

**MOFFAT WATER SUPPLY CORPORATION**

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

**SEPTEMBER 30, 2018 and 2017**

# MOFFAT WATER SUPPLY CORPORATION

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September 30, 2018

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

Certified Public Accountant  
300 East Avenue C P.O. Box 808  
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**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, 2018 and 2017 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, 2018 and 2017, 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 March 1, 2019, 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.



March 1, 2019  
Belton, Texas

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

September 30, 2018 and 2017

	<b>ASSETS</b>	
	<b>2018</b>	<b>2017</b>
<b>CURRENT ASSETS</b>		
Cash in banks and on hand	\$ 1,060,747	\$ 747,838
Invested funds - NOTE G	441,496	180,809
Trade accounts receivable	113,674	101,900
Inventory	30,429	34,461
Prepaid expenses	12,197	12,295
<b>Total Current Assets</b>	<b>1,658,542</b>	<b>1,077,304</b>
<b>PROPERTY AND EQUIPMENT</b> (net of accumulated depreciation)	<b>3,011,223</b>	<b>3,182,244</b>
<b>OTHER ASSETS</b>		
Investment-Bluebonnet WSC - NOTE C	500	500
Investment-CoBank, ASB - NOTE C	1,563	1,151
Invested funds-Reserve - NOTE G	180,929	180,093
<b>Total Other Assets</b>	<b>182,992</b>	<b>181,744</b>
<b>TOTAL ASSETS</b>	<b>\$ 4,852,757</b>	<b>\$ 4,441,291</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Trade accounts payable	\$ 17,858	\$ 25,163
Payroll taxes payable	2,123	6,621
Regulatory assessment fee payable	5,408	5,088
Accrued interest payable	1,022	1,087
Current portion of long-term debt	68,547	65,781
<b>Total Current Liabilities</b>	<b>94,958</b>	<b>103,740</b>
<b>LONG-TERM LIABILITIES</b>		
Long-term debt (net of current portion) - NOTE I	2,716,891	2,785,410
<b>NET ASSETS</b>		
Unrestricted - NOTE A	2,040,909	1,552,141
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 4,852,757</b>	<b>\$ 4,441,291</b>

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, 2018 and 2017

	2018	2017
<b>OPERATING REVENUES</b>		
Metered water sales	\$ 1,394,251	\$ 1,229,502
Penalty and reconnect fees	27,155	26,845
Meter tap and equity fees	52,995	38,000
Other revenues	7,098	2,262
<b>Total Operating Revenues</b>	1,481,498	1,296,609
<b>OPERATING EXPENSES</b>		
Water purchased - NOTE H	451,183	462,514
Water testing	8,474	6,052
Travel, meetings and training	3,117	625
Depreciation and amortization	209,598	214,912
Dues and subscriptions	6,069	6,119
Insurance	15,489	19,803
Miscellaneous expense	310	429
Office expenses	40,547	30,216
Professional fees	11,645	9,809
Power purchased for pumping	38,598	27,320
Salaries and benefits	210,448	212,508
Repairs and maintenance	103,056	43,322
Service vehicles fuel and maintenance	10,048	9,454
Telephone	7,067	6,885
Bad debts (recoveries)	2,405	434
<b>Total Operating Expenses</b>	1,118,054	1,050,403
<b>INCREASE (DECREASE) IN OPERATING REVENUES OVER OPERATING EXPENSES</b>	363,444	246,206
<b>OTHER UNRESTRICTED REVENUE (EXPENSE)</b>		
Interest income	4,334	534
Miscellaneous income	2,343	1,079
Interest expense	(112,359)	(114,631)
Gain / (loss) on sale of assets	-	(1,182)
<b>Total Other Unrestricted Revenue (Expense)</b>	(105,681)	(114,200)
<b>CHANGE IN NET ASSETS FROM OPERATIONS</b>	257,763	132,006
<b>OTHER NON-RECURRING REVENUE (EXPENSE)</b>		
Membership fees	60,058	15,840
Developer contributions	170,946	-
	231,004	
<b>CHANGE IN NET ASSETS</b>	488,767	147,846
<b>BEGINNING NET ASSETS</b>	1,552,141	1,404,295
<b>ENDING NET ASSETS</b>	\$ 2,040,909	\$ 1,552,141

