

MOFFAT WATER SUPPLY CORPORATION

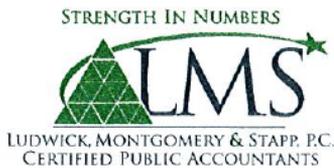
Audited Financial Statements

For the Years Ended September 30, 2023 and 2022

and Independent Auditors' Report

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1949 SCOTT BOULEVARD
TEMPLE, TEXAS 76504
254.771.0061 - VOICE
254.771.1445 - FAX
WWW.LMS-CPA.COM

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Moffat Water Supply Corporation
Temple, Texas 76502

Opinion

We have audited the accompanying financial statements of Moffat Water Supply Corporation (a non-profit organization), which comprise the balance sheets as of September 30, 2023 and 2022, and the related statements of income, membership investments, and cash flows for the years then ended, and the related notes to the financial statements.

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, 2023 and 2022, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Moffat Water Supply Corporation and to meet our ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; 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.

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgement and maintain profession skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosure in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Moffat Water Supply Corporation is internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Concluded whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about Moffat Water Supply Corporation is ability to continue as a going concern for a reasonable period of time

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



Temple, Texas
January 9, 2024

MOFFAT WATER SUPPLY CORPORATION

Balance Sheets

September 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Assets		
Current Assets		
Cash	\$ 512,691	\$ 547,106
Invested funds - Note 4	1,208,093	978,996
Invested funds - Reserved for construction fund - Note 4	2,380,781	3,168,440
Accounts receivable	157,786	129,749
Inventory	49,972	49,972
Prepaid expenses	18,912	16,966
Total Current Assets	<u>4,328,235</u>	<u>4,891,229</u>
Fixed Assets - Note 7		
Fixed assets	9,620,753	8,260,959
Less accumulated depreciation	<u>(4,324,660)</u>	<u>(4,064,407)</u>
Total Fixed Assets	<u>5,296,093</u>	<u>4,196,552</u>
Other Assets		
Invested funds - Reserved - Note 4	387,442	378,922
Investment - Note 3	500	500
Total Other Assets	<u>387,942</u>	<u>379,422</u>
Total Assets	<u>\$ 10,012,270</u>	<u>\$ 9,467,203</u>

	<u>2023</u>	<u>2022</u>
Liabilities & Membership Investment		
Current Liabilities		
Accounts payable - trade	\$ 111,320	\$ 446,086
TCEQ assessment payable	7,233	7,075
Payroll liabilities	-	1,725
Accrued interest payable	70,215	60,597
Current portion of long-term debt	171,800	148,520
Total Current Liabilities	<u>360,568</u>	<u>664,003</u>
Long Term Liabilities		
Notes payable - Note 6	6,049,538	5,600,587
Less current portion of long-term debt	(171,800)	(148,520)
Total Long Term Liabilities	<u>5,877,738</u>	<u>5,452,067</u>
Total Liabilities	<u>6,238,306</u>	<u>6,116,070</u>
Membership Investment		
Membership investments - Note 2	370,374	341,384
Donated investment	181,558	181,558
Retained earnings		
Appropriated - Note 5	387,442	378,922
Unappropriated	2,834,590	2,449,269
Total Membership Investment	<u>3,773,964</u>	<u>3,351,133</u>
Total Liabilities & Membership Investment	<u>\$ 10,012,270</u>	<u>\$ 9,467,203</u>

