



CPAs & Advisors

Bob J. Arnold, CPA, PFS  
Lanny G. Walker, CPA, PFS  
Kris Arnold, CPA, PFS  
Andrew Arnold, CPA  
Melissa J. Godfrey, CPA

March 8, 2022

Board of Directors  
Central Bowie County Water Supply Corporation  
New Boston, TX

We have audited the financial statements of the business-type activities of Central Bowie County Water Supply Corporation for the year ended December 31, 2021, and have issued our report thereon dated March 8, 2022. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, Government Auditing Standards, and the Uniform Guidance as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated March 1, 2022. Professional Standards also require that we communicate to you the following information related to our audit.

#### Significant Audit Findings

##### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the District are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2021. We noted no transactions entered into by the Corporation during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were the depreciable lives of fixed assets.

Management's estimates of the depreciable lives of assets is based upon a range of lives generally used by corporations. We evaluated the key factors and assumptions used to develop the above estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

##### *Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

##### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

##### *Disagreements with Management*

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

*Management Representations*

We have requested certain representations from management that are included in the management representation letter dated March 8, 2022.

*Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

*Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Board of Directors and management and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Arnold, Walker, Arnold & Co., P.C.

Arnold, Walker, Arnold & Co., P.C.

**CENTRAL BOWIE COUNTY  
WATER SUPPLY CORPORATION**

**FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITOR'S REPORT**

**Year ended December 31, 2021**

Central Bowie County Water Supply Corporation  
ANNUAL FINANCIAL REPORT  
For the year ended December 31, 2021

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Central Bowie County Water Supply Corporation  
DIRECTORY OF PRINCIPAL OFFICIALS  
December 31, 2021

BOARD OF DIRECTORS

OFFICERS

Harrell Hignight, President  
Jerry May, Vice President  
Tom Coleman, Secretary-Treasurer

MEMBERS

James McKay  
Burl Minter  
Grady Epperson  
Earnest Shelton, Jr.  
Johnny Clack  
Gary Fannin

MANAGEMENT

Hal Harris, Manager

## **FINANCIAL SECTION**





CPAs & Advisors

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## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Central Bowie County Water Supply Corporation  
New Boston, Texas

We have audited the accompanying financial statements of Central Bowie County Water Supply Corporation (a not-for-profit corporation), which comprise the statement of financial position as of December 31, 2021, 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.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Central Bowie County Water Supply Corporation as of December 31, 2021, and the changes in its net position 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 8, 2022, on our consideration of Central Bowie County 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 Central Bowie County Water Supply Corporation's internal control over financial reporting and compliance.

Arnold, Walker, Arnold & Co., P.C.

ARNOLD, WALKER, ARNOLD & CO., P.C.

March 8, 2022

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Member: American Institute of Certified Public Accountants • Texas State Society of Certified Public Accountants

Central Bowie County Water Supply Corporation  
Statement of Financial Position  
As of December 31, 2021

Assets		
Current Assets		
Cash and cash equivalents		851,241
Accounts receivable		86,766
Unbilled accounts receivable		132,788
Inventory		82,628
Prepaid insurance		12,720
Total current assets		<u>1,166,143</u>
Restricted Assets		
Restricted for memberships--		
Cash and cash equivalents		300,000
Restricted for debt service--		
Cash and cash equivalents		216,228
Restricted for capital projects--		
Cash and cash equivalents		250,345
Restricted for advanced metering system--		
Cash and cash equivalents		2,382,728
Total restricted assets		<u>3,149,301</u>
Capital Assets		
Land		16,973
Other capital assets, net of accumulated depreciation		8,976,406
Total capital assets		<u>8,993,379</u>
Other Assets		
Organization expense		4,923
Total other assets		<u>4,923</u>
Total assets		<u>13,313,746</u>
Deferred outflow of resources		<u>-</u>
Liabilities		
Current liabilities		
Accounts payable		24,516
Accrued expenses		10,442
Notes payable, current		131,753
Total current liabilities		<u>166,711</u>
Non-current liabilities		
Notes payable, non-current		5,546,962
Total liabilities		<u>5,713,673</u>
Deferred inflow of resources		<u>-</u>
Net assets		
Net investment in capital assets		5,696,484
Restricted for debt service		216,228
Restricted for memberships		300,000
Restricted for capital projects		250,345
Unrestricted		1,137,016
Total net assets		<u>7,600,073</u>

The accompanying notes are an integral part of this financial statement.



