

BARTON WATER SUPPLY CORPORATION  
ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED  
DECEMBER 31, 2024

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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 Audit of the Financial Statements

#### *Opinion*

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, 2024, and the related statement of activities and cash flows for the year then ended, and the related notes to the financial statements.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Barton Water Supply Corporation as of December 31, 2024, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### *Basis for Opinion*

I conducted my audit in accordance with auditing standards generally accepted in the United States of America (GAAS). My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of Barton Water Supply Corporation and to meet my other ethical responsibilities, in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

#### *Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Corporation's ability to continue as a going concern for one year after the date that the financial statements are issued.

#### *Auditor's Responsibilities for the Audit of the Financial Statements*

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, I:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of the internal control relevant to the audit 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 Corporation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Corporation's ability to continue as a going concern for a reasonable period of time.

I am required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that I identified during the audit.



Cameron L. Gulley  
Certified Public Accountant  
Eastland, Texas

April 8, 2025

BARTON WATER SUPPLY CORPORATION  
STATEMENT OF FINANCIAL POSITION  
DECEMBER 31, 2024

|   | <u>12/31/2024</u>          |
|---|----------------------------|
| ASSETS  |                            |
| Current Assets:   |                            |
| Cash  | \$ 42,428                  |
| Short-Term Investments                                      | 215,099                    |
| Accounts Receivable, Net of Allowance for Doubtful Accounts | 44,645                     |
| Total Current Assets  | <u>302,172</u>             |
| Noncurrent Assets:  |                            |
| Capital Assets:   |                            |
| Property, Plant and Equipment                               | 1,494,542                  |
| Less: Accumulated Depreciation                              | (810,288)                  |
| Total Capital Assets  | <u>684,254</u>             |
| Restricted Cash   | 1,217,167                  |
| Total Noncurrent Assets                                     | <u>1,901,421</u>           |
| TOTAL ASSETS  | <u><u>\$ 2,203,593</u></u> |
| LIABILITIES AND NET ASSETS                                  |                            |
| Liabilities:  |                            |
| Current Liabilities:  |                            |
| Accounts Payable  | \$ 17,942                  |
| Accrued Payroll Liabilities                                 | 5,891                      |
| Total Current Liabilities                                   | <u>23,833</u>              |
| Non-Current Liabilities:                                    |                            |
| Unearned Grant Revenue                                      | 166,516                    |
| Long-Term Notes Payable                                     | 1,140,000                  |
| Total Non-Current Liabilities                               | <u>1,306,516</u>           |
| Total Liabilities   | <u>1,330,349</u>           |
| Net Assets:   |                            |
| With Donor Restrictions - Debt Service Reserve              | 40,090                     |
| Without Donor Restrictions                                  | 833,154                    |
| Total Net Assets  | <u>873,244</u>             |
| TOTAL LIABILITIES AND NET ASSETS                            | <u><u>\$ 2,203,593</u></u> |

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

BARTON WATER SUPPLY CORPORATION  
STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2024

|                                      | <u>12/31/2024</u>        |
|--------------------------------------|--------------------------|
| REVENUES:                            |                          |
| Water Sales, Net of Bad Debts        | \$ 565,726               |
| Membership and Transfer Fees         | 20,800                   |
| Late Charges                         | 4,425                    |
| Reconnect Fees                       | 750                      |
| Other                                | 3,851                    |
| Total Revenue                        | <u>595,552</u>           |
| EXPENSES:                            |                          |
| Contract Labor                       | 16,540                   |
| Depreciation Expense                 | 62,378                   |
| Insurance                            | 15,384                   |
| Miscellaneous                        | 19,754                   |
| Office Supplies and Expenses         | 16,692                   |
| Personnel - Payroll Taxes            | 11,605                   |
| Personnel - Salaries and Wages       | 148,625                  |
| Professional Fees                    | 41,443                   |
| System Maintenance and Repairs       | 33,435                   |
| System Maintenance Supplies          | 998                      |
| Training                             | 1,314                    |
| Travel                               | 15,325                   |
| Utilities and Telephone              | 22,695                   |
| Wholesale Water Costs                | 177,600                  |
| Total Expenses                       | <u>583,788</u>           |
| Total Operating Income (Loss)        | <u>11,764</u>            |
| NON-OPERATING INCOME (EXPENSE):      |                          |
| Interest Income                      | 2,589                    |
| Grant Revenue                        | 85,000                   |
| Interest Expense and Financing Costs | (89,349)                 |
| Total Non-Operating Income (Expense) | <u>(1,760)</u>           |
| Increase (Decrease) in Net Assets    | 10,004                   |
| Net Assets - Beginning of Year       | 863,240                  |
| Net Assets - End of Year             | <u><u>\$ 873,244</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, 2024