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

MOFFAT WATER SUPPLY CORPORATION

Statements of Income

For the Years Ended September 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Revenue		
Water sales	\$ 1,890,716	\$ 1,806,866
Meter tap and equity fees	167,525	278,480
Late fees	18,580	21,640
Reconnects and other fees	18,491	32,466
Total Revenue	<u>2,095,312</u>	<u>2,139,452</u>
Operating Expenses		
Water purchases	576,174	513,987
Advertisement	-	572
Bank and credit card fees	129	8,035
Chemicals and testing	19,437	18,045
Depreciation and amortization	260,253	237,763
Dues and subscriptions	6,797	6,908
Insurance	23,639	14,731
Miscellaneous	483	1,868
Office expense	33,258	34,722
Professional fees	14,285	14,191
Salaries and benefits	381,173	351,563
System repairs and maintenance	123,496	132,413
Taxes - payroll	33,901	24,068
Telephone	5,496	4,944
Training and seminars	2,677	1,809
Travel	1,996	2,105
Utilities	80,359	59,628
Total Operating Expenses	<u>1,563,553</u>	<u>1,427,352</u>
Operating Income (Loss)	<u>531,759</u>	<u>712,100</u>
Other Income and Expenses		
Interest expense	(245,710)	(231,757)
Interest and dividend income	107,792	20,653
Other income	-	3,944
Gain (loss) on disposal of assets	-	3,550
Total Other Income and Expense	<u>(137,918)</u>	<u>(203,610)</u>
Net Income (Loss)	<u>\$ 393,841</u>	<u>\$ 508,490</u>

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

MOFFAT WATER SUPPLY CORPORATION
Statements of Membership Investment
For the Years Ended September 30, 2023 and 2022

	<u>Total Members</u>	<u>Membership Investment</u>	<u>Donated Investments</u>	<u>Appropriated Retained Earnings</u>	<u>Unappropriated Retained Earnings</u>	<u>Total</u>
Balance						
9/30/2021	1,624	\$ 322,733	\$ 181,558	\$ 384,982	\$ 1,934,719	\$ 2,823,992
Additions						
2022	96	28,200	-	-	-	28,200
Reductions/changes						
2022	(35)	(9,549)	-	-	-	(9,549)
Net Income						
2022	<u>-</u>	<u>-</u>	<u>-</u>	<u>(6,060)</u>	<u>514,550</u>	<u>508,490</u>
Balance						
9/30/2022	1,685	341,384	181,558	378,922	2,449,269	3,351,133
Additions						
2023	114	34,200	-	-	-	34,200
Reductions						
2023	(45)	(5,210)	-	-	-	(5,210)
Net Income						
2023	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,520</u>	<u>385,321</u>	<u>393,841</u>
Balance						
9/30/2023	<u><u>1,754</u></u>	<u><u>\$ 370,374</u></u>	<u><u>\$ 181,558</u></u>	<u><u>\$ 387,442</u></u>	<u><u>\$ 2,834,590</u></u>	<u><u>\$ 3,773,964</u></u>

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

MOFFAT WATER SUPPLY CORPORATION
Statements of Cash Flows
For the Years Ended September 30, 2023 and 2022

	2023	2022
Net Cash Flow from Operating Activities		
Net income (loss)	\$ 393,841	\$ 508,490
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation	260,253	237,763
(Gain) loss on sale of property and equipment	-	(3,550)
Changes in operating assets and liabilities:		
Decrease (increase) in accounts receivable	(28,037)	(6,532)
Decrease (increase) in prepaid expenses	(1,946)	(4,614)
Decrease (increase) in inventory	-	(9,113)
(Decrease) increase in accounts payable	(334,766)	383,699
(Decrease) increase in accrued interest payable	9,618	(1,189)
(Decrease) increase in payroll liabilities	(1,725)	(1,485)
(Decrease) increase in TCEQ assessment payable	158	1,313
Net cash provided (used) by operating activities	<u>297,396</u>	<u>1,104,782</u>
Cash Flows from Investing Activities		
Purchase of invested funds and reinvestment of income	(1,827,465)	(1,101,415)
Proceeds from invested funds	2,377,507	866,838
Proceeds from sale of property and equipment	-	3,550
Purchase of property, equipment, and improvements	(1,359,794)	(655,551)
Net cash provided (used) by investing activities	<u>(809,752)</u>	<u>(886,578)</u>
Cash Flows from Financing Activities		
Proceeds from long-term debt	600,000	-
Repayment of long-term debt	(151,049)	(142,955)
Increase / (Decrease) in membership investments	28,990	18,651
Net cash provided (used) by financing activities	<u>477,941</u>	<u>(124,304)</u>
Net increase (decrease) in cash	(34,415)	93,900
Cash - October 1, 2022 and 2021	<u>547,106</u>	<u>453,206</u>
Cash - September 30, 2023 and 2022	<u>\$ 512,691</u>	<u>\$ 547,106</u>
Supplemental disclosure: interest paid	<u>\$ 236,092</u>	<u>\$ 232,946</u>

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

MOFFAT WATER SUPPLY CORPORATION

Notes to Financial Statements

For the Years Ended September 30, 2023 and 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Moffat Water Supply Corporation is a member-owned tax exempt organization, which incorporated pursuant to Chapter 67 of the Texas Water Code for the purpose of providing potable water to its' members in Bell county in Texas. Operating policies, rates, tariffs and regulations are formulated by a Board of Directors, duly elected by the members of Moffat Water Supply Corporation.

