

GOLDEN WATER SUPPLY CORPORATION

Financial Statements
(with Independent Auditors' Report thereon)

December 31, 2019

GOLDEN WATER SUPPLY CORPORATION
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**INDEPENDENT AUDITOR'S REPORT ON
BASIC FINANCIAL STATEMENTS**

Board of Directors
Golden Water Supply Corporation
Golden, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of Golden Water Supply Corporation (a nonprofit organization), which comprise the balance sheet as of December 31, 2019, and the related statements of activities and function and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 Golden Water Supply Corporation as of December 31, 2019, and the changes in its net assets and its cash flows for the year then ended in conformity 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 March 5, 2020, on our consideration of Golden 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 Golden Water Supply Corporation's internal control over financial reporting and compliance.



ACKER & COMPANY
Certified Public Accountants, PC
March 5, 2020

GOLDEN WATER SUPPLY CORPORATION
BALANCE SHEET
DECEMBER 31, 2019

ASSETS

| | |
|-----------------------------|---------------------|
| Current Assets: | |
| Cash | \$ 363,033 |
| Certificates of Deposit | 274,484 |
| Accounts Receivable | 74,395 |
| Prepaid Expense | 4,177 |
| Inventory | <u>33,776</u> |
| Total Current Assets | <u>749,865</u> |
| Fixed Assets: | |
| Water Wells and Plants | 4,199,681 |
| Infrastructure/Distribution | 217,115 |
| Buildings | 182,914 |
| Other Equipment | 736,528 |
| Autos | 161,166 |
| Land and Right-Of-Way | <u>42,480</u> |
| Total | 5,539,884 |
| Accumulated Depreciation | <u>(2,992,828)</u> |
| Total Fixed Assets | <u>2,547,056</u> |
| Total Assets | <u>\$ 3,296,921</u> |

LIABILITIES

| | |
|----------------------------------|----------------|
| Current Liabilities: | |
| Accounts Payable | \$ 7,038 |
| Current Portion of Notes Payable | <u>165,318</u> |
| Total Current Liabilities | <u>172,356</u> |
| Long-Term Liabilities: | |
| Notes Payable | <u>821,919</u> |
| Total Long-Term Liabilities | <u>821,919</u> |

NET ASSETS

| | |
|----------------------------------|---------------------|
| Without Donor Restrictions: | |
| Members' Equity | 133,750 |
| Retained Earnings | <u>2,168,896</u> |
| Total Net Assets | <u>2,302,646</u> |
| Total Liabilities and Net Assets | <u>\$ 3,296,921</u> |

See accompanying notes to financial statements.

GOLDEN WATER SUPPLY CORPORATION
STATEMENT OF ACTIVITIES AND FUNCTION
FOR THE YEAR ENDED DECEMBER 31, 2019

| | |
|--|----------------------------|
| Operating Revenues: | |
| Water Sales (Net of Allowances) | \$ 1,032,045 |
| Installations | 15,614 |
| Penalties, Reconnect and Other Fees | 29,320 |
| Total | <u>1,076,979</u> |
| Operating Expenses: | |
| Operator Salaries and Payroll Taxes | 228,450 |
| Utilities | 42,908 |
| Repairs | 43,258 |
| Supplies | 47,627 |
| Chemicals | 11,587 |
| Depreciation | 133,815 |
| Insurance | 73,802 |
| Equipment Expense | 14,415 |
| Other | 43,180 |
| Total | <u>639,042</u> |
| General and Administrative: | |
| Office Salaries | 158,911 |
| Employee Benefits | 10,260 |
| Postage | 9,379 |
| Telephone Expense | 12,786 |
| Legal and Professional | 16,424 |
| Other | 22,508 |
| Vehicle Expense | 10,400 |
| Dues and Publications | 10,801 |
| Total | <u>251,469</u> |
| Operating Revenue Net of Expenses | 186,468 |
| Interest Expense | (47,895) |
| Interest Income | 6,674 |
| Other Non Operating Income | <u>4,935</u> |
| Net Income from Operating after Interest | 150,182 |
| Loss on Disposal of Assets | (102) |
| Impact Fees | 23,100 |
| Increase in Memberships | <u>1,250</u> |
| Increase (Decrease) in Net Assets Without Donor Restrictions | <u>174,430</u> |
| Net Assets at Beginning of Year | <u>2,128,216</u> |
| Net Assets at End of Year | <u><u>\$ 2,302,646</u></u> |

See accompanying notes to financial statements.

