

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 as of and for the year ended March 31, 2018, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements and have issued our report thereon dated August 8, 2018.

**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 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 over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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.

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We did identify certain deficiencies in internal control described in the accompanying schedule of findings and responses as items 2018-001 through 2018-002 that we consider to be significant deficiencies in Central Washington County Water Supply Corporation's internal control.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Corporation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

The Corporation's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. Central Washington County Water Service 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.

August 8, 2018

*Siddh Suroor*

Central Washington County Water Supply Corporation  
Schedule of Findings and Responses  
March 31, 2018

2018-001. Utility billings, collections and adjustments

Utility payments received in the mail are opened and entered into the utility billing and collection software by one person at the management company. As an offsetting control to prevent the misappropriation of funds, a second employee reviews the report of adjustments on a monthly basis.

*Corporation's response:* The Corporation will continue to perform the established controls.

2018-002. Reconciliations

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.

*Corporation's response:* The Corporation will continue to perform the established controls.