Basis of Accounting

The accrual basis of accounting is used to maintain the books of the Corporation. Revenues are recognized as billed on a cycle basis.

Recently Issued Accounting Pronouncements

Effective October 1, 2022, the Corporation adopted FASB ASC 842, Leases. The Corporation determines if an arrangement contains a lease at inception based on whether the Corporation has the right to control the assets during the contract period and other facts and circumstances.

The Corporation adopted this standard under the modified retrospective approach and elected the optional transition method to apply the provisions of Topic 842 as of the adoption date, rather than the earliest period presented. As such, the requirements of Topic 842 were not applied in the comparative period presented in the Corporation's financial statements and had no impact on the prior year's balance sheet information. Additionally, there were no material leases during the years ended September 30, 2023 and 2022.

Cash Equivalents

For purposes of the statement of cash flow, cash deposits and all liquid investments purchased with an initial maturity of three months or less, and not designated as a component of the reserve fund, are considered to be cash equivalents.

Accounts Receivable

Accounts receivable is recorded at the amount the Corporation expects to collect on balances outstanding at year-end. Uncollectible amounts are periodically reviewed, based on historical performance the Corporation decides whether or not to write-off. Past due balances (over 60 days) as of September 30, 2023 and 2022 were immaterial.

Fixed Assets

Property and equipment are carried at cost. If an asset is donated, it is recorded at its fair market value at the time of donation. Depreciation on assets is computed by the straight-line method based on expected service life.

Investments

Certain marketable securities are held at fair market value. Investment income and gains and losses on the investments increase or decrease unrestricted net assets unless there is a restriction on its use.

Tax Exempt Status

The Corporation qualifies as an exempt organization under state franchise tax regulations. Exempt status has been granted by the Internal Revenue Service under IRC Section 501(c)(12). A required information return is filed annually. The federal income tax returns for the Corporation for 2022, 2021, and 2020 are subject to examination by the IRS, generally for three years after they were filed.

MOFFAT WATER SUPPLY CORPORATION

Notes to Financial Statements

For the Years Ended September 30, 2023 and 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue Recognition

The Corporation adopted Accounting Standards Update (ASU) 2014-09, "Revenue from Contracts with Customers (Topic 606)" as of October 1, 2019, which related to revenue recognition. In general, for revenue not associated with financial instruments, guarantees, and lease contracts, management applies the following steps when recognizing revenue from contracts with customers: (I) identify the contract, (II) identify the performance obligation, (III) determine the transaction price, (IV) allocate the transaction price to the performance obligation and (V) recognize revenue when a performance obligation is satisfied.

The core guidance in ASU 2014-09 is to recognize revenue to depict the transfer of promised goods or services to members in amounts that reflect the consideration to which the Corporation expects to be entitled in exchange for those goods or services. The amount to which the Corporation expects to be entitled is calculated as the transaction price and recorded as revenue in exchange for providing goods or services.

The Corporation's contracts with customers are short-term in nature, typically due within one year or less or cancellable by us or our customer upon a short notice period. Performance obligations for customer contracts are satisfied at a single point, typically, when the transaction is complete, or overtime. For performance obligations satisfied over time, the Corporation primarily uses the output method, directly measuring the value of products/services transferred to the customer, to determine when performance obligations have been satisfied. The Corporation typically receives payment from customers and recognizes revenue concurrent with the satisfaction of its performance obligations. In most cases, this occurs within a single financial reporting period. For payments received in advance of the satisfaction of performance obligations, revenue recognition is deferred until the performance obligations have been satisfied. In cases where the Corporation has not received payment, despite the satisfaction of its performance obligations, an accrual is made of an estimate of the amount due in the period its performance obligation has been satisfied.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2 - MEMBERSHIP INVESTMENT

Members are required to purchase one share of stock per meter in order to use the system. The membership fee is \$600 per meter until March 15, 2021 where it was changed to \$300 per meter. The stock is refundable and transferable.