GOLDEN WATER SUPPLY CORPORATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2019

CASH FLOWS FROM OPERATING ACTIVITIES

| | |
|--|----------------|
| Increase (Decrease) in Net Assets from Operations after Interest | \$ 150,182 |
| Adjustments to Reconcile Increase in Net Assets to | |
| Net Cash provided by Operating Activities: | |
| Depreciation | 133,815 |
| (Increase) Decrease in: | |
| Accounts Receivable | (4,074) |
| Certificates of Deposit | (105,310) |
| Inventory | (1,511) |
| Prepaid Expense | 1,491 |
| Increase (Decrease) in: | |
| Accounts Payable | 1,585 |
| Net Cash Provided by Operating Activities | <u>176,178</u> |

CASH FLOWS FROM INVESTING ACTIVITIES

| | |
|--|------------------|
| Capital Investments | |
| Property and Equipment | <u>(177,477)</u> |
| Net Cash Provided (Used) by Investing Activities | <u>(177,477)</u> |

CASH FLOWS FROM FINANCING ACTIVITIES

| | |
|---|------------------|
| New Memberships (Net) | 1,250 |
| Impact Fees | 23,100 |
| Repayments on Installment Notes | <u>(157,385)</u> |
| Net Cash Provided by Financing Activities | <u>(133,035)</u> |

Net Increase (Decrease) in Cash (134,334)

Cash at Beginning of Year 497,367

Cash at End of Year \$ 363,033

Supplemental Schedule of Cash Flow Information:

| | |
|----------------------------------|-------------------------|
| Cash Paid During the Period for: | |
| Interest | <u><u>\$ 47,895</u></u> |

See accompanying notes to financial statements.

GOLDEN WATER SUPPLY CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

Note 1 – Significant Accounting Policies

(a) General

The accompanying financial statements of the Golden Water Supply Corporation, (the Corporation) have been prepared on an accrual basis of accounting. Revenue is recognized when earned and expenses recognized as incurred.

The Corporation is an exempt organization for Federal income tax purposes under Section 501(c)(12) of the Internal Revenue code. The Corporation believes it has no liabilities for uncertain tax positions, but the years 2016 to 2019 remain open for examination.

(b) Nature of Operations

The Corporation was formed for the purpose of furnishing a water supply for general farm use and domestic purposes to individuals residing in the rural community of Golden, Texas and surrounding rural areas.

All costs of the Corporation are related to this single function.

(c) Recognition of Donor Restrictions

The Corporation has received no contributions with donor restrictions.

(d) Cash Flows

For purposes of the statement of cash flows, the Corporation considers all unrestricted, highly-liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. The Corporation paid \$47,895 in interest in 2019.

(e) Use of Estimates

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

GOLDEN WATER SUPPLY CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

Note 1 – Significant Accounting Policies (continued)

(f) Property, Plant and Equipment

Expenditures for physical properties are stated at cost. Donated fixed assets are reported at their fair market value as of the date received.

Depreciation of physical properties is calculated on the straight-line method over the following estimated useful lives:

| | |
|------------------------|---------------|
| Water Wells and Plants | 10 – 40 Years |
| Capital Expansion | 10 – 40 Years |
| Buildings | 10 – 40 Years |
| Other Equipment | 5 – 10 Years |
| Autos | 5 Years |

(g) Inventory

The Company's inventory is valued at cost. Cost is determined using the first-in first-out method.

(h) Compensated Absences

Employees of the Corporation earn from two to five weeks of vacation time during the year. The employees cannot carry over vacation pay, unless a carryover is granted by management.

Employees are also entitled to sick leave based on months of service, and can accumulate up to 50 days. Sick leave does vest and employees are only eligible for termination payments applicable to sick leave at normal retirement age. Therefore no provision has been made for accrued sick leave.

The liability for compensated absences was not material at December 31, 2019, and accordingly, no liability has been recorded.

(i) Cash

The Corporation at certain times maintains cash in excess of federally insured limits. At December 31, 2019, uninsured amounts were \$-0-.

