

**MOFFAT WATER SUPPLY CORPORATION**

**AUDITED FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITORS' REPORT**

**SEPTEMBER 30, 2019 and 2018**

# MOFFAT WATER SUPPLY CORPORATION

## TABLE OF CONTENTS

September 30, 2019 and 2018

	<u>Page Number</u>
Independent Auditors' Report	1-2
<b>Financial Statements</b>	
Statements of Financial Position	3
Statements of Activities	4
Statements of Cash Flows	5
Notes to the Financial Statements	6 - 11
<b>Compliance Section</b>	
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	12 - 13

**ALTON D. THIELE, P.C.**

**Certified Public Accountant  
300 East Avenue C P.O. Box 808  
Belton, TX 76513-0808**

**INDEPENDENT AUDITORS' REPORT**

To the Board of Directors

Moffat Water Supply Corporation  
5456 Lakeaire Boulevard  
Temple, Texas

We have audited the accompanying financial statements of Moffat Water Supply Corporation (a nonprofit entity), which comprise the statement of financial position as of September 30, 2019 and 2018 and the related 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 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.

**Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we 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, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Moffat Water Supply Corporation as of September 30, 2019 and 2018, and the changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 17, 2020, on our consideration of Moffat Water Supply Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Moffat Water Supply Corporation's internal control over financial reporting and compliance.

A handwritten signature in black ink, appearing to read "Michael J. Hall". The signature is written in a cursive style with a large, stylized initial "M".

January 17, 2020  
Belton, Texas

**Moffat Water Supply Corporation**  
**STATEMENTS OF FINANCIAL POSITION**

September 30, 2019 and 2018

	2019	2018
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash in banks and on hand	\$ 987,013	\$ 1,060,747
Invested funds - NOTE G	3,785,315	441,496
Trade accounts receivable	107,576	113,674
Inventory	32,221	30,429
Prepaid expenses	12,280	12,197
	4,924,405	1,658,542
<b>Total Current Assets</b>		
<b>PROPERTY AND EQUIPMENT</b>	3,100,072	3,011,223
(net of accumulated depreciation)		
<b>OTHER ASSETS</b>		
Investment-Bluebonnet WSC - NOTE C	500	500
Investment-CoBank, ASB - NOTE C	2,022	1,563
Invested funds-Reserve - NOTE G	377,368	180,929
	379,890	182,992
<b>Total Other Assets</b>		
<b>TOTAL ASSETS</b>	\$ 8,404,367	\$ 4,852,757
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Trade accounts payable	\$ 40,712	\$ 17,858
Payroll taxes payable	4,641	2,123
Regulatory assessment fee payable	5,516	5,408
Accrued interest payable	955	1,022
Current portion of long-term debt	130,799	68,547
	182,623	94,958
<b>Total Current Liabilities</b>		
<b>LONG-TERM LIABILITIES</b>		
Long-term debt (net of current portion) - NOTE I	5,886,453	2,716,891
<b>NET ASSETS</b>		
Without donor restrictions - NOTE A	2,335,291	2,040,909
	2,335,291	2,040,909
<b>TOTAL LIABILITIES AND NET ASSETS</b>	\$ 8,404,367	\$ 4,852,757

The accompanying notes are an integral part of these financial statements.  
See Independent Auditors' Report.