Central Bowie County Water Supply Corporation  
Statement of Activities  
and Changes in Net Position  
For the year ended December 31, 2021

## OPERATING REVENUES

Water sales	1,538,583
Fees and charges	310,455
Total revenues	<u>1,849,038</u>

## OPERATING EXPENSES

Depreciation	247,131
Dues and fees	335,279
Employee benefits	39,957
Insurance	27,095
Line installation	39,780
Miscellaneous	10,274
Professional fees	14,927
Repairs and maintenance	142,653
Salaries	290,581
Supplies	144,905
Taxes-payroll	24,537
Utilities and telephone	42,752
Water purchases	358,204
Total operating expenses	<u>1,718,075</u>

Net operating income (loss)	<u>130,963</u>
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## NONOPERATING REVENUE (EXPENSES)

Interest income	2,091
Interest expense	(88,017)
Total nonoperating revenues (expenses)	<u>(85,926)</u>

Net income (loss) before contributions	45,037
Capital contributions, memberships	<u>5,590</u>

Changes in net assets	50,627
Net assets, beginning of year	<u>7,549,446</u>
Net assets, end of year	<u><u>7,600,073</u></u>

The accompanying notes are an integral part of this financial statement.

Central Bowie County Water Supply Corporation  
Statement of Cash Flows  
for the year ended December 31, 2021

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash received from customers	1,817,639
Cash payments to suppliers for goods and services	(1,094,422)
Cash payments to employees for services and benefits	(356,209)
Net cash provided by operating activities	<u>367,008</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Capital contributions, memberships	<u>5,590</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Acquisition of capital assets	(206,667)
Debt principal received	2,382,728
Principal paid on debt	(128,211)
Interest paid on debt	(88,017)
Net cash provided by capital and related financing activities	<u>1,959,833</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest income	<u>2,091</u>
Net cash provided by investing activities	<u>2,091</u>
Net increase in cash and cash equivalents	2,334,522
Cash and cash equivalents, beginning of year	<u>1,666,020</u>
Cash and cash equivalents, end of year	<u><u>4,000,542</u></u>
<b>RECONCILIATION OF OPERATING INCOME</b>	
<b>TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	
Operating income (loss)	130,963
Adjustment to reconcile operating (loss)	
to net cash provided by operating activities	
Depreciation	247,131
Increase in accounts receivable	(31,399)
Decrease in accounts payable and accrued expenses	(2,443)
Increase in prepaid expenses	(413)
Decrease in inventory	23,169
Net cash provided by operating activities	<u><u>367,008</u></u>

The accompanying notes are an integral part of this financial statement.

Central Bowie County Water Supply Corporation  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2021

Note 1--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Central Bowie County Water Supply Corporation was incorporated in 1971 for the purpose of providing water service to its members. A Board of Directors is elected by the membership and directs the activities of the organization. The Board has assigned the administrative duties to a staff headed by corporate officers, who are authorized to enter into contract agreements with other parties on behalf of the organization.

Income Taxes

Central Bowie County Water Supply Corporation operates as a non profit organization and has been classified as exempt for federal income tax purposes by the State of Texas and the Internal Revenue Service under Code Sec. 501(c) 4.

Basis of Accounting

The accounting policies of the Corporation conform to generally accepted accounting principles.

The Corporation maintains one set of records to account for all corporate financial transactions. Interim internal financial reporting is on the cash basis of accounting. These financial statements are presented using the accrual method of accounting. Revenues are recognized when earned and expenses are recognized when incurred under the accrual method.