GOLDEN WATER SUPPLY CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

Note 2 – Notes Payable

Notes payable at December 31, 2019 are as follows:

| | <u>Current</u> | <u>Long-Term</u> | <u>Total</u> |
|--|-------------------|-------------------|-------------------|
| 3/29/89 Note payable to U.S. Department of Agriculture, 6.25% interest, monthly principal and interest payments of \$1,818 | \$ 14,810 | \$ 103,989 | \$ 118,799 |
| 7/1/13 Note payable to Regions Bank 3.95% interest, monthly principal and interest payments of \$6,982.01 | 76,685 | 143,265 | 219,950 |
| 8/1/14 Note payable to Regions Bank, 4.25% interest, monthly principal and interest payments of \$8,306.60 | <u>73,823</u> | <u>574,665</u> | <u>648,488</u> |
| Total | <u>\$ 165,318</u> | <u>\$ 821,919</u> | <u>\$ 987,238</u> |

Future maturities of long-term debt are as follows:

| | |
|------------|-------------------|
| 2021 | \$ 172,292 |
| 2022 | 158,100 |
| 2023 | 101,538 |
| 2024 | 106,313 |
| Thereafter | <u>283,675</u> |
| | <u>\$ 821,919</u> |

The Corporation is required to maintain a reserve of \$23,312 for the USDA loan. The Corporation has designated a certificate of deposit to meet this requirement.

Note 3– Concentration of Credit Risk

The Corporation's accounts receivable are substantially all due from customers in Golden, Texas and the surrounding areas.

GOLDEN WATER SUPPLY CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

Note 4 – Members' Equity

Members pay a membership fee to join the water system. The fee is refunded upon leaving the system. The fee has ranged from \$50 to the current fee of \$100 over the life of the system. At December 31, 2019, there were 1,405 active members.

Note 5 – Employee Benefit Plan

The Corporation has a SIMPLE Retirement Plan covering substantially all employees. Under the plan, the Corporation contributes up to three percent of each eligible employee's salary. The Corporation incurred \$10,260 in expenses during the fiscal years ended 2019.

Note 6 – Operating Lease Commitments

The Corporation has a non-cancelable operating lease for a copy machine with a monthly payment of \$64 a month ending June 2019. Lease expense is \$1,934 for 2019.

Minimum future rental payments under non-cancelable operating leases having remaining terms in excess of 1 year as of December 31, 2019 for the term of the leases and in aggregate are:

| | Copy Machine |
|------|-----------------|
| 2020 | \$764 |
| 2021 | 764 |
| 2022 | 764 |
| 2023 | 764 |
| 2024 | 191 |
| | <u>\$3,247</u> |

Note 7 – Date of Management's Review

In preparing the financial statements, the Corporation has evaluated events and transactions for potential recognition or disclosure through March 5, 2020, the date that the financial statements were available to be issued.

GOLDEN WATER SUPPLY CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

Note 8 – Availability and Liquidity

The Corporation regularly monitors liquidity required to meet its operating needs, while also striving to maximize the investment of its available funds. The Corporation has various sources of liquidity at its disposal, including cash and cash equivalents and certificate of deposits.

In addition to financial assets available to meet general expenditures over the next twelve months, the Corporation anticipates collecting sufficient revenue to cover general expenditures.

The following represents the Corporation's financial assets that could readily be made available within one year of the balance sheet date to meet general expenditures:

| | <u>2019</u> |
|--|--------------------------|
| Financial assets at year end: | |
| Cash | \$ 363,033 |
| Certificates of Deposit | 274,484 |
| Accounts Receivable | <u>74,395</u> |
| Total financial assets | 711,912 |
| Less amounts not available to be used within one year: | |
| Reserve for USDA loan (Note 2) | <u>23,312</u> |
| Financial assets available to meet general expenditures over the next twelve months | <u><u>\$ 688,600</u></u> |

GOLDEN WATER SUPPLY CORPORATION
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
GOVERNMENT AUDITING STANDARDS

To the Board of Directors
Golden Water Supply Corporation

We have audited, in accordance with the 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 Golden Water Supply Corporation (a nonprofit organization), which comprise the balance sheet as of December 31, 2019, and the related statements of activities and function and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 5, 2020.

Internal Control Over Financing Reporting

In planning and performing our audit of the financial statements, we considered Golden Water Supply 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 Golden Water Supply Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization'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 Corporation's financial statements will not be prevented, or detected and corrected by the Corporation's internal control 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.

**GOLDEN WATER SUPPLY CORPORATION
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
GOVERNMENT AUDITING STANDARDS**

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Golden Water Supply 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 organization'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 Corporation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



ACKER & COMPANY
Certified Public Accountants, PC
March 5, 2020