**Moffat Water Supply Corporation**  
**STATEMENTS OF ACTIVITIES**  
For the Years Ended September 30, 2019 and 2018

	<b>2019</b>	<b>2018</b>
<b>WITHOUT DONOR RESTRICTIONS</b>		
<b>OPERATING REVENUES</b>		
Metered water sales	\$ 1,336,417	\$ 1,394,251
Penalty and reconnect fees	24,360	27,155
Meter tap and equity fees	102,866	52,995
Other revenues	3,499	7,098
	<b>1,467,141</b>	<b>1,481,498</b>
<b>OPERATING EXPENSES</b>		
Water purchased - NOTE H	455,085	451,183
Water testing	7,347	8,474
Travel, meetings and training	2,446	3,117
Depreciation and amortization	203,939	209,598
Dues and subscriptions	6,813	6,069
Insurance	15,896	15,489
Miscellaneous expense	382	310
Office expenses	35,288	40,547
Professional fees	13,869	11,645
Power purchased for pumping	37,436	38,598
Salaries and benefits	249,133	210,448
Repairs and maintenance	92,390	103,056
Service vehicles fuel and maintenance	7,103	10,048
Telephone	7,283	7,067
Bad debts (recoveries)	1,977	2,405
	<b>1,136,387</b>	<b>1,118,054</b>
<b>INCREASE (DECREASE) IN OPERATING REVENUES OVER OPERATING EXPENSES</b>	<b>330,755</b>	<b>363,444</b>
<b>OTHER REVENUE (EXPENSE)</b>		
Interest income	51,094	4,334
Miscellaneous income	77	2,343
Interest expense	(109,842)	(112,359)
Gain / (loss) on sale of assets	-	-
	<b>(58,671)</b>	<b>(105,681)</b>
<b>CHANGE IN NET ASSETS FROM OPERATIONS</b>	<b>272,084</b>	<b>257,763</b>
<b>NON-RECURING REVENUE (EXPENSE)</b>		
Membership fees	22,296	60,058
Developer contributions	-	170,946
	<b>22,296</b>	<b>231,004</b>
<b>CHANGE IN NET ASSETS</b>	<b>294,380</b>	<b>488,767</b>
<b>BEGINNING NET ASSETS</b>	<b>2,040,909</b>	<b>1,552,141</b>
<b>ENDING NET ASSETS</b>	<b>\$ 2,335,291</b>	<b>\$ 2,040,909</b>

The accompanying note are an integral part of these financial statements.  
See Independent Auditors' Report.

**Moffat Water Supply Corporation**  
**STATEMENTS OF CASH FLOWS**  
For the Years Ended September 30, 2019 and 2018

**INDIRECT METHOD**

	<u>2019</u>	<u>2018</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets from operations:	\$ 272,084	\$ 257,763
Adjustments to reconcile the change in net assets from operations to net cash provided by (used in) operating activities:		
Depreciation and amortization	203,939	209,598
Changes in operating assets and liabilities - (Increase) decrease in:		
Trade receivables	6,098	(11,774)
Invested funds	(3,343,819)	(260,687)
Inventory	(1,792)	4,032
Prepaid expenses	(83)	98
Increase (decrease) in:		
Trade payables	25,488	(11,483)
Accrued expenses	(67)	(65)
<b>Total Adjustments</b>	<u>(3,110,236)</u>	<u>(70,281)</u>
<b>Net Cash Provided By (Used In) Operating Activities</b>	(2,838,152)	187,482
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Cash payments for purchase of property	(292,788)	(38,576)
Cash (payments) receipts for the (purchase) liquidation of invested fund	<u>(196,905)</u>	<u>(1,248)</u>
<b>Net Cash Provided By (Used In) Investing Activities</b>	(489,693)	(39,824)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Principal payments on long term debt	(68,185)	(65,753)
Proceeds from the issuance of long term debt	3,300,000	-
Proceeds from developer contributions	-	170,946
Proceeds from issuance of memberships	<u>22,296</u>	<u>60,058</u>
<b>Net Cash Provided By (Used In) Financing Activities</b>	<u>3,254,111</u>	<u>165,251</u>
<b>NET INCREASE (DECREASE) IN CASH</b>	(73,733)	312,909
<b>CASH BEGINNING OF PERIOD</b>	<u>1,060,747</u>	<u>747,838</u>
<b>CASH AT END OF PERIOD</b>	<u>\$ 987,013</u>	<u>\$ 1,060,747</u>
Supplemental disclosures of cash flow information:		
Cash paid during the year for -		
Interest expense	<u>\$ 109,909</u>	<u>\$ 114,908</u>

The accompanying notes are an integral part of these financial statements.  
See Independent Auditors' Report

**MOFFAT WATER SUPPLY CORPORATION  
NOTES TO THE FINANCIAL STATEMENTS**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Line of business:** Moffat Water Supply Corporation (the Corporation) is a member-owned, tax exempt organization incorporated pursuant to the provisions of Chapter 67 of the Texas Water Code and the Texas Business Organizations Code for the purpose of providing a potable water utility service, in Bell County under a valid Certificate of Convenience and Necessity authority (CCN number 11166), to members of the Corporation. Members/consumers are located principally in the rural area of west Bell County, between Lake Belton and the City of Temple, Texas. Operating policies, rates, tariffs and regulations are formulated by a Board of Directors, duly elected by members of Moffat Water Supply Corporation.

