

**SEIDEL SCHROEDER  
AUDIT FINANCIAL STATEMENT ROUTING SHEET**

Client Name: Central Washington County Water Supply Corporation      Disposition: TRB

Client Number: 15136      Date Promised: 7/17 -by noon

**Report**

Financial Statements        X    
 Internal Control Letter      \_\_\_\_\_  
 SAS 114      \_\_\_\_\_  
 Management Letter      \_\_\_\_\_  
 Agreed-Upon Procedures      \_\_\_\_\_  
 Other: \_\_\_\_\_

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**Reviewer's Comments**

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**CENTRAL WASHINGTON COUNTY  
WATER SUPPLY CORPORATION**

Financial Statements

with

Report of Independent Auditor

For the Years Ended March 31, 2023 and 2022

**CENTRAL WASHINGTON COUNTY  
WATER SUPPLY CORPORATION**

March 31, 2023 and 2022

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CERTIFIED PUBLIC ACCOUNTANTS/BUSINESS ADVISORS

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Central Washington County Water Supply Corporation  
Brenham, Texas

### **Opinion**

We have audited the financial statements of Central Washington County Water Supply Corporation (a non-profit organization) which comprise the statements of financial position as of March 31, 2023 and 2022, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Central Washington County Water Supply Corporation as of March 31, 2023 and 2022, and the changes in its net assets and its cash flows for the year 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of the report. We are required to be independent of Central Washington County Water Supply Corporation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. 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 the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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 Central Washington County Water Supply Corporation's ability to continue as a going concern for one year after the date that the financial statements are issued.

## **Auditor's 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 auditor's 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 GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than one resulting in 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 GAAS, we:

- Exercise professional judgement and maintain professional 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 disclosures 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 Central Washington County Water Supply Corporation's 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.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about Central Washington County Water Supply Corporation's 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.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated July 13, 2023 on our consideration of the Corporation's internal control over financial reporting and 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 Central Washington County Water Supply Corporation's internal control over financial reporting and compliance.

*Seidel Schaefer*

Brenham, Texas  
July 13, 2023

CENTRAL WASHINGTON COUNTY WATER SUPPLY CORPORATION  
 Statements of Financial Position  
 March 31, 2023 and 2022

	2023	2022
<b>ASSETS</b>		
Current Assets		
Cash and cash equivalents	\$ 1,008,282	\$ 702,021
Accounts receivable, net of allowance for uncollectible accounts	94,466	101,378
Prepaid insurance and other current assets	18,718	18,718
Total Current Assets	1,121,466	822,117
Property, plant and equipment, net	4,337,644	4,454,261
Other Assets		
Restricted cash - construction	113,024	266,445
Restricted investment - debt service	312,068	309,318
Total Other Assets	425,092	575,763
Total Assets	\$ 5,884,202	\$ 5,852,141
 <b>LIABILITIES &amp; NET ASSETS</b>		
Current Liabilities		
Accounts payable	\$ 40,110	\$ 94,144
Accrued expenses	1,005	41,468
Customer deposits and prepayments	12,286	11,386
Unearned revenue	-	9,570
Current portion of long-term debt	123,434	121,512
Total Current Liabilities	176,835	278,080
Long term debt, net of current portion	4,092,986	4,212,924
Total Liabilities	4,269,821	4,491,004
Net Assets		
Without donor restrictions	1,614,381	1,361,137
Total Net Assets	1,614,381	1,361,137
Total Liabilities and Net Assets	\$ 5,884,202	\$ 5,852,141

See accompanying notes to the financial statements.