The accompanying notes 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, 2018 and 2017

	<b>2018</b>	<b>2017</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in unrestricted net assets from operations:	\$ 257,763	\$ 132,006
Adjustments to reconcile the change in net assets from operations to net cash provided by (used in) operating activities:		
Depreciation and amortization	209,598	214,912
Proceeds from sale of assets	-	790
Changes in operating assets and liabilities - (Increase) decrease in:		
Trade receivables	(11,774)	(17,591)
Invested funds	(260,687)	(38,989)
Inventory	4,032	(5,664)
Prepaid expenses	98	(105)
Increase (decrease) in:		
Trade payables	(11,483)	20,873
Accrued expenses	(65)	(75)
<b>Total Adjustments</b>	<b>(70,281)</b>	<b>174,151</b>
<b>Net Cash Provided By (Used In) Operating Activities</b>	<b>187,482</b>	<b>306,157</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Cash payments for purchase of property	(38,576)	(57,192)
Cash (payments) receipts for the (purchase) liquidation of invested fund	(1,248)	25,504
<b>Net Cash Provided By (Used In) Investing Activities</b>	<b>(39,824)</b>	<b>(31,688)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Principal payments on long term debt	(65,753)	(63,551)
Proceeds from the issuance of long term debt	-	-
Proceeds from developer contributions	170,946	-
Proceeds from issuance of memberships	60,058	15,840
<b>Net Cash Provided By (Used In) Financing Activities</b>	<b>165,251</b>	<b>(47,711)</b>
<b>NET INCREASE (DECREASE) IN CASH</b>	<b>312,909</b>	<b>226,758</b>
<b>CASH BEGINNING OF PERIOD</b>	<b>747,838</b>	<b>521,080</b>
<b>CASH AT END OF PERIOD</b>	<b>\$ 1,060,747</b>	<b>\$ 747,838</b>
Supplemental disclosures of cash flow information:		
Cash paid during the year for -		
Interest expense	\$ 114,908	\$ 120,458

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 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. All of the Corporation's net assets were unrestricted at September 30, 2018 and 2017. The following is a schedule of unrestricted net assets:

	<b>2018</b>	<b>2017</b>
<b>MEMBERSHIPS</b>		
Balance, October 1	\$ 242,581	\$ 226,741
Member investment - Current Year	60,058	15,840
Balance, September 30	302,639	242,581
 <b>CONTRIBUTED CAPITAL - USDA and DEVELOPERS</b>		
Balance, October 1	10,612	10,612
Additions - Developer	170,946	-
Balance, September 30	181,558	10,612
 <b>NET ASSETS</b>		
<b>BOARD DESIGNATED</b>		
Balance, October 1	180,093	159,027
Increase (Decrease) in Board Designated	836	21,066
Balance, September 30	180,929	180,093
 <b>UNDESIGNATED</b>		
Balance, October 1	1,118,856	1,007,916
Increase (Decrease) in Board Designated	(836)	(21,066)
Change in unrestricted net assets	257,763	132,006
Balance, September 30	1,375,783	1,118,856
 <b>TOTAL UNRESTRICTED NET ASSETS</b>	 <b>\$ 2,040,909</b>	 <b>\$ 1,552,141</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.

**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.

**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.

**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, 2018 and 2017, as follows:

Description	Life (Years)	Cost	Depreciation	
			Current	Accumulated
<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>\$ 6,223,060</u>	<u>\$ 209,598</u>	<u>\$ 3,211,837</u>
<b>2017</b>				
Land	N/A	\$ 9,640	N/A	N/A
Distribution system	5 - 30	5,870,042	197,593	2,807,364
Buildings and improvements	39	95,109	2,436	12,996
Service vehicles; Equipment	5 - 10	187,173	13,264	167,492
Office furniture; Equipment	3 - 10	22,519	1,619	14,387
		<u>\$ 6,184,483</u>	<u>\$ 214,912</u>	<u>\$ 3,002,239</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 2017-2014.