**Financial statement presentation:** The Corporation is required to present its financial statements in accordance with ASC 958–205 Financial Statement Presentation for Not for Profit Entities. Under ASC 958–205, and the updated by ASU 2016-14, the Corporation is required to report information regarding its financial position and activities according to two classes of net assets: net assets without restriction and net assets with restriction and disclose its financial liquidity. The Corporation is a water utility service provider. There are no donor-sourced revenues. All net assets were “without donor restrictions” at September 30, 2019 and 2018. The following is a schedule net assets:

	2019	2018
<b>NET ASSETS WITHOUT RESTRICTION</b>		
<b>MEMBERSHIPS</b>		
Balance, October 1	\$ 302,639	\$ 242,581
Member investment - Current Year	22,296	60,058
Balance, September 30	324,935	302,639
<b>CONTRIBUTED CAPITAL - USDA and DEVELOPERS</b>		
Balance, October 1	181,558	10,612
Additions - Developer	-	170,946
Balance, September 30	181,558	181,558
<b>BOARD DESIGNATED</b>		
Balance, October 1	180,929	180,093
Increase (Decrease) in Board Designated	196,439	836
Balance, September 30	377,368	180,929
<b>UNDESIGNATED</b>		
Balance, October 1	1,375,783	1,118,856
Increase (Decrease) in Board Designated	(196,439)	(836)
Change in unrestricted net assets	272,084	257,763
Balance, September 30	1,451,428	1,375,783
<b>TOTAL NET ASSETS WITHOUT RESTRICTION</b>	<b>\$ 2,335,291</b>	<b>\$ 2,040,909</b>

**Basis of accounting:** The accrual method of accounting is used to maintain the books and records.

**Cash flows:** The Corporation considers all liquid investments purchased with an initial maturity of three months or less, and not designated as a component of the Reserve Fund, to be cash equivalents.



**MOFFAT WATER SUPPLY CORPORATION  
NOTES TO THE FINANCIAL STATEMENTS**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Concentration of credit risk:** The Corporation invests its excess and Reserve funds in FDIC/FSLIC insured money market, or other time or demand deposit securities. The Board of Directors establishes guidelines, relative to diversification and maturities, which maintain safety and liquidity. These guidelines are periodically reviewed and modified to take advantage of trends in yields and maturities. The Corporation is carrying cash balances in excess of the \$250,000 FDIC limits. The bank is pledging assets for those amounts exceeding the FDIC limit each month.

**Revenue recognition:** The Corporation generally sells water utility services under short-term, monthly billing cycles, using a tariff schedule approved by the Board of Directors. Revenues are recognized monthly, based on metered readings located at a member's place of residence or business. Accounts receivable are shown, net of an allowance for doubtful accounts, if applicable.

**Invested funds:** The Corporation carries certain marketable securities, more fully described in NOTE G, at fair market value (FMV) in accordance with FASB No. 115. Increases or decreases in the FMV of the investments are recognized in the Statement of Activities as unrealized holding gain or loss.

**Fair value measurement:** Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value accounting requires characterization of the inputs used to measure fair value into a three-level fair value hierarchy as follows:

Level 1 – Inputs based on quoted prices in active markets for identical assets or liabilities. An active market is a market in which transactions occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 – Observable inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from sources independent from the entity.

Level 3 – Unobservable inputs that reflect the entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available.

There are three general valuation techniques that may be used to measure fair value: 1) market approach-uses prices generated by market transactions involving identical or comparable assets or liabilities; 2) cost approach-uses the amount that currently would be required to replace the service capacity of an asset (replacement cost); 3) income approach-uses valuation techniques to convert future amounts to present amounts based on current market expectations.

The Corporation uses Level 1 inputs to value its invested funds (see Note-G) and Level 3 inputs to value its Other Investments (see Note C).

**Inventory:** Inventory is recorded at the lower of cost or market (first-in-first-out basis) and consists of pipe, meters and other items used in the installation and maintenance of the water distribution system.

**MOFFAT WATER SUPPLY CORPORATION  
NOTES TO THE FINANCIAL STATEMENTS**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Property and equipment:** Property and equipment is recorded on the basis of historical cost. Depreciation is being provided using the straight-line method in amounts sufficient to amortize the cost of such assets over their estimated useful lives of 3 - 39 years, for the years ended September 30, 2019 and 2018, as follows:

Description	Life (Years)	Cost	Depreciation	
			Current	Accumulated
<b>2019</b>				
Land	N/A	\$ 9,640	N/A	N/A
Distribution system	5 - 30	6,199,072	198,374	3,201,604
Buildings and improvements	39	95,109	2,436	17,868
Service vehicles; Equipment	5 - 10	187,173	1,627	176,005
Office furniture; Equipment	3 - 10	24,854	1,502	20,299
		<u>\$ 6,515,848</u>	<u>\$ 203,939</u>	<u>\$ 3,415,776</u>
<b>2018</b>				
Land	N/A	\$ 9,640	N/A	N/A
Distribution system	5 - 30	5,908,619	198,657	3,003,231
Buildings and improvements	39	95,109	2,436	15,432
Service vehicles; Equipment	5 - 10	187,173	6,886	174,378
Office furniture; Equipment	3 - 10	22,519	1,619	18,797
		<u>\$ 6,223,061</u>	<u>\$ 209,598</u>	<u>\$ 3,211,838</u>

**Exempt status:** Exempt status has been granted by the Internal Revenue Service under Internal Revenue Code Section 501(c)(12). A required annual information return (Form 990) is filed on or before the February 15 due date. The Corporation also qualifies as exempt under state (Texas) franchise tax regulations. The Corporation has not been examined by any major tax jurisdictions for the fiscal years 2016-2019.

**Use of estimates in preparation of the financial statements:** The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**NOTE B - MEMBER INVESTMENT**

Membership in the Corporation is currently sold for \$540 per member. Prior to November 1, 2017, a member fee was \$516. One membership must be purchased to access the system facilities. The membership cost is not refundable, it is transferable. At September 30, 2019 and 2018, there were 1,597 and 1,563 memberships respectively.

**NOTE C - INVESTMENTS IN OTHER ORGANIZATIONS**

Bluebonnet Water Supply Corporation (B WSC) is a consortium of area rural water supply corporations and small municipal water systems formed to provide treated surface water to each entity's individual members or customers. B WSC required a \$500 investment, valued at cost, to become a member and utilize the distribution system. The fair value measurement is Level 3.

CoBank, ASB is a co-operative member of the Farm Credit System and assesses a \$1,000 membership fee, valued at cost, to participate in the credit markets available through the Farm Credit System. The \$1,000 represents an initial investment in A Shares of CoBank, ASB. Additional shares are distributed, at the discretion of the CoBank Board of Directors, in the form of cash and share-equivalent patronage dividends. Equity shares were added during the fiscal years ended September 30, 2019 and 2018 by \$459 and \$412, valued at cost, respectively. The fair value measurement is Level 3.

**MOFFAT WATER SUPPLY CORPORATION  
NOTES TO THE FINANCIAL STATEMENTS**

**NOTE D - RESERVE FOR EMERGENCY REPAIRS AND DEBT RETIREMENT**

The Corporation is required, as long as indebted to USDA-Rural Development, or its successors, to maintain a Reserve Fund in an insured Texas bank, or in U.S. Government-backed securities, separate and apart from other fund accounts. USDA-Rural Development requires a separate reserve account for the respective Reserve Fund. The USDA-Rural Development requires 10% of the monthly mortgage payment (including interest), totaling \$46,224 and \$44,880, be deposited in a reserve account per year for ten years until one annual mortgage payment is accumulated for each note outstanding. Withdrawals from this reserve fund may be made only for emergency repairs, equipment obsolescence and revenue deficiencies during periods when water is not available.

Texas Water Development Board requires payments over 60 months to establish the required Reserve Fund, totaling \$90,709 and \$0, utilizing the same restrictions as noted in the above paragraph as to separate fund accounts and the quality of the securities (if any).

CoBank, ASB requires a one-time payment (\$102,381) to establish the required Reserve Fund, utilizing the same restrictions as noted in the first paragraph as to separate funding and the quality of the securities (if any). At September 30, 2019 and 2018, the Reserve Funds consisted of the following:

<u>Description</u>	<u>2019</u>	<u>2018</u>
Invested funds (NOTE G)	\$ 377,368	\$ 180,929
Required reserve funds, as noted above	239,314	147,261
Reserve funds in excess of required maintenance level	<u>\$ 138,054</u>	<u>\$ 33,668</u>

**NOTE E – RETIREMENT PLAN**

Moffat Water Supply Corporation (Moffat WSC) began offering a “SIMPLE IRA” retirement plan in January, 2009, covering substantially all employees. Moffat WSC elected to contribute an amount equal to 2% of each eligible employee's compensation. As of September 30, 2019 and 2018, a total of \$3,360 and \$1,936, respectively, was paid as employer provided retirement benefits.