CENTRAL WASHINGTON COUNTY WATER SUPPLY CORPORATION  
 Statements of Activities  
 For the Years Ended March 31, 2023 and 2022

	2023	2022
Changes in net assets without donor restrictions		
Revenues and gains		
Water service revenues	\$ 1,034,706	\$ 851,030
Member fees and assessments	18,912	16,713
Interest income	17,030	1,944
Tap fees	24,288	8,598
Other	5,098	258
Total revenues and gains without donor restrictions	1,100,034	878,543
Expenses		
Program services		
Chemicals - supplies, parts and maintenance	9,745	8,046
Insurance expense	21,840	10,187
Director training expense	1,810	117
Professional fees	19,443	32,248
Purchased and contract services	1,536	1,595
Repairs and maintenance	148,763	95,234
Electricity	43,513	30,455
Operations expense	160,230	152,507
Regulatory assessment	4,095	4,062
Depreciation	192,730	177,000
Interest expense	158,236	160,994
Loss on disposal of fixed assets	-	7,024
Other	8,366	12,542
Management and general		
Administrative expense	76,483	75,624
Total expenses	846,790	767,635
Increase (decrease) in net assets without donor restrictions	253,244	110,908
Net assets - beginning of year	1,361,137	1,250,229
Net assets - end of year	\$ 1,614,381	\$ 1,361,137

See accompanying notes to the financial statements.

CENTRAL WASHINGTON COUNTY WATER SUPPLY CORPORATION  
Statements of Cash Flows  
For the Years Ended March 31, 2023 and 2022

	2023	2022
Cash flow from operating activities		
Change in net assets	\$ 253,244	\$ 110,908
Adjustments to reconcile change in net assets to net cash:		
Insurance proceeds	-	9,002
Depreciation	192,730	177,000
Amortization	3,495	3,495
Bad debt expense	2,511	-
Loss on disposal of fixed assets	-	7,024
Reinvestment of interest earned on certificates of deposit	(2,749)	(1,846)
Increase (decrease) in cash resulting from changes in assets and liabilities:		
Accounts receivable	4,401	(10,389)
Other current assets	-	(11,045)
Accounts payable	(9,161)	(1,620)
Customer deposits	900	450
Unearned revenue	(9,570)	9,570
Accrued expenses	(40,463)	(612)
Total adjustments	142,094	181,029
Net cash flow provided by operating activities	395,338	291,937
Cash flow from investing activities		
Acquisition of fixed assets	(120,986)	(346,636)
Net cash flow used in investing activities	(120,986)	(346,636)
Cash flow from financing activities		
Payment of long-term debt	(121,512)	(119,513)
Net cash flow used in financing activities	(121,512)	(119,513)
Net increase (decrease) in cash	152,840	(174,212)
Cash and cash equivalents, beginning of year	968,466	1,142,678
Cash and cash equivalents, end of year	\$ 1,121,306	\$ 968,466
Reconciliation of cash and cash equivalents:		
Unrestricted cash	\$ 1,008,282	\$ 702,021
Restricted cash - construction	113,024	266,445
	\$ 1,121,306	\$ 968,466

See accompanying notes to the financial statements.



CENTRAL WASHINGTON COUNTY WATER SUPPLY CORPORATION  
Notes to Financial Statements  
March 31, 2023 and 2022

1. Summary of significant accounting policies

Organization

The Central Washington County Water Supply Corporation (the Corporation) is a non-profit corporation organized under Article 1434A of the Revised Civil Statutes of Texas of 1925, as amended by the Texas Non-Profit Corporation Act, Article 1.01 et seq., as amended. The Corporation was incorporated in the State of Texas on March 14, 1988.

The Corporation was established to furnish a water supply for general farm use and domestic purposes to individuals residing in certain rural communities of Central Washington County, Texas.

The accounting policies of the Central Washington County Water Supply Corporation conform to generally accepted accounting principles. The following is a summary of the more significant policies:

Financial statement presentation

The Corporation is required to report information regarding its financial position and activities according to two classes of net assets based upon the existence or absence of donor-imposed restrictions. These classes are as follows:

Without donor restrictions - Net assets are not subject to donor-imposed restrictions.

With donor restrictions - Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Board and/or the passage of time. When a restriction expires, these net assets are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Cash and equivalents

For purposes of the statement of cash flows, the Corporation considers all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents. Certificates of deposit with original maturities of more than 90 days are classified as short-term investments.