Property, Plant and Equipment

Prior to 1981, property and equipment are shown in the aggregate only. For purchases in subsequent years, property and equipment are stated at cost, and the related depreciation is charged as an expense against operations. On the Statement of Net Assets, property and equipment is shown net of accumulated depreciation. Generally, the Corporation capitalizes fixed asset purchases with a cost of \$500 or more and a life of more than one year. Current year additions to fixed assets receive one-half year of depreciation in the year of acquisition. Depreciation has been provided over the estimated useful lives using the straight-line method of depreciation. The estimated useful lives are as follows:

Equipment and automobiles	5 years
Plant and facility	20 years
1992 Expansion project	40 years
Extensions and lines	66 years
Property acquired before 12-31-81	66 years

Budget

Each year the Corporation's management prepares a budget. The budget is adopted on a basis consistent with generally accepted accounting principles. The budget is amended during the year as needed.

Cash and Cash Equivalents

For purposes of reporting cash flows, cash and cash equivalents include cash on hand, checking accounts, and the time deposit accounts. All certificates of deposits are classified as cash and cash equivalents



Central Bowie County Water Supply Corporation  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2021

Restricted Assets

The Corporation has short-term investments that are restricted for debt service payments.

Compensated Absences

The Corporation utilizes the accrual method for recording compensated absences. All full-time employees are granted one week of vacation (40 hours) upon the first year of service. After two years of service, employees are granted two weeks of vacation (80 hours). After twelve years of service, employees are granted the maximum accrual of three weeks of vacation (120 hours). A regular work week consists of 40 hours per week. Accrued compensated absences are recorded in accordance with Statement of Financial Accounting Standards No. 43.

Estimates

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

Note 2--CASH AND INVESTMENTS

Legal and Contractual Provisions Governing Deposits and Investments

The Public Funds Investment Act (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the Corporation to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit. Statutes authorize the Corporation to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas; (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) Mutual Funds, (8) Investment pools, (9) guaranteed investment contracts, (10) and common trust funds. The Act also requires the Corporation to have independent auditors perform test procedures related to investment practices as provided by the Act. The Corporation is in substantial compliance with the requirements of the Act and with local policies.

Additional contractual provisions governing deposits and investments for the Corporation are as follows:

Policies Governing Deposits and Investments

In compliance with the Public Funds Investment Act, the Corporation has adopted a deposit and investment policy. That policy does address the following risks:

**Custodial Credit Risk – Deposits:** In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Corporation's policy regarding types of deposits allowed and collateral requirements is that the funds of the Corporation must be deposited and invested under the terms of a contract, contents of which are set out in the Depository Contract Law. The depository bank places approved pledged securities for safekeeping in an amount sufficient to protect the Corporation's funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

Deposits of the Corporation are insured or collateralized with securities held by the pledging financial institution's trust department or agent in the name of the Corporation.

At December 31, 2021, the carrying amount of the Corporation's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$1,617,814 and the bank balance was \$1,638,573. The Corporation's cash deposits at December 31, 2021 were entirely covered by FDIC insurance or by pledged collateral held by the Corporation's agent bank in the Corporation's name. The Corporation's cash deposits at December 31, 2021 and during the year ended December 31, 2021 were not entirely covered by FDIC insurance or by pledged collateral held by the Corporation's agent bank in the Corporation's name.

In addition, the following is disclosed regarding coverage of combined balances at the depository bank as of December 31, 2021:

- a. Depository: Guaranty Bank & Trust
- b. The market value of securities pledged as of December 31, 2021 was \$0.
- c. The December 31, 2021 balances of cash, savings, and time deposit accounts amounted to \$482,369.

Total amount of FDIC coverage at the time of the highest combined balance was \$500,000.

Central Bowie County Water Supply Corporation  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2021

**Custodial Credit Risk – Investments:** For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Positions in external investment pools are not subject to custodial credit risk. The Corporation has no investments exposed to custodial credit risk at the end of the period.