**NOTE F - RELATED PARTY TRANSACTIONS**

As mentioned in Note C, Moffat Water Supply Corporation is a member of Bluebonnet Water Supply Corporation (Bluebonnet WSC). As a member of Bluebonnet WSC, Moffat appoints one of its own board members to serve as a representative of Moffat Water Supply Corporation to the board of Bluebonnet WSC. This relationship causes the two entities to be related parties. As related parties Moffat, contracts annually with Bluebonnet WSC for the purchase of water on a monthly basis, as approved by the Bluebonnet WSC Board of Directors

**NOTE G - INVESTED FUNDS**

The bank funds at Central National Bank and BBVA Compass Bank (including the operating account) exceed the FDIC-insured amount of \$250,000 by approximately \$1,353,000 and \$858,000 as of September 30, 2019 and 2018, respectively. During the September 30, 2018 fiscal year, the Corporation transferred its operating and Reserve bank deposits to Central National Bank and executed a \$850,000 Irrevocable Letter of Credit to offset the exposure exceeding the FDIC coverage. This Letter of Credit expires June 24, 2020.

In accordance with GASB Statement No. 31, *Accounting and Reporting for Certain Investments and External Investment Pools*, the Corporation reports all investments at fair value. The Corporation's invested funds are invested with various banking institutions. The Corporation categorizes its fair value measurements within the hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset, as disclosed in Note A-Fair Value Measurement. The valuation input used is Level 1.

**MOFFAT WATER SUPPLY CORPORATION  
NOTES TO THE FINANCIAL STATEMENTS**

**NOTE G - INVESTED FUNDS (continued)**

Moffat Water Supply Corporation has invested funds with various financial institutions as follows:

<u>2019</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>Amount</u>
Central National Bank - Capital Improvement	1.640%	Demand	\$ 595,115
Central National Bank - Projects	None	Demand	104,941
Central National Bank - Escrow Loan	1.420%	Demand	3,085,259
			<u>\$ 3,785,315</u>
<b><u>Reserve</u></b>			
Central National Bank - USDA	1.640%	Demand	\$ 51,600
Central National Bank - TWDB	1.640%	Demand	298,268
Central National Bank - CoBank	1.640%	Demand	27,500
			<u>\$ 377,368</u>
<b><u>2018</u></b>			
Central National Bank - Capital Improvement	1.490%	Demand	\$ 441,496
<b><u>Reserve</u></b>			
Central National Bank - USDA	1.480%	Demand	\$ 51,769
Central National Bank - TWDB	1.480%	Demand	\$ 101,234
Central National Bank - CoBank	1.480%	Demand	27,926
			<u>\$ 180,929</u>

**NOTE H - COMMITMENTS AND CONTINGENCIES**

Moffat Water Supply Corporation has a long-term contract for treated lake water with Bluebonnet Water Supply Corporation (B WSC) through September, 2025. A minimum "take or pay" agreement stipulates a \$34,678 and \$34,451 monthly payment, based on 10,837,000 and 10,766,000 gallons at \$3.20 and \$3.20 per 1,000 gallons, for the years ending September 30, 2019 and 2018, respectively, and an additional \$3.20 and \$3.20 per 1,000 gallons for any gallons exceeding the minimum. The "take or pay" is subject to negotiation and the rates per 1,000 gallons charged for actual water drawn and water drawn over the minimum are subject to adjustment annually, as approved by the Bluebonnet WSC Board of Directors. B WSC will rebate certain water billing amounts annually, based on the minimum "take or pay" and the gallons actually used during the year. Bluebonnet WSC rebated \$0 and \$34,301, for the years ended September 30, 2019 and 2018, respectively.

An additional contract, with Brazos River Authority (BRA), was effective beginning March 1, 2009 and provides for 500 acre feet of water annually. This water right obligates Moffat Water Supply Corporation to pay \$6.375 and \$6.4769 per acre foot of water, whether used or not, for the years ended September 30, 2019 and 2018, respectively. The contract expires August 31, 2039, unless renewed by Moffat Water Supply Corporation. This water contract is held in the Brazos River Authority river basin pool at Lake Belton. The rate is set by the Brazos River Authority and subject to adjustment annually. Moffat Water Supply Corporation has expended \$38,354 and \$37,768 for the 500 acres feet for the years ended September 30, 2019 and 2018, respectively.

Moffat WSC has used 136,913,000 (89,512,000 from B WSC) and 132,042,000 (116,937,000 from B WSC) gallons of water purchased or pumped and delivered to its distribution system during the years ended September 30, 2019 and 2018, respectively.

**NOTE I - NOTES PAYABLE**

The Corporation is indebted to USDA-Rural Development (USDA), Texas Water Development Board (TWDB) and CoBank, ASB for improvements completed in earlier years. Deeds of Trust on the entire water system assets and revenues are pledged as collateral.