**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.

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

**NOTE B - MEMBER INVESTMENT**

Membership in the Corporation is currently sold for \$516 per member. Prior to November 1, 2017, a member fee was \$480. One membership must be purchased to access the system facilities. The membership cost is not refundable, it is transferable. At September 30, 2018 and 2017, there were 1,563 and 1,451 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

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, 2018 and 2017 by \$412 and \$151, valued at cost, respectively.

**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) 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 a one-time payment (\$48,266) to establish the required Reserve Fund, 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 (\$27,500) 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, 2018 and 2017, the Reserve Funds consisted of the following:

<u>USDA-Rural Development</u>	<u>2018</u>	<u>2017</u>
Invested funds (Note G)	\$ 180,929	\$ 180,093
Required maintenance level	<u>147,261</u>	<u>141,906</u>
Reserve funds in excess of required maintenance level	<u>\$ 33,668</u>	<u>\$ 38,187</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, 2018 and 2017, a total of \$1,936 and \$2,982, 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

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

**NOTE G - INVESTED FUNDS**

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

The

<u>2018</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>Amount</u>
Central National Bank - Capital Improvement	1.490%	Demand	\$ 441,496
<b>Reserve</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>
<u>2017</u>			
BBVA Compass Bank - Capital Development	0.150%	Demand	\$ 180,809
<b>Reserve</b>			
BBVA Compass Bank - USDA-RD	0.500%	Demand	\$ 51,625
BBVA Compass Bank - TWDB	0.150%	Demand	\$ 100,861
BBVA Compass Bank - CoBank	1.000%	Demand	27,607
			<u>\$ 180,093</u>

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, 2018 and 2017, respectively. During the September 30, 2018 fiscal year, the Corporation transferred its operating and Reserve bank deposits to Central National Bank and executed a \$1,500,000 Irrevocable Letter of Credit to offset the exposure exceeding the FDIC coverage. This Letter of Credit expires July 1, 2019.

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. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are other observable inputs; and Level 3 inputs are unobservable inputs. The valuation input used is Level 1.

**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 \$34,451 and \$31,899 monthly payment, based on 10,766,000 and 10,633,000 gallons at \$3.20 and \$3.00 per 1,000 gallons, for the years ending September 30, 2018 and 2017, respectively, and an additional \$3.20 and \$3.00 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. For the years ended September 30, 2018 and 2017, Bluebonnet WSC has rebated \$34,301 and \$40,080, 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 \$6.4769 and \$6.05066 per acre foot of water, whether used or not, for the years ended September 30, 2018 and 2017, 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 \$37,768 and \$36,445 for the 500 acres feet for the years ended September 30, 2018 and 2017, respectively.

Moffat WSC has used 132,042,000 and 150,195,000 gallons of water purchased and delivered to its distribution system during the years ended September 30, 2018 and 2017, respectively.

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

**NOTE I - NOTES PAYABLE**

The Corporation is indebted to USDA-Rural Development, Texas Water Development Board 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 a \$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, 2018 and 2017 is as follows:

<b><u>2018</u></b>					
<b><u>USDA-RD</u></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>
90-02	4.375%	5/23/2046	3,180	11,953	604,441
90-04	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

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

<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024 &amp; Thereafter</u>
\$ 68,547	\$ 70,799	\$ 73,456	\$ 76,212	\$ 78,690	\$ 2,417,734

<b><u>2017</u></b>					
<b><u>USDA-RD</u></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>
90-02	4.375%	5/23/2046	\$ 3,180	\$ 11,442	\$ 615,885
90-04	4.375%	10/23/2046	1,120	4,154	214,132
			4,300	15,596	830,018
<b><u>T W D B</u></b>					
L110053	3.890%	5/11/2050	8,399	28,832	1,861,893
<b><u>CoBank, ASB</u></b>					
2993311	2.920%	8/20/2024	2,159	21,353	159,280
			\$ 14,858	\$ 65,781	\$ 2,851,192

**NOTE J - SUBSEQUENT EVENTS**

In preparing these financial statements, management has evaluated subsequent events and transactions for potential recognition or disclosure as of the date of the Independent Auditor's Report, the date the financial statements were available to be issued.

# ALTON D. THIELE, P.C.

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## 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, 2018, 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 March 1, 2019.

### 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  
March 1, 2019