

BARTON WATER SUPPLY CORPORATION  
ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED  
DECEMBER 31, 2018

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BARTON WATER SUPPLY CORPORATION  
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YEAR ENDED DECEMBER 31, 2018

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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, 2018, 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, 2018, 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 14, 2019

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BARTON WATER SUPPLY CORPORATION  
STATEMENT OF FINANCIAL POSITION  
DECEMBER 31, 2018

	12/31/2018
<b>ASSETS</b>	
Current Assets:	
Cash	\$ 64,847
Short-Term Investments	148,216
Accounts Receivable, Net of Allowance for Doubtful Accounts	24,782
<b>Total Current Assets</b>	<b>237,845</b>
Noncurrent Assets:	
Capital Assets:	
Property, Plant and Equipment	1,010,637
Less: Accumulated Depreciation	(545,591)
<b>Total Capital Assets</b>	<b>465,046</b>
Restricted Cash	412,766
<b>Total Noncurrent Assets</b>	<b>877,812</b>
<b>TOTAL ASSETS</b>	<b>\$ 1,115,657</b>
 <b>LIABILITIES AND NET ASSETS</b>	
Liabilities:	
Current Liabilities:	
Accounts Payable	\$ 12,713
Accrued Payroll Liabilities	1,469
Current Portion of Long-Term Debt	18,086
<b>Total Current Liabilities</b>	<b>32,268</b>
Non-Current Liabilities:	
Unearned Grant Revenue	412,766
Long-Term Notes Payable	82,139
Less: Current Portion	(18,086)
<b>Total Non-Current Liabilities</b>	<b>476,819</b>
<b>Total Liabilities</b>	<b>509,087</b>
Net Assets:	
Unrestricted	606,570
<b>Total Net Assets</b>	<b>606,570</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 1,115,657</b>

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

BARTON WATER SUPPLY CORPORATION  
STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2018

	12/31/2018
CHANGES IN NET ASSETS	
Support:	
Water Sales, Net of Bad Debts	\$ 346,521
Less: Water Purchased	(120,382)
Net Water Revenue	226,139
Other Support:	
Membership and Transfer Fees	19,770
Late Charges	2,370
Reconnect Fees	2,150
Grant Revenue	31,734
Interest Income	1,183
Other	2,984
Total Net Support	286,330
Expenses:	
Advertising and Promotion	-
Contract Labor	9,837
Depreciation Expense	31,668
Insurance	8,135
Interest	3,602
Miscellaneous	6,712
Office Supplies and Expenses	7,062
Personnel - Payroll Taxes	5,321
Personnel - Salaries and Wages	78,295
Professional Fees	23,284
System Maintenance and Repairs	19,710
System Maintenance Supplies	2,484
Training	650
Travel	7,963
Utilities and Telephone	15,670
Total Expenses	220,393
Increase (Decrease) in Net Assets	65,937
Net Assets - Beginning of Year	540,633
Net Assets - End of Year	\$ 606,570

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



BARTON WATER SUPPLY CORPORATION  
STATEMENT OF CASH FLOWS  
YEAR ENDED DECEMBER 31, 2018

	12/31/2018
Cash Flows From Operating Activities:	
Cash received from customers	\$ 374,372
Cash payments to suppliers for goods and services	(223,297)
Cash payments to employees for services (and related benefits)	(83,834)
Net Cash Provided by Operating Activities	67,241
Cash Flows From Capital and Related Financing Activities:	
Cash received from capital loans	-
Cash received from capital grants	31,734
Cash payments for asset acquisitions	(58,153)
Cash payments for principal on long-term debt	(18,135)
Cash payments for interest on long-term debt	(3,602)
Net Cash Used for Capital and Related Financing Activities	(48,156)
Cash Flows From Investing Activities:	
Proceeds from interest and dividends	1,183
Net Cash Provided by Investing Activities	1,183
Net Increase in Cash and Cash Equivalents	20,268
Beginning Cash and Cash Equivalents	192,795
Ending Cash and Cash Equivalents	\$ 213,063
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:	
Changes in net assets	\$ 65,937
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:	
Depreciation	31,668
Interest expense	3,602
Grant income	(31,734)
Interest and dividend income	(1,183)
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	577
Increase (decrease) in accounts payable	(1,408)
Increase (decrease) in accrued liabilities	(218)
Net Cash Provided by Operating Activities	\$ 67,241
Reconciliation of Cash to Statement of Financial Position:	
Cash	\$ 64,847
Short-Term Investments	148,216
Total Cash and Cash Equivalents	\$ 213,063

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, 2018

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, 2018

- 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, 2018 are listed as follows:

Investment Type	Market Value	Due < 1 Yr	Due > 1 Yr
Money market savings accounts	\$ 36,557	\$ 36,557	
Certificates of deposit	111,659	111,659	
Total Investments	\$ 148,216	\$ 148,216	

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, 2018

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, 2018:

	Property, Plant and Equipment			
	Balance 1/1/2018	Additions	Retirements	Balance 12/31/2018
Land and Easements	\$ 12,405			\$ 12,405
Water Distribution System	783,212	49,986		833,198
Buildings and Improvements	42,681	5,226		47,907
Furniture and Equipment	114,186	2,941		117,127
<b>Total</b>	<b>\$ 952,484</b>	<b>\$ 58,153</b>	<b>\$ 0</b>	<b>\$ 1,010,637</b>
	Accumulated Depreciation			
	Balance 1/1/2018	Depreciation	Retirements	Balance 12/31/2018
Water Distribution System	\$ 437,732	\$ 17,758		\$ 455,490
Buildings and Improvements	17,973	1,457		19,430
Furniture and Equipment	58,218	12,453		70,671
<b>Total</b>	<b>513,923</b>	<b>31,668</b>	<b>0</b>	<b>545,591</b>
<b>Net Prop, Plant &amp; Eqpt.</b>	<b>\$ 438,561</b>	<b>\$ 26,485</b>	<b>\$ 0</b>	<b>\$ 465,046</b>

Note 5 - Long-Term Debt

The Corporation had the following long-term liabilities at December 31, 2018:

Debt Instrument	Interest Rate	Beginning Balance	Additions	Retirements	Ending Balance	Due Within One Year
Ford Motor Credit	3.39%	\$ 23,770		\$ 7,887	\$ 15,883	\$ 7,468
Comanche National Bank	4.00%	76,504		10,248	66,256	10,618
<b>Total</b>		<b>\$ 100,274</b>		<b>\$ 18,135</b>	<b>\$ 82,139</b>	<b>\$ 18,086</b>

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, 2018

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
2019	\$ 18,086	\$ 2,882	\$ 20,968
2020	64,053	1,558	65,611
Total	<u>\$ 82,139</u>	<u>\$ 4,440</u>	<u>\$ 86,579</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 \$130,000 for remaining unexpended balances on the loan-forgiveness grant were reflected on the Statement of Financial Position at December 31, 2018.

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 \$282,766 for remaining unexpended balances on the loan-forgiveness grant were reflected on the Statement of Financial Position at December 31, 2018.

Note 8 - Subsequent Events

Management has evaluated subsequent events through March 14, 2019; the date which the financial statements were available for distribution. There were none noted.