**Interest- rate Risk – Interest-rate risk** occurs when potential purchases of debt securities do not agree to pay face value for these securities if interest rates rise. The Corporation does not purchase investments where the face value is not guaranteed.

**Concentration Risk – Concentration risk** is defined as positions of 5 percent or more in the securities of a single issuer. Investments in external investment pools are not subject to concentration risk. The Corporation is not exposed to any amounts of concentration risk.

**Other Credit Risk Exposure –** The Corporation has no investments.

**Note 3--WATER BILLING RECEIVABLES**

The Corporation has accounts receivable from billed amounts of \$86,766. The Corporation does not record an allowance for uncollectibles. Each member's investment in the Corporation generally covers final bills. Water cut-off rules are very stringently enforced. Unbilled water usage of \$132,788 from December to be collected in January, 2022 is reflected also.

**Note 4--PROPERTY, PLANT AND EQUIPMENT**

The following is a summary of the fixed assets at December 31, 2021:

	Balance <u>1/1/2021</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>12/31/2021</u>
Land	16,973	-	-	16,973
New building	279,306	-	-	279,306
Equipment	163,668	-	-	163,668
Extensions and lines	2,130,917	-	-	2,130,917
Office equipment	197,964	8,360	-	206,324
Automobiles	205,120	9,176	-	214,296
Plant facility	1,361,844	69,955	-	1,431,799
1992 expansion project	2,393,647	-	-	2,393,647
2013 TWDB Project	2,081,465	-	-	2,081,465
USDA Phase 1	1,847,905	-	-	1,847,905
USDA Phase 2	2,902,430	-	-	2,902,430
Projects in progress	<u>15,703</u>	<u>119,176</u>	<u>-</u>	<u>134,879</u>
Totals	<u>13,596,942</u>	<u>206,667</u>	<u>-</u>	13,803,609
Less: Accumulated depreciation				(4,810,230)
Net property, plant and equipment				<u>8,993,379</u>

Depreciation expense for the year ended December 31, 2021 is \$247,131.

Central Bowie County Water Supply Corporation  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2021

Note 5--CHANGES IN NOTES PAYABLE

The following is a summary of notes payable transactions by the Corporation for the year ended December 31, 2021:

	Original Amount	Payable Jan. 1 2021	Additions	Reductions	Payable Dec. 31 2021
A) USDA Rural Development Loan #5	2,250,000	1,834,625	-	(43,735)	1,790,890
B) USDA Rural Development Loan #7	2,072,487	1,589,573	-	(84,476)	1,505,097
C) First Sercurity Finance, Inc.	2,382,728	-	2,382,728	-	2,382,728
	<u>6,705,215</u>	<u>3,424,198</u>	<u>2,382,728</u>	<u>(128,211)</u>	<u>5,678,715</u>

Details of notes payable as of December 31, 2021, follows:

A) USDA Rural Development Loan #5-for water lines and storage tank; monthly payments of \$7,425 including 2.5% interest over 40 years.	1,790,890
B) USDA Rural Development Loan#7-for waterlines and pumpstation, interest at 2.75%, repay over 40 years.	1,505,097
C0 First Sercurity Finance, Inc.- for advanced metering system install, interest at 3.65%, repay over 17 years- received 12/21- none spent yet	2,382,728
	<u>5,678,715</u>

Years ended 12/31	Principal	Interest	Total
2022	131,753	157,091	288,844
2023	230,918	166,919	397,837
2024	238,818	159,862	398,680
2025	249,461	152,407	401,868
2026	260,506	144,593	405,099
2027-2031	1,472,133	592,963	2,065,096
2032-2036	1,686,909	342,439	2,029,348
2037-2041	762,873	121,977	884,850
2042-2046	388,606	56,894	445,500
2047-2051	256,738	9,740	266,478
Total	<u>5,678,715</u>	<u>1,904,885</u>	<u>7,583,600</u>

The Corporation is in compliance with debt covenant requirements.