NOTE 3 - INVESTMENT IN BLUEBONNET WATER SUPPLY CORPORATION

Bluebonnet Water Supply Corporation is a consortium of area water supply corporations and small municipal water systems formed to provide surface water to each individual corporation's customers. Membership requires a \$500 investment in order to use the surface water system. Each member organization elects one director to the board of directors of Bluebonnet Water Supply Corporation.

MOFFAT WATER SUPPLY CORPORATION

Notes to Financial Statements

For the Years Ended September 30, 2023 and 2022

NOTE 4 – INVESTED FUNDS

The Corporation has invested funds with various institutions as follows:

	<u>Interest Rate</u>	<u>2023</u>	<u>Interest Rate</u>	<u>2022</u>
Invested Funds				
Central National Bank - Capital Improvements	2.940%	\$ 1,055,515	0.920%	\$ 883,901
Central National Bank - Projects	None	210,346	None	609,656
Central National Bank - Escrow Loan	2.940%	2,319,867	0.920%	2,650,903
CoBank	None	3,146	None	2,976
		<u>\$ 3,588,874</u>		<u>\$ 4,147,436</u>
Invested Funds		\$ 1,208,093		\$ 978,996
Invested Funds - Reserved for construction fund		2,380,781		3,168,440
		<u>\$ 3,588,874</u>		<u>\$ 4,147,436</u>
Investment Funds - Reserved				
Central National Bank - USDA	2.940%	\$ 52,978	0.920%	\$ 51,813
Central National Bank - TWDB	2.940%	306,230	0.920%	299,496
Central National Bank - CoBank	2.940%	28,234	0.920%	27,613
Total Invested Funds - Reserved		<u>\$ 387,442</u>		<u>\$ 378,922</u>

During the years ended September 30, 2023 and 2022, the Organization reinvested qualified patronage allocations of \$170 and \$245, respectively, in Class A common stock of CoBank, ACB. Investments are reported at fair market value. As of September 30, 2023, and 2022, the fair market value is:

Stock	<u>2023</u>		<u>2022</u>	
	<u>Cost</u>	<u>Fair Market Value</u>	<u>Cost</u>	<u>Fair Market Value</u>
CoBank	<u>\$ 3,146</u>	<u>\$ 3,146</u>	<u>\$ 2,976</u>	<u>\$ 2,976</u>
	<u>\$ 3,146</u>	<u>\$ 3,146</u>	<u>\$ 2,976</u>	<u>\$ 2,976</u>

A hierarchy of different levels is used in determining fair market value. The various levels are as follows:

Level 1 - valuations based on quoted prices in an active market for identical assets or liabilities.

Level 2 - valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

Level 3 – valuations based on inputs that are not observable and significant to the overall fair value measurement.

As of September 30, 2023 and 2022, all investments were classified as level one.

Investment values for securities are stated at fair market value, which is determined by the quoted prices in an active market for identical or similar assets. There was an unrealized gain (loss) of \$0 and \$0 for the years ended September 30, 2023 and 2022, respectively.

MOFFAT WATER SUPPLY CORPORATION

Notes to Financial Statements

For the Years Ended September 30, 2023 and 2022

NOTE 5 – APPROPRIATED RETAINED EARNINGS

In May 2006 a loan agreement was entered into with the United States Department of Agriculture (USDA) for \$719,300 at an interest rate of 4.375%. An amount of \$38,160 is required to be held in a reserve account for this loan.

An additional loan agreement was entered into with the USDA in August 2006. This loan was for \$253,200 at an interest rate of 4.375%. An amount of \$13,440 is required to be held in a reserve account for this loan.