Contributed services

Many individuals volunteer their time and perform a variety of tasks that assist the Corporation, but these services do not meet the criteria for recognition as contributed services.

CENTRAL WASHINGTON COUNTY WATER SUPPLY CORPORATION  
Notes to Financial Statements  
March 31, 2023 and 2022

Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Property, plant and equipment

Property, plant and equipment are stated at cost, less accumulated depreciation. Expenditures for additions, major renewals, and betterments are capitalized, while maintenance and repairs are charged to expense as incurred. The capitalization threshold for property, plant and equipment expenditures is \$5,000. Depreciation is computed on the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Land and Easements	N/A
Water Lines and Storage	10-40 years
Wells and Pumps	5-30 years
Furniture and Fixtures	5-10 years

Income taxes

The Corporation is exempt from federal income taxes under Section 501 (c)(12) of the Internal Revenue Code and therefore has made no provision for federal income taxes in the financial statements. In addition, the Corporation has been determined by the Internal Revenue Service not to be a "private foundation" within the meaning of Section 509 (a) of the Internal Revenue Code. The tax years ending March 31, 2020, and later remain subject to examination.

Revenue recognition

Substantially all revenues are charges for water services. These revenues are recorded and billed on a monthly basis. Accounts receivable include estimated amounts for unbilled receivables as of the end of the fiscal year.

Reclassifications

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

CENTRAL WASHINGTON COUNTY WATER SUPPLY CORPORATION  
Notes to Financial Statements  
March 31, 2023 and 2022

2. Cash

Unrestricted cash as of March 31, 2023, includes deposits with financial institutions totaling \$601,596 and deposits in TexSTAR, a public funds investment pool, of \$406,686. Restricted cash as of March 31, 2023 included deposits with financial institutions totaling \$69,662 and a deposit in TexSTAR of \$43,362. As of March 31, 2022, unrestricted cash included deposits with financial institutions totaled \$336,320 and deposits in TexSTAR totaled \$365,701. Restricted cash as of March 31, 2022 included deposits with financial institutions totaling \$224,196 and a deposit in TexSTAR of \$42,249.

“TexSTAR” is a local government investment pool created and jointly managed by First Southwest Asset Management, Inc. and JP Morgan Chase Bank to invest funds on behalf of Texas political subdivisions. Its fair value approximates carrying value. The stated objective of TexSTAR is to maintain a stable \$1.00 net asset value per unit, and immediate action must be taken if the net asset value of the units of any fund falls below \$0.995 or rises above \$1.005. Authorized investments for TexSTAR funds include government securities, repurchase and reverse repurchase agreements, and money market mutual funds regulated by the Securities and Exchange Commission.

3. Accounts receivable

Accounts receivable consist of charges to members for monthly water service. The Corporation has pledged these receivable to the USDA - Rural Development and to the Texas Water Development Board as collateral on all outstanding notes. Accounts receivable are recorded in the accompanying statement of financial position net of an allowance for uncollectible accounts of \$3,511 and \$1,000 as of March 31, 2023 and 2022, respectfully.

4. Investments

The Corporation’s investment policy authorizes investments in certificates of deposit with financial institutions insured by the Federal Deposit Insurance Corporation, fully collateralized repurchase agreements, investment pools that have a rating no lower than AAA or an equivalent rating by at least one nationally recognized rating agency, obligations of the United States or its agencies and instrumentalities, and direct obligations of the State of Texas or its agencies and instrumentalities.

As of March 31, 2023 and 2022, the Corporation’s investments consisted of certificates of deposit with an original maturity greater than 90 days and a fair value totaling of \$312,068 and \$309,318, respectively.

5. Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, the Corporation’s deposits may not be returned to it. It’s the policy of the Corporation to require full collateralization of all Corporation funds on deposit with a depository bank. At March 31, 2023, the

CENTRAL WASHINGTON COUNTY WATER SUPPLY CORPORATION  
Notes to Financial Statements  
March 31, 2023 and 2022

Corporation's cash and cash equivalents, and certificates of deposit held at financial institutions exceed Federal Deposit Insurance Corporation coverage limits by approximately \$29,000.

6. Restricted assets

Restricted assets consist of cash and investment reserve funds required by loan and as designated by the Board for future construction projects. The restricted investment funds cannot be expended without the written permission of the government agencies as disclosed in Note 9.

7. Property, plant and equipment

Property, plant and equipment activity for the year ended March 31, 2023, was as follows:

	3/31/2022			3/31/2023
	Balance	Additions	Deletions	Balance
Construction in progress	\$ 2,667,145	\$ -	\$ 2,667,145	\$ -
Land and easements	102,864	-	-	102,864
Lines and storage	3,571,291	10,600	-	3,581,891
Wells and pumps	443,272	2,732,658	-	3,175,930
Iron filter system	383,772	-	-	383,772
Recycling System	155,200	-	-	155,200
Mapping System	25,188	-	-	25,188
Total at historical cost	7,348,732	2,743,258	2,667,145	7,424,845
Less: Accumulated depreciation	(2,894,471)	(192,730)	-	(3,087,201)
	<u>\$ 4,454,261</u>	<u>\$ 2,550,528</u>	<u>\$ 2,667,145</u>	<u>\$ 4,337,644</u>

Property, plant and equipment activity for the year ended March 31, 2022, was as follows:

	3/31/2021			3/31/2022
	Balance	Additions	Deletions	Balance
Construction in progress	\$ 2,498,182	\$ 168,964	\$ -	\$ 2,667,145
Land and easements	102,864	-	-	102,864
Lines and storage	3,571,291	-	-	3,571,291
Wells and pumps	425,610	36,428	18,766	443,272
Iron filter system	383,772	-	-	383,772
Recycling System	155,200	-	-	155,200
Mapping System	25,188	-	-	25,188
Total at historical cost	7,162,107	205,392	18,766	7,348,732
Less: Accumulated depreciation	(2,720,213)	(177,000)	(2,742)	(2,894,471)
	<u>\$ 4,441,894</u>	<u>\$ 28,392</u>	<u>\$ 16,024</u>	<u>\$ 4,454,261</u>

CENTRAL WASHINGTON COUNTY WATER SUPPLY CORPORATION  
Notes to Financial Statements  
March 31, 2023 and 2022

8. Water service rates and fees

The Corporation has established the following water rates and fees which were effective February 1, 2022:

	Monthly Base Rates	Price per 1,000 Gallons			
		0 - 10,000 Gallons	10,001 - 20,000 Gallons	20,001 - 30,000 Gallons	30,001 + Gallons
Standard Meters:					
5/8" Meter or Farm Single User	\$45.00	\$4.50	\$6.00	\$7.50	\$8.50
Non-Standard Meters:					
3/4" Meter	\$67.50	\$4.50	\$6.00	\$7.50	\$8.50
1" Meter	\$112.50	\$4.50	\$6.00	\$7.50	\$8.50
1 1/2" Meter	\$225.00	\$4.50	\$6.00	\$7.50	\$8.50
2" Meter	\$360.00	\$4.50	\$6.00	\$7.50	\$8.50

Other Fees:

Equity Buy-In Fee

5/8" Meter or Farm Single User	\$675.00
3/4" Meter	\$1,013.00
1" Meter	\$1,690.00
1 1/2" Meter	\$3,380.00
2" Meter	\$5,400.00
Membership (non-refundable)	\$200.00
Service and Meter Installation (Tap Fee)	\$950 minimum
Re-Service Fee	\$75 minimum
Meter Reconnect (Un-lock)	\$85.00
Membership Transfer Fee	\$100.00
Renter's Deposit for Water Service Billing	\$150.00
Renter's Transfer Fee	\$100.00
Returned Check Service Charge	\$35.00
Equipment Damage	\$50 minimum
Regulatory Assessments	0.5% of charge
Meter inspection or electronic meter data log;	
First request -	No Charge
Subsequent requests if meter is accurate	\$50
Subsequent requests if meter is inaccurate	No Charge