Central Bowie County Water Supply Corporation  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2021

Note 6--CASH FLOW INFORMATION

During the year ended December 31, 2021, \$88,017 cash was disbursed for interest.

Note 7--RETIREMENT PLAN

In 2001 the Corporation established a Simplified Employer Pension Plan (SEP)-IRA. The Corporation makes a 3% nonmatching contribution to eligible employees. Eligible employees are defined as full-time employees at least 18 years of age with one year of service. The Corporation elected to retroactively commence the pension contribution from September 1998. In 2021, the Corporation made \$4,900 in non-matching contributions.

Note 8--RISK MANAGEMENT

The corporation is exposed to various risks of loss to torts of theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal 2021, the corporation purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year, and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

Note 9--RESTRICTED ASSETS

The Corporation reflects restricted assets for debt service of \$216,228 and for capital projects of \$250,345 and for memberships of \$300,000. At the end of December 2021, the Corporation received \$2,382,728 of debt proceeds to be used to install the advanced metering system.

Note 10--OTHER INFORMATION

Number of water customers at December 31, 2021 was 2,921.

For the year ended December 31, 2021, in 1,000's of gallons:

Water purchased	233,924	
Water pumped	249,376	(unaudited)
Water sold	152,384	
Flush/leaks	27,017	(unaudited)

Insurance Coverage--

EMC Insurance	
Liability	3,000,000
Auto	1,000,000
Directors and officers	1,000,000

EMC Insurance	
General property	4,405,000

Lloyd's	
Worker's compensation	1,000,000

Note 11--SUBSEQUENT EVENT

Management has evaluated subsequent events through March 8, 2022, the date which the financial statements are available to be issued.

**INTERNAL CONTROL SECTION**



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## 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 Trustees  
Central Bowie County Water Supply Corporation  
New Boston, TX

### Members of the Board:

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 Bowie County Water Supply Corporation (a nonprofit organization), which comprise the statement of financial position as of December 31, 2021, 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 8, 2022.

### 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 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 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 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.

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Member: American Institute of Certified Public Accountants • Texas State Society of Certified Public Accountants

### **Purpose of this Report**

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

*Arnold, Walker, Arnold & Co., P.C.*

Arnold, Walker, Arnold & Co., P.C.

March 8, 2022

Central Bowie County Water Supply Corporation  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the year ended December 31, 2021

**I. Summary of the Auditor's Results**

- a. The type of report issued on the financial statement was: Unmodified
- b. Where applicable, a statement that control deficiencies in internal control were disclosed by the audit of the financial statements and whether they were material weaknesses. None
- c. A statement as to whether the audit disclosed any noncompliance which is material to the financial statements of the audited. None
- d. Where applicable, a statement that control deficiencies in internal control over major programs were disclosed by the audit and whether any such conditions were material weaknesses. None
- e. The type of report the auditor issued on compliance for major programs. N/A
- f. A statement as to whether the audit disclosed any audit findings which the auditor is required to report under "Uniform Guidance under section 200.516 Audit Findings paragraph (a)" as required by Title 2 U.S. code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards ("Uniform Guidance"). : N/A
- f. An identification of major programs include: N/A
- g. The dollar threshold used to distinguish between Type A and type B programs. N/A
- h. A statement as to whether the audited qualified as a low-risk audited. N/A

**II. Findings relating to the Financial Statements Which Are Required To Be Reported in Accordance with *Generally Accepted Government auditing Standards*.**

None

**III. Findings and Questioned Costs for Federal Awards Including Audit Findings as Described in I. f Above**

None

**Central Bowie County Water Supply Corporation**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
**December 31, 2021**

**N/A**



**Central Bowie County Water Supply Corporation  
CORRECTIVE ACTION PLAN  
December 31, 2021**

N/A

The contact at the Corporation is Hal Harris at (903)628-5601