The Corporation has negotiated an additional \$3.3 million loan commitment from the Texas Water Development Board for infrastructure improvements to accommodate growth within its CCN boundaries to include a well, additional storage capacity and water lines.

Detail of the debts outstanding as of September 30, 2019 and 2018 is as follows:

**MOFFAT WATER SUPPLY CORPORATION  
NOTES TO THE FINANCIAL STATEMENTS**

**NOTE I - NOTES PAYABLE (continued)**

<b>2019</b>					
<u>Note No.</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Monthly Payment</u>	<u>Note Balance</u>	
				<u>Current</u>	<u>Total</u>
<b><u>USDA-RD</u></b>					
91-02	4.375%	5/23/2046	3,180	12,487	592,445
91-04	4.375%	10/23/2046	1,120	4,533	205,638
			4,300	17,020	798,083
<b><u>T W D B</u></b>					
L110053	3.890%	5/11/2050	8,399	31,161	1,803,085
L100892 **	3.920%	4/15/2049	60,000	60,000	3,300,000
			\$ 68,399	\$ 91,161	\$ 5,103,085
<b><u>CoBank, ASB</u></b>					
2993311	2.920%	8/20/2024	2,159	22,618	116,084
			\$ 66,459	\$ 130,799	\$ 6,017,252

\*\*\* Payment is annual on April 15 of each year.

Principal payments due over the next five years and thereafter are as follows:

<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025 &amp; Thereafter</u>
\$ 130,799	\$ 143,456	\$ 146,212	\$ 148,690	\$ 147,077	\$ 5,301,018

<b>2018</b>					
<u>Note No.</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Monthly Payment</u>	<u>Note Balance</u>	
				<u>Current</u>	<u>Total</u>
<b><u>USDA-RD</u></b>					
91-02	4.375%	5/23/2046	\$ 3,180	\$ 11,953	\$ 604,441
91-04	4.375%	10/23/2046	1,120	4,340	209,977
			4,300	16,293	814,418
<b><u>T W D B</u></b>					
L110053	3.890%	5/11/2050	8,399	30,277	1,833,061
<b><u>CoBank, ASB</u></b>					
2993311	2.920%	8/20/2024	2,159	21,977	137,959
			\$ 14,858	\$ 68,547	\$ 2,785,438

**NOTE J – AVAILABILITY AND LIQUIDITY**

Moffat Water Supply Corporation (MWSC) is required to present its financial statements in accordance with ASC 958 – 205 Financial Statement Presentation for Not for Profit Entities and further updated by ASU 2016-14. Under ASC 958 – 205 and ASU 2016-14, MWSC is required to report information regarding its financial liquidity. The following information is presented to disclose MWSC’s financial assets at September 30, 2019 and 2018, respectively:

Total financial assets, consisting of cash (\$987,013 and \$1,060,747), invested funds, including the Reserve (\$4,162,683 and \$622,425) and trade accounts receivable (\$107,576 and \$113,674), total \$5,257,272 and \$1,796,846. Amounts not available to be used within one year consist of the Board-designated Reserve fund (\$377,368 and \$180,929). The difference totals \$4,879,904 and \$441,496, which is available to meet general expenditures over the next twelve months. The Corporation’s goal is to maintain financial assets to meet 90 days of expenditures (approximately \$230,000 and \$230,000). As part of its liquidity plan, excess cash is invested in short-term money market and certificate of deposit accounts.

**NOTE K - SUBSEQUENT EVENTS**

In preparing these financial statements, management has evaluated subsequent events and transactions for potential recognition or disclosure as of January 17, 2020, the date the financial statements were available to be issued.

# **ALTON D. THIELE, P.C.**

Certified Public Accountant  
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P.O. Box 808  
Belton, TX 76513-0808

## **INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Directors  
Moffat Water Supply Corporation

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Moffat Water Supply Corporation, a nonprofit entity, (the Corporation) which comprise the statement of financial position as of the year ended September 30, 2019, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 17, 2020.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Corporation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Moffat Water Supply Corporation's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

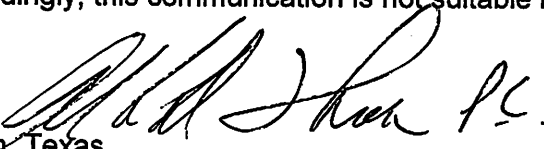
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Corporation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Corporation's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Belton, Texas  
January 17, 2020