CENTRAL WASHINGTON COUNTY WATER SUPPLY CORPORATION  
Notes to Financial Statements  
March 31, 2023 and 2022

9. Long-term debt

The Corporation's long-term debt consists of the following as of March 31:

	<u>2023</u>	<u>2022</u>
Note originated September 28, 2017, issued by Texas Water Development Board and collateralized by assets and income of the corporation and for the purpose of water supply system improvements. The note amount was \$2,815,000 with coupon interest rates ranging from 1.1% to 3.32%, terms include semi-annual interest payments beginning April, 2018, and annual principal payments beginning October, 2019 through April, 2047.	\$ 2,580,000	\$ 2,655,000
Note originated July 19, 1994 for the purpose of Phase II of the water supply system issued by USDA - Rural Development and collateralized by assets and income of the corporation. The note amount was \$350,000 with a fixed interest rate of 5.25% and interest only payments until July 1996. The monthly payment for the 40 year term ending July 2034 is \$1,775.	178,307	189,913
Note originated May 27, 2008 for the purpose of paying off a prior note and construction of capital improvement projects issued by USDA - Rural Development and collateralized by assets and income of the corporation. The note amount was \$1,920,000 with a fixed interest rate of 4.125% for a term of 40 years that required interest only payment until May 2009. Beginning June 2009 and continuing through May 2048, monthly principal and interest payments are \$8,276.	1,542,045	1,576,952
	<u>4,300,352</u>	<u>4,421,865</u>
Less unamortized debt issuance costs	83,932	87,429
Less current portion	123,434	121,512
	<u>\$ 4,092,986</u>	<u>\$ 4,212,924</u>

CENTRAL WASHINGTON COUNTY WATER SUPPLY CORPORATION  
Notes to Financial Statements  
March 31, 2023 and 2022

Debt service requirements to maturity are as follows:

For the Fiscal Year ending March 31	Notes Payable	
	Principal	Interest
2024	\$ 123,434	\$ 151,677
2025	130,784	147,849
2026	133,070	143,826
2027	135,461	139,500
2028	142,808	132,844
2029 - 2046	3,634,795	1,423,003
	\$ 4,300,352	\$ 2,138,699

Loan issuance costs are deferred and amortized over the term of the loan using the straight-line method. Loan issuance costs and related accumulated amortization as of March 31, 2023, totaled \$103,179 and \$19,247, respectively. Loan issuance costs and related accumulated amortization as March 31, 2022 totaled \$103,179 and \$15,750, respectively. Amortization of loan issuance costs was \$3,495 for the years ending March 31, 2023 and 2022.

10. Line of credit

The Corporation has a \$250,000 revolving line of credit with a financial institution that matures in October, 2023, and is secured by all personal property of the Corporation. There was no balance as of March 31, 2023 or 2022.

11. Members equity

In accordance with the bylaws of the Corporation, no dividends are to be paid based on membership in the Corporation. The Corporation shall conduct business on a non-profit basis. Upon discontinuance of the Corporation by dissolution or otherwise, all assets remaining after debts are satisfied will be distributed among members in direct proportion to the amount of their patronage with the Corporation insofar as practicable.

12. Supplemental cash flows information

Interest paid during the years ended March 31, 2023 and 2022, totaled \$194,704 and \$158,111, respectively.

13. Contract Assets and Liabilities

Contract assets consisting of accounts receivable, net of allowance for uncollectible accounts, was \$94,466, \$101,378, and \$90,989 as of March 31, 2023, 2022, and 2021, respectively.

