPORATION
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED
DECEMBER 31, 2021

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 financial statements of Barton Water Supply Corporation (a not-for-profit corporation), which comprise the statement of financial position as of December 31, 2021, 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, 2021, 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 accounting principles generally accepted in the United States of America.

Cameron L. Gulley
Certified Public Accountant

March 10, 2022

BARTON WATER SUPPLY CORPORATION
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2021

	<u>12/31/2021</u>
ASSETS	
Current Assets:	
Cash	\$ 86,817
Short-Term Investments	130,724
Accounts Receivable, Net of Allowance for Doubtful Accounts	<u>33,350</u>
Total Current Assets	<u>250,891</u>
Noncurrent Assets:	
Capital Assets:	
Property, Plant and Equipment	1,312,723
Less: Accumulated Depreciation	<u>(632,149)</u>
Total Capital Assets	680,574
Restricted Cash	<u>251,516</u>
Total Noncurrent Assets	<u>932,090</u>
TOTAL ASSETS	<u><u>\$ 1,182,981</u></u>
LIABILITIES AND NET ASSETS	
Liabilities:	
Current Liabilities:	
Accounts Payable	\$ 14,932
Accrued Payroll Liabilities	3,845
Current Portion of Long-Term Debt	<u>15,928</u>
Total Current Liabilities	<u>34,705</u>
Non-Current Liabilities:	
Unearned Grant Revenue	251,516
Long-Term Notes Payable	34,510
Less: Current Portion	<u>(15,928)</u>
Total Non-Current Liabilities	<u>270,098</u>
Total Liabilities	<u>304,803</u>
Net Assets:	
Without Donor Restrictions	<u>878,178</u>
Total Net Assets	<u>878,178</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 1,182,981</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, 2021

	<u>12/31/2021</u>
REVENUES:	
Water Sales, Net of Bad Debts	\$ 428,237
Membership and Transfer Fees	41,398
Late Charges	3,140
Reconnect Fees	900
Other	5,430
Total Revenue	<u>479,105</u>
EXPENSES:	
Advertising and Promotion	1,081
Contract Labor	4,995
Depreciation Expense	45,829
Insurance	9,044
Miscellaneous	17,128
Office Supplies and Expenses	9,956
Personnel - Payroll Taxes	9,412
Personnel - Salaries and Wages	116,753
Professional Fees	13,305
System Maintenance and Repairs	29,046
Training	1,165
Travel	16,138
Utilities and Telephone	15,153
Wholesale Water Costs	150,657
Total Expenses	<u>439,662</u>
Total Operating Income (Loss)	<u>39,443</u>
NON-OPERATING INCOME (EXPENSE):	
Interest Income	314
Grant Revenue	80,832
Total Non-Operating Income (Expense)	<u>81,146</u>
Increase (Decrease) in Net Assets	120,589
Net Assets - Beginning of Year	757,589
Net Assets - End of Year	<u><u>\$ 878,178</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, 2021

	<u>12/31/2021</u>
Cash Flows From Operating Activities:	
Cash received from customers	\$ 477,856
Cash payments to suppliers for goods and services	(264,926)
Cash payments to employees for services (and related benefits)	(129,958)
Net Cash Provided by Operating Activities	<u>82,972</u>
Cash Flows From Capital and Related Financing Activities:	
Cash received from loans payable	47,784
Cash received from capital grants	80,832
Cash payments for asset acquisitions	(188,388)
Cash payments for principal on long-term debt	(13,274)
Cash payments for interest on long-term debt	-
Net Cash Used for Capital and Related Financing Activities	<u>(73,046)</u>
Cash Flows From Investing Activities:	
Proceeds from interest and dividends	314
Net Cash Provided by Investing Activities	<u>314</u>
Net Decrease in Cash and Cash Equivalents	10,240
Beginning Cash and Cash Equivalents	207,301
Ending Cash and Cash Equivalents	<u>\$ 217,541</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:	
Operating income	\$ 39,443
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:	
Depreciation	45,829
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	(1,249)
Increase (decrease) in accounts payable	2,742
Increase (decrease) in accrued liabilities	(3,793)
Net Cash Provided by Operating Activities	<u>\$ 82,972</u>
Reconciliation of Cash to Statement of Financial Position:	
Cash	\$ 86,817
Short-Term Investments	130,724
Total Cash and Cash Equivalents	<u>\$ 217,541</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, 2021