In April 2012, the Texas Water Development Board (TWDB) approved a loan in the amount of \$2,000,000 with an annual interest rate of 3.890% fixed. The Corporation is to use the loan proceeds for acquisition, construction, improvements and/or extensions to the water system. The loan is secured by all gross revenue of the waterworks system and the distribution system assets. The loan is to mature on May 11, 2050. A provision of the loan requires the Corporation to establish and maintain a specific fund to service its annual debt service requirements. A monthly deposit, no less than 1/60th of the average annual debt service requirement, is to be made to a reserve account until 100% of the average annual debt service requirement is met. An amount of \$101,016 is required to be held in reserve for this loan.

In March 2019, the Texas Water Development Board (TWDB) approved a loan in the amount of \$3,300,000 with an annual interest rate of 3.920% blended. The Corporation is to use the loan proceeds for acquisition, design, and construction of a water system improvements project. The loan is secured by all gross revenue of the waterworks system and the distribution system assets. The loans is to mature on April 15, 2049. A provision of the loan requires the Corporation to establish and maintain a specific fund to service its annual debt service requirements. A monthly deposit, no less than 1/60th of the average annual debt service requirement, is to be made to a reserve account until 100% of the average annual debt service requirement is met. An amount of \$177,731 is required to be held in reserve for this loan.

An additional loan agreement was entered into with TWDB in October 2022. This loan was for \$600,000 at an interest rate of 4.235% blended. The Corporation is to use the loan proceeds for acquisition, design and construction of a water system improvements project. The loan is to mature October 15, 2042. A provision of the loan requires the Corporation to establish and maintain a specific fund to service its annual debt service requirements. A monthly deposit, of 1/60th of the total annual installment each year, is to be made to a reserve account until 100% of the annual installment amount is met. An amount of \$8,435 is required to be held in reserve for this loan.

As of September 30, 2023 and 2022, an amount of \$2,380,781 and \$3,168,440, respectively, remained in the Invested Funds – Reserved for construction fund.

In July of 2016 a loan agreement was entered into with CoBank, ACB. Under the loan agreement with CoBank, Moffat Water Supply Corporation is required to maintain \$27,500 in cash reserve.

As of September 30, 2023 and 2022, the total balance of the reserve accounts is \$387,442 and \$378,922, respectively. Reserved funds are held at a local financial institution. As of September 30, 2023 and 2022, funds held at the financial institution are insured by the FDIC up to \$250,000 and letters of credit of \$4,425,000 and \$4,950,000, respectively. Also, see Note 4 and Note 10. As of September 30, 2023 and 2022, the required reserve for the USDA, TWDB, and CoBank loans have been met. The Corporation is in compliance with Chapter 67 of the Texas Water Code as in regards to authorized investments.

MOFFAT WATER SUPPLY CORPORATION

Notes to Financial Statements

For the Years Ended September 30, 2023 and 2022

NOTE 6 - NOTES PAYABLE

Long-term debt at September 30, 2023 and 2022 consisted of the following:

	<u>2023</u>	<u>2022</u>
Note payable to USDA, interest at 4.375%, monthly payments including interest of \$3,180, secured by water system assets and revenues. Matures May 2046.	\$ 539,534	\$ 553,319
Note payable to USDA, interest at 4.375%, monthly payments including interest of \$1,120, secured by water system assets and revenues. Matures May 2046.	186,405	194,418
Note payable to TWDB, interest at 3.890%, monthly payments including interest of \$8,397, secured by water system assets and revenues. Matures May 2050.	1,670,832	1,705,847
Note payable to TWDB, blended interest at 3.920%, varying annual payment currently including interest and principle of \$193,784, secured by water system assets and revenues. Matures April 2049.	3,030,000	3,100,000
Note payable to TWDB, blended interest at 4.235%, varying annual payment currently including interest and principle of \$35,206, secured by water system assets and revenues. Matures October 2042.	600,000	-
Note payable to bank, interest at 2.920%, varying monthly payments averaging \$2,127, secured by water system assets and revenues. Matures August 2024	<u>22,767</u>	<u>47,003</u>
Total notes payable	6,049,538	5,600,587
Less: current portion	<u>(171,800)</u>	<u>(148,520)</u>
Total long-term debt	<u>\$ 5,877,738</u>	<u>\$ 5,452,067</u>

MOFFAT WATER SUPPLY CORPORATION

Notes to Financial Statements

For the Years Ended September 30, 2023 and 2022

NOTE 6 - NOTES PAYABLE (continued)

Aggregate maturities required on long-term debt at September 30, 2023 are as follows:

<u>Year</u>	<u>Amount</u>
2024	\$ 171,800
2025	157,373
2026	160,813
2027	168,851
2028	172,497
Thereafter	5,218,204
	<u>\$ 6,049,538</u>

For the years ended September 30, 2023 and 2022, interest expense related to these notes payable are \$245,710 and \$231,757, respectively.