CENTRAL WASHINGTON COUNTY WATER SUPPLY CORPORATION  
Notes to Financial Statements  
March 31, 2023 and 2022

Contract liabilities consisted of deposits and overpayments of \$12,286, \$11,386, and \$10,936 as of March 31, 2023, 2022, and 2021, respectively.

14. Commitments and contingencies

The Corporation entered into an administrative services contract with Professional General Management Services, Inc. ("PGMS"). Under the agreement, PGMS will provide meter reading, billings, collections, compliance, installations, inspections, reports, and emergency services. PGMS also agrees to maintain insurance coverage for workers' compensation, comprehensive general liability, automobile liability and employer's liability. During the years ending March 31, 2023 and 2022, the Corporation paid PGMS approximately \$300,518 and \$279,112, respectively. Additionally, accounts payable included \$32,351 and \$23,492 in amounts due to PGMS at March 31, 2023 and 2022, respectively.

The Corporation must comply with covenants contained in the original closing instructions with the respective related instruments, Loan Resolution Security Agreements, Utilities Securities Instruments, promissory notes, grant agreements, all documents executed with the USDA, Texas Water Development Board, applicable regulations of the Texas Commission on Environmental Quality, applicable regulations of the Texas Department of Health, and applicable regulations of other state, local, and federal agencies with the authority to regulate water supply and water districts. The Corporation feels it is in substantial compliance with all the applicable laws and regulations.

15. Liquidity

The following reflects the Corporation's financial assets as of the statement of financial position date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statement of financial position date:

	<u>2023</u>	<u>2022</u>
Financial assets at year-end	\$ 1,527,840	\$ 1,379,162
Less those unavailable for general expenditures within one year, due to:		
Board restricted to be used for construction	113,024	266,445
Lender restricted to be used for debt service	<u>312,068</u>	<u>309,318</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,102,748</u>	<u>\$ 803,399</u>



CENTRAL WASHINGTON COUNTY WATER SUPPLY CORPORATION  
Notes to Financial Statements  
March 31, 2023 and 2022

16. Subsequent Events

Management has evaluated subsequent events through July 13, 2023, the date on which the financial statements were available to be issued. No additional disclosures or modifications were deemed necessary.



CERTIFIED PUBLIC ACCOUNTANTS/BUSINESS ADVISORS

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  
Central Washington County 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 Central Washington County Water Supply Corporation, which comprise the statements of financial position as of March 31, 2023, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated July 13, 2023.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Central Washington County Water Supply Corporation's internal control over financial reporting (internal control) as a basis for designing 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 Central Washington County Water Supply Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of Central Washington County 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 and therefore, material

weaknesses or significant deficiencies may exist that were not identified. We did identify a certain deficiency in internal control described in the accompanying schedule of findings and responses as item 2023-001 that we consider to be a material weakness.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Central Washington County Water Supply Corporation's financial statements are free from 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 financial statements. 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*.

### **Corporation's Response to Findings**

The Corporation's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. Central Washington County Water Supply Corporation's response was not subjected to the auditing procedures applied in the audit of the financial statements and accordingly, we express no opinion on it.

### **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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Brenham, Texas  
July 13, 2023

Central Washington County Water Supply Corporation  
Schedule of Findings and Responses  
March 31, 2023

2023-001 General ledger accounting

Condition and criteria: Accounting duties are not adequately segregated.

Cause: One employee of the management company posts all receipts into QuickBooks, enters all bills into accounts payable, and prepares all checks for disbursement. In addition, this employee reconciles the bank accounts. As an offsetting control, this individual does not receive utility payments and does not have signature authority on the bank accounts. All disbursements are approved by supervisory level employees of the management company and by the Board of Directors who have signature authority. General ledger journal entries and bank reconciliations are approved by supervisory level employees of the management company and a Board member reviews bank statements and images.

Effect: The lack of segregation of duties could result in inaccurate financial reporting or misappropriation.

Recommendation: We recommend that the Corporation continue to perform the offsetting controls as noted.

Response: The Corporation will continue to perform the established mitigating controls.