|  | <u>12/31/2024</u> |
|--|-------------------|
| Cash Flows From Operating Activities:  |                   |
| Cash received from customers   | \$ 590,993        |
| Cash payments to suppliers for goods and services  | (360,996)         |
| Cash payments to employees for services (and related benefits)                                 | (162,416)         |
| Net Cash Provided by Operating Activities  | <u>67,581</u>     |
| Cash Flows From Capital and Related Financing Activities:                                      |                   |
| Cash received from loans payable   | 1,140,000         |
| Cash received from restricted cash   | 85,000            |
| Cash payments for restricted cash  | (1,050,651)       |
| Cash payments for asset acquisitions   | (122,986)         |
| Cash payments for principal on long-term debt  | (2,655)           |
| Cash payments for interest/financing costs on long-term debt                                   | (89,349)          |
| Net Cash Used for Capital and Related Financing Activities                                     | <u>(40,641)</u>   |
| Cash Flows From Investing Activities:  |                   |
| Proceeds from interest and dividends   | 2,589             |
| Net Cash Provided by Investing Activities  | <u>2,589</u>      |
| Net Increase in Cash and Cash Equivalents  | 29,529            |
| Beginning Cash and Cash Equivalents  | 227,998           |
| Ending Cash and Cash Equivalents   | <u>\$ 257,527</u> |
| Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:        |                   |
| Operating income   | \$ 11,764         |
| Adjustments to reconcile operating income (loss) to net cash provided by operating activities: |                   |
| Depreciation   | 62,378            |
| Changes in assets and liabilities:   |                   |
| (Increase) decrease in accounts receivable   | (4,331)           |
| Increase (decrease) in accounts payable  | (44)              |
| Increase (decrease) in accrued liabilities   | (2,186)           |
| Net Cash Provided by Operating Activities  | <u>\$ 67,581</u>  |
| Reconciliation of Cash to Statement of Financial Position:                                     |                   |
| Cash   | \$ 42,428         |
| Short-Term Investments   | 215,099           |
| Total Cash and Cash Equivalents  | <u>\$ 257,527</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, 2024

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, 2024

- 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, 2024

- 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 2021, 2022, and 2023 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, 2024

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, 2024 are listed as follows:

| Investment Type               | Market Value | Due < 1 Yr | Due > 1 Yr |
|-------------------------------|--------------|------------|------------|
| Money market savings accounts | \$ 139,199   | \$ 139,199 |            |
| Certificates of deposit       | 75,900       | 75,900     |            |
| Total Investments             | \$ 215,099   | \$ 215,099 |            |

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, 2024:

|                            | Property, Plant and Equipment |              |             |                       |
|----------------------------|-------------------------------|--------------|-------------|-----------------------|
|                            | Balance<br>1/1/2024           | Additions    | Retirements | Balance<br>12/31/2024 |
| Land and Easements         | \$ 12,405                     |              |             | \$ 12,405             |
| Water Distribution System  | 1,147,685                     | 122,986      |             | 1,270,671             |
| Buildings and Improvements | 47,907                        |              |             | 47,907                |
| Furniture and Equipment    | 163,559                       |              |             | 163,559               |
| Total                      | \$ 1,371,556                  | \$ 122,986   | \$ 0        | \$ 1,494,542          |
|                            | Accumulated Depreciation      |              |             |                       |
|                            | Balance<br>1/1/2024           | Depreciation | Retirements | Balance<br>12/31/2024 |
| Water Distribution System  | \$ 616,298                    | \$ 41,732    |             | \$ 658,030            |
| Buildings and Improvements | 27,620                        | 1,638        |             | 29,258                |
| Furniture and Equipment    | 103,992                       | 19,008       |             | 123,000               |
| Total                      | 747,910                       | 62,378       | 0           | 810,288               |
| Net Prop, Plant & Eqpt.    | \$ 623,646                    | \$ 60,608    | \$ 0        | \$ 684,254            |

BARTON WATER SUPPLY CORPORATION  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2024

Note 4 - Long-Term Debt

The Corporation had the following long-term liabilities at December 31, 2024:

| Debt Instrument   | Interest Rate | Beginning Balance | Additions           | Retirements     | Ending Balance      | Due Within One Year |
|-------------------|---------------|-------------------|---------------------|-----------------|---------------------|---------------------|
| Chrysler Credit   | 0.00%         | \$ 2,655          |                     | \$ 2,655        | \$ 0                | \$ 0                |
| TWDB Loan Payable | 0.00%         | 0                 | 1,140,000           |                 | 1,140,000           | 0                   |
| Total             |               | <u>\$ 2,655</u>   | <u>\$ 1,140,000</u> | <u>\$ 2,655</u> | <u>\$ 1,140,000</u> | <u>\$ 0</u>         |

