

BARTON WATER SUPPLY CORPORATION
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED
JUNE 30, 2017

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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 June 30, 2017, 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 June 30, 2017, 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 22, 2018

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BARTON WATER SUPPLY CORPORATION
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2017

| | 06/30/2017 |
|---|-------------------|
| ASSETS | |
| Current Assets: | |
| Cash | \$ 59,544 |
| Short-Term Investments | 120,653 |
| Accounts Receivable, Net of Allowance for Doubtful Accounts | 25,069 |
| Total Current Assets | 205,266 |
| Noncurrent Assets: | |
| Property, Plant and Equipment | 815,544 |
| Less: Accumulated Depreciation | (500,178) |
| Total Noncurrent Assets | 315,366 |
| TOTAL ASSETS | \$ 520,632 |
| LIABILITIES AND NET ASSETS | |
| Liabilities: | |
| Current Liabilities: | |
| Accounts Payable | \$ 20,940 |
| Accrued Payroll Liabilities | 1,603 |
| Current Portion of Long-Term Debt | 11,778 |
| Total Current Liabilities | 34,321 |
| Non-Current Liabilities: | |
| Long-Term Notes Payable | 34,922 |
| Less: Current Portion | (11,778) |
| Total Non-Current Liabilities | 23,144 |
| Total Liabilities | 57,465 |
| Net Assets: | |
| Unrestricted | 463,167 |
| Total Net Assets | 463,167 |
| TOTAL LIABILITIES AND NET ASSETS | \$ 520,632 |

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

BARTON WATER SUPPLY CORPORATION
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2017

| | 06/30/2017 |
|-----------------------------------|------------|
| CHANGES IN NET ASSETS | |
| Support: | |
| Water Sales, Net of Bad Debts | \$ 293,290 |
| Less: Water Purchased | (80,202) |
| Net Water Revenue | 213,088 |
| Other Support: | |
| Membership and Transfer Fees | 700 |
| Late Charges | 2,600 |
| Reconnect Fees | 665 |
| Interest Income | 978 |
| Other | 19 |
| Total Net Support | 218,050 |
| Expenses: | |
| Advertising and Promotion | 116 |
| Contract Labor | 6,683 |
| Depreciation Expense | 33,128 |
| Insurance | 13,054 |
| Interest | 1,485 |
| Miscellaneous | 6,736 |
| Office Supplies and Expenses | 7,045 |
| Personnel - Payroll Taxes | 6,123 |
| Personnel - Salaries and Wages | 77,712 |
| System Maintenance and Repairs | 16,475 |
| System Maintenance Supplies | 2,967 |
| Training | 340 |
| Travel | 8,133 |
| Utilities and Telephone | 16,202 |
| Total Expenses | 196,199 |
| Increase (Decrease) in Net Assets | 21,851 |
| Net Assets - Beginning of Year | 441,316 |
| Net Assets - End of Year | \$ 463,167 |

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

BARTON WATER SUPPLY CORPORATION
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2017

| | 06/30/2017 |
|---|------------|
| Cash Flows From Operating Activities: | |
| Cash received from customers | \$ 295,424 |
| Cash payments to suppliers for goods and services | (147,014) |
| Cash payments to employees for services (and related benefits) | (83,632) |
| Net Cash Provided by Operating Activities | 64,778 |
| Cash Flows From Capital and Related Financing Activities: | |
| Cash payments for asset acquisitions | (791) |
| Cash payments for principal on long-term debt | (12,406) |
| Cash payments for interest on long-term debt | (1,485) |
| Net Cash Used for Capital and Related Financing Activities | (14,682) |
| Cash Flows From Investing Activities: | |
| Proceeds from interest and dividends | 978 |
| Net Cash Provided by Investing Activities | 978 |
| Net Increase in Cash and Cash Equivalents | 51,074 |
| Beginning Cash and Cash Equivalents | 129,123 |
| Ending Cash and Cash Equivalents | \$ 180,197 |
| Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities: | |
| Changes in net assets | \$ 21,851 |
| Adjustments to reconcile operating income (loss) to net cash provided by operating activities: | |
| Depreciation | 33,128 |
| Interest expense | 1,485 |
| Interest and dividend income | (978) |
| Changes in assets and liabilities: | |
| (Increase) decrease in accounts receivable | (1,850) |
| Increase (decrease) in accounts payable | 10,939 |
| Increase (decrease) in accrued liabilities | 203 |
| Net Cash Provided by Operating Activities | \$ 64,778 |
| Reconciliation of Cash to Statement of Financial Position: | |
| Cash | \$ 59,544 |
| Short-Term Investments | 120,653 |
| Total Cash and Cash Equivalents | \$ 180,197 |