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 Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-14, "Not-for-Profit Entities (Topic 958): Presentation of Financial Statements for Not-for-Profit Entities." Under ASU 2016-14, the Corporation is required to report information regarding its financial position according to two classes of net assets: without donor restrictions and with donor restrictions. In addition, the Corporation is required to present operating expenses by both nature and function. And, finally, it requires disclosure of both quantitative and qualitative information about the availability of and how the Corporation manages its liquid available resources to meet cash needs for general expenses within one year of the balance sheet date.
- 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, 2021

- 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, 2021

- 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 2018, 2019, and 2020 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, 2021

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, 2021 are listed as follows:

Investment Type	Market Value	Due < 1 Yr	Due > 1 Yr
Money market savings accounts	\$ 96,724	\$ 96,724	
Certificates of deposit	34,000	34,000	
Total Investments	\$ 130,724	\$ 130,724	

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, 2021:

	Property, Plant and Equipment			
	Balance 1/1/2021	Additions	Retirements	Balance 12/31/2021
Land and Easements	\$ 12,405			\$ 12,405
Water Distribution System	971,507	131,005		1,102,512
Buildings and Improvements	47,907			47,907
Furniture and Equipment	118,340	57,383	25,824	149,899
Total	\$ 1,150,159	\$ 188,388	\$ 25,824	\$ 1,312,723
	Accumulated Depreciation			
	Balance 1/1/2021	Depreciation	Retirements	Balance 12/31/2021
Water Distribution System	\$ 506,046	\$ 33,142		\$ 539,188
Buildings and Improvements	22,706	1,638		24,344
Furniture and Equipment	83,392	11,049	25,824	68,617
Total	612,144	45,829	25,824	632,149
Net Prop, Plant & Eqpt.	\$ 538,015	\$ 142,559	\$ 0	\$ 680,574

BARTON WATER SUPPLY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2021

Note 4 - Long-Term Debt

The Corporation had the following long-term liabilities at December 31, 2021:

Debt Instrument	Interest Rate	Beginning Balance	Additions	Retirements	Ending Balance	Due Within One Year
Chrysler Credit	0.00%	\$ 0	\$ 47,784	\$ 13,274	\$ 34,510	\$ 15,928
Total		\$ 0	\$ 47,784	\$ 13,274	\$ 34,510	\$ 15,928

On January 19, 2021, the Corporation financed the purchase of a 2020 Dodge Ram 2500 pickup through Chrysler Credit. Terms of the agreement were for payment in 36 monthly installments of \$1,327 beginning March 7, 2021 with final maturity on February 7, 2024 at an annual interest rate of 0.00%. Total amount financed was \$47,784.

Future debt service requirements were as follows:

Year ended December 31,	Principal	Interest	Total
2022	\$ 15,928	\$ 0	\$ 15,928
2023	15,928	0	15,928
2024	2,654	0	2,654
Total	\$ 34,510	\$ 0	\$ 34,610

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 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 \$251,516 for remaining unexpended balances on the loan-forgiveness grant were reflected on the Statement of Financial Position at December 31, 2021.

Note 7 - Subsequent Events

Management has evaluated subsequent events through March 10, 2022; 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, 2021

Note 8 - Functional Expense Allocation

Expenses	Program	Administrative	Total
Advertising and promotion	\$ 0	\$ 1,081	\$ 1,081
Contract labor	4,995	0	4,995
Depreciation expense	45,039	790	45,829
Insurance	9,044	0	9,044
Miscellaneous	17,128	0	17,128
Office supplies and expense	0	9,956	9,956
Personnel - payroll taxes	7,389	2,023	9,412
Personnel - salaries and wages	90,308	26,445	116,753
Professional fees	6,805	6,500	13,305
System maintenance and repairs	29,046	0	29,046
Training	775	390	1,165
Travel	14,255	1,883	16,138
Utilities and telephone	11,160	3,993	15,153
Wholesale water costs	150,657	0	150,657
Total Expenses	<u>\$ 386,601</u>	<u>\$ 53,061</u>	<u>\$ 439,662</u>
Percent Allocation	<u>88%</u>	<u>12%</u>	<u>100%</u>

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	\$ 217,541
Accounts receivable	33,350
Total	<u>\$ 250,891</u>

BARTON WATER SUPPLY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2021

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.