NOTE 7 – FIXED ASSETS

Fixed assets, together with estimated useful lives, consisted of the following:

	September 30		Useful lives in Years
	<u>2023</u>	<u>2022</u>	
Land	\$ 21,105	\$ 21,105	
Distribution System	5,487,532	5,484,329	7 - 30
Plant and Improvements	1,486,787	1,262,114	5 - 25
New Admin Building	96,073	95,109	39
Automotive	130,336	113,834	5
Current Year Improvements	290,453	290,453	7 - 20
Construction in Progress	1,875,548	767,602	25
Equipment	198,702	198,702	5 - 10
Office Equipment and Furniture	34,217	27,711	3 - 10
	<u>9,620,753</u>	<u>8,260,959</u>	
Less accumulated depreciation	<u>(4,324,660)</u>	<u>(4,064,407)</u>	
Total fixed assets	<u>\$ 5,296,093</u>	<u>\$ 4,196,552</u>	

Depreciation expense for the years ended September 30, 2023 and 2022 was \$260,253 and \$237,763 respectively.

MOFFAT WATER SUPPLY CORPORATION

Notes to Financial Statements

For the Years Ended September 30, 2023 and 2022

NOTE 8 – DONATED INVESTMENT

Included in donated investment are contributions made by the United States Department of Agriculture and various developers. These contributions are for capital improvements paid by and benefiting the Corporation. The Corporation elects to capitalize these assets because they add to the overall productivity of the water supply system and the Corporation assumes responsibility for the maintenance and additions thereafter.

NOTE 9 – WATER PURCHASE CONTRACT

Moffat Water Supply Corporation has entered into a contract with Bluebonnet Water Supply Corporation (BWSC) for treated lake water. The Corporation contracted BWSC to treat and deliver water to the Corporation, for the benefit of the Corporation's customers. The minimum monthly amount provided for 2023 and 2022 was 8,891,000 gallons and 8,927,000 gallons for \$31,118 and \$28,566, respectively. For the year ended September 30, 2023 and 2022, the Corporation paid \$576,174 and \$513,987, respectively, for purchased water from Bluebonnet Water Supply Corporation.

NOTE 10 – DEPOSITS IN EXCESS OF FDIC LIMIT

As of September 30, 2023 and 2022, the Corporation has \$-0- and \$-0- (respectively) of cash deposits in excess of the FDIC insured limit of \$250,000 and letters of credit pledged by the financial institution of \$4,425,000 and \$4,950,000 and for 2023 and 2022, respectively.

NOTE 11 – FAIR VALUE OF FINANCIAL INSTRUMENTS

The Corporation calculates the fair value of its assets and liabilities which qualify as financial instruments and includes this additional information in the notes to financial statements when the fair value is different than the carrying value of these financial instruments. The estimated fair value of accounts receivable, accounts payable, and accrued liabilities approximate the carrying amounts due to the relatively short maturity of these instruments. The carrying value of notes payable also approximate fair value since these instruments bear market rates of interest. None of these instruments are held for trading purposes.

NOTE 12 – RETIREMENT PLAN

The Corporation began offering a "Simple IRA" retirement plan in January 2009. The Corporation elected to contribute an amount equal to 3% of each eligible employee's compensation. As of September 30, 2023, and 2022, \$9,930 and \$8,862, respectively, was paid as employer provided retirement benefits.

NOTE 13 – RECLASSIFICATION

Certain amounts for 2022 have been reclassified to conform to the 2023 presentation.

NOTE 14 – EVALUATION OF SUBSEQUENT EVENTS

The Corporation has evaluated subsequent events through January 9, 2024, the date which the financial statements were available to be issued. No subsequent items require disclosure to the financial statements.