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 JUNE 30, 2017

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 JUNE 30, 2017

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 Museum 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 June 30, 2017 are listed as follows:

| Investment Type | Market Value | Due < 1 Yr | Due > 1 Yr |
|-------------------------------|--------------|------------|------------|
| Money market savings accounts | \$ 24,873 | \$ 24,873 | \$ 0 |
| Certificates of deposit | 95,780 | 95,780 | 0 |
| Total Investments | \$ 120,653 | \$ 120,653 | \$ 0 |

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 JUNE 30, 2017

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 June 30, 2017:

| Property, Plant and Equipment | | | | |
|------------------------------------|-------------------|--------------------|-------------|--------------------|
| | Balance 7/1/16 | Additions | Retirements | Balance 6/30/17 |
| Land and Easements | \$ 11,468 | \$ 791 | \$ | \$ 12,259 |
| Water Distribution System | 655,022 | | | 655,022 |
| Buildings and Improvements | 39,481 | | | 39,481 |
| Furniture and Equipment | 108,782 | | | 108,782 |
| Total | \$ 814,753 | \$ 791 | \$ | \$ 815,544 |
| Accumulated Depreciation | | | | |
| | Balance 7/1/16 | Depreciation | Retirements | Balance 6/30/17 |
| Water Distribution System | \$ 415,256 | \$ 14,452 | \$ | \$ 429,708 |
| Buildings and Improvements | 16,036 | 1,274 | | 17,310 |
| Furniture and Equipment | 35,758 | 17,402 | | 53,160 |
| Total | \$ 467,050 | \$ 33,128 | \$ | \$ 500,178 |
| Net Prop, Plant & Eqpt. | \$ 347,703 | \$ (32,337) | \$ | \$ 315,366 |

Note 5 - Long-Term Debt

The Corporation had the following long-term liabilities at June 30, 2017:

| Debt Instrument | Interest Rate | Beginning Balance | Additions | Retirements | Ending Balance | Due Within One Year |
|-------------------|------------------|----------------------|-----------|------------------|-------------------|------------------------|
| Ford Motor Credit | 3.39% | \$ 35,110 | | \$ 7,496 | \$ 27,614 | \$ 7,098 |
| Texas Bank | 4.05% | 12,218 | | 4,910 | 7,308 | 4,680 |
| Total | | \$ 47,328 | | \$ 12,406 | \$ 34,922 | \$ 11,778 |

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 JUNE 30, 2017

On December 16, 2015, the Corporation financed the construction of a storage building through Texas Bank. Terms of the agreement were for payment in 36 monthly installments of \$443 beginning January 10, 2016 with final maturity on December 10, 2018 at an annual interest rate of 4.05%. Total amount financed was \$15,000.

Future debt service requirements were as follows:

| Year ended June 30, | Principal | Interest | Total |
|---------------------|-----------|----------|-----------|
| 2018 | \$ 11,778 | \$ 954 | \$ 12,732 |
| 2019 | 10,627 | 603 | 11,230 |
| 2020 | 8,274 | 297 | 8,571 |
| 2021 | 4,243 | 42 | 4,285 |
| Total | \$ 34,922 | \$ 1,896 | \$ 36,818 |

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 - Subsequent Events

Management has evaluated subsequent events through March 22, 2018; the date which the financial statements were available for distribution.

The Corporation received a \$200,000 grant from Texas Water Development Board on July 6, 2017 for the purpose of infrastructure improvements. It also entered into a long-term loan agreement on August 28, 2017 with Comanche National Bank for \$80,000 to upgrade to electronic meters for its customers.

Effective July 1, 2017, the board of directors authorized a change in fiscal year from July 1 through June 30 to January 1 through December 31.