On February 5, 2024, the Corporation financed the construction of infrastructure improvements through the Texas Water Development Board (the “TWDB”). Terms of the agreement were for payment in annual installments beginning February 1, 2026 with final maturity on February 1, 2045 at an annual interest rate of 0.00%. Total amount financed was \$1,140,000. The loan requires a debt service reserve set-aside of an amount at least equal to 100% of the average debt service requirements of the loan. At December 31, 2024, the reserve balance was \$40,090.

Future debt service requirements were as follows:

| Year ended December 31, | Principal           | Interest    | Total               |
|-------------------------|---------------------|-------------|---------------------|
| 2025                    | \$ 0                | \$ 0        | \$ 0                |
| 2026                    | 40,000              | 0           | 40,000              |
| 2027                    | 40,000              | 0           | 40,000              |
| 2028                    | 40,000              | 0           | 40,000              |
| 2029                    | 40,000              | 0           | 40,000              |
| 2030-34                 | 235,000             | 0           | 235,000             |
| 2035-39                 | 295,000             | 0           | 295,000             |
| 2040-44                 | 365,000             | 0           | 365,000             |
| 2045                    | 85,000              | 0           | 85,000              |
| Total                   | <u>\$ 1,140,000</u> | <u>\$ 0</u> | <u>\$ 1,140,000</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 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 \$166,516 for remaining unexpended balances on the loan-forgiveness grant were reflected on the Statement of Financial Position at December 31, 2024.

The Corporation entered into a loan agreement with the Texas Water Development Board (the "TWDB") on February 5, 2024 totaling \$1,140,000 for infrastructure improvements. Funds received were placed in escrow only to be released by authorization of the TWDB. Related restricted cash balances totaling \$1,050,651 for remaining unexpended balances on the loan were reflected on the Statement of Financial Position at December 31, 2024.

## Note 7 - Subsequent Events

Management has evaluated subsequent events through April 8, 2025; the date which the financial statements were available for distribution. There were none noted.

## Note 8 - Functional Expense Allocation

| Expenses                       | Program           | Administrative   | Total             |
|--------------------------------|-------------------|------------------|-------------------|
| Advertising and promotion      | \$ 0              | \$ 0             | \$ 0              |
| Contract labor                 | 16,540            | 0                | 16,540            |
| Depreciation expense           | 61,170            | 1,208            | 62,378            |
| Insurance                      | 15,384            | 0                | 15,384            |
| Interest and financing costs   | 89,349            | 0                | 89,349            |
| Miscellaneous                  | 19,754            | 0                | 19,754            |
| Office supplies and expense    | 0                 | 16,692           | 16,692            |
| Personnel - payroll taxes      | 8,997             | 2,608            | 11,605            |
| Personnel - salaries and wages | 114,529           | 34,096           | 148,625           |
| Professional fees              | 32,443            | 9,000            | 41,443            |
| System maintenance and repairs | 33,435            | 0                | 33,435            |
| System maintenance supplies    | 998               | 0                | 998               |
| Training                       | 1,314             | 0                | 1,314             |
| Travel                         | 15,148            | 177              | 15,325            |
| Utilities and telephone        | 20,036            | 2,659            | 22,695            |
| Wholesale water costs          | 177,600           | 0                | 177,600           |
| Total Expenses                 | <u>\$ 606,697</u> | <u>\$ 66,440</u> | <u>\$ 673,137</u> |
| Percent Allocation             | <u>90%</u>        | <u>10%</u>       | <u>100%</u>       |



BARTON WATER SUPPLY CORPORATION  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2024

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 | \$ 257,527              |
| Accounts receivable   | 44,645                  |
| Total                 | <u><u>\$302,172</u></u> |

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.

Note 10 - Contributed Nonfinancial Assets

For the year ended December 31, 2024 there were no nonfinancial assets received by the Corporation which were recognized within the Statement of Activities.

**Gift-in-Kind Valuation Technique and Inputs:** Contributed items are valued at the estimated fair value on the basis of estimates of wholesale values that would be received for selling similar products in the United States.

Contributed services recognized comprise of professional services. Such services are valued and reported at the estimated fair value in the financial statements based on current rates for similar services.

**Donor Restrictions:** No gift-in-kind was restricted. The Corporation does not sell donated gifts-in-kind and only distributes goods for program use.

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