

*FINANCIAL STATEMENTS*

**JONESTOWN  
WATER SUPPLY CORPORATION**

*Jonestown, Texas*

**For the Year Ended  
June 30, 2021**

JONESTOWN WATER SUPPLY CORPORATION  
JONESTOWN, TEXAS  
FINANCIAL STATEMENTS  
JUNE 30, 2021

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# NEFFENDORF & BLOCKER, P.C.

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## Independent Auditors' Report

To the Board of Directors  
Jonestown Water Supply Corporation  
Jonestown, TX 78645

We have audited the accompanying financial statements of Jonestown Water Supply Corporation (a nonprofit organization), which comprise the statement of financial position as of June 30, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 Jonestown Water Supply Corporation as of June 30, 2021, 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.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2021, on our consideration of Jonestown 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 Jonestown Water Supply Corporation's internal control over financial reporting and compliance.

*Neffendorf + Blocker, P.C.*

Neffendorf & Blocker, P.C.  
Fredericksburg, Texas

December 10, 2021

JONESTOWN WATER SUPPLY CORPORATION  
STATEMENT OF FINANCIAL POSITION  
JUNE 30, 2021

ASSETS

Current Assets

Cash (Note 2)	\$ 2,961,213	
Accounts Receivable	75,815	
Prepaid Expenses	950	
Total Current Assets	<u>                    </u>	\$ 3,037,978

Property, Plant and Equipment

Land and Right-of-Way	\$ 241,334	
Building	106,921	
Small Tools and Equipment	23,764	
Furniture and Fixtures	1,168	
Office Equipment	14,958	
Machinery and Equipment	88,727	
Trucks and Trailers	251,037	
Water System	11,173,854	
Construction in Progress	183,888	
Total Property, Plant and Equipment	<u>\$ 12,085,651</u>	
Less: Accumulated Depreciation	<u>(5,991,347)</u>	
Net Property, Plant and Equipment		6,094,304

Other Assets

Restricted Cash (Note 2)		587,636
CoBank Stock		<u>2,198</u>

TOTAL ASSETS \$ 9,722,116

LIABILITIES AND MEMBERS' EQUITY

Current Liabilities

Accounts Payable	\$ 67,942	
Accrued Interest Payable	658	
Accrued Vacation and Sick Leave	45,949	
Other Payables	27,186	
Deferred Revenue	30,182	
Notes Payable- Current Portion (Note 4)	35,397	
Total Current Liabilities	<u>                    </u>	\$ 207,314

Long-Term Liabilities

Notes Payable (Note 3)		<u>740,475</u>
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TOTAL LIABILITIES \$ 947,789

Net Assets

Net Assets Without Member Restrictions:

Available for Operations	\$ 31,399	
Investment in Fixed Assets	5,318,432	
Board Designated (Note 8)	2,836,860	
Total Net Assets Without Member Restrictions	<u>8,186,691</u>	
Net Assets With Member Restrictions	<u>587,636</u>	
Total Members' Equity		<u>8,774,327</u>

TOTAL LIABILITIES AND EQUITY \$ 9,722,116

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

JONESTOWN WATER SUPPLY CORPORATION  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2021

	Current Operating Funds		
	Without Member Restrictions	With Member Restrictions	TOTAL
<b>REVENUES AND OTHER SUPPORT</b>			
Service Revenues	\$ 1,609,226	\$ -	\$ 1,609,226
Equity Contributions	461,595	-	461,595
Interest Income	10,002	-	10,002
Other Income	47,611	-	47,611
Membership Contributions	-	14,500	14,500
Total Revenues and Other Support	<u>\$ 2,128,434</u>	<u>\$ 14,500</u>	<u>\$ 2,142,934</u>
<b>EXPENSES</b>			
Program Services	\$ 1,863,883	\$ -	\$ 1,863,883
Management and General	-	-	-
Fund Raising	-	-	-
Total Expenses	<u>\$ 1,863,883</u>	<u>\$ -</u>	<u>\$ 1,863,883</u>
<b>OPERATING INCOME (LOSS)</b>	<u>\$ 264,551</u>	<u>\$ 14,500</u>	<u>\$ 279,051</u>
<b>CAPITAL CONTRIBUTIONS</b>			
Contribution- Land	\$ 172,190	\$ -	\$ 172,190
Net Assets Released from USDA Lien	202,073	(202,073)	-
TOTAL CAPITAL CONTRIBUTIONS	<u>\$ 374,263</u>	<u>\$ (202,073)</u>	<u>\$ 172,190</u>
<b>CHANGES IN NET ASSETS</b>	<u>\$ 638,814</u>	<u>\$ (187,573)</u>	<u>\$ 451,241</u>
<b>NET ASSETS</b>			
Beginning of Year	<u>7,547,877</u>	<u>775,209</u>	<u>8,323,086</u>
<b>NET ASSETS, ENDING</b>	<u>\$ 8,186,691</u>	<u>\$ 587,636</u>	<u>\$ 8,774,327</u>

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

JONESTOWN WATER SUPPLY CORPORATION  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2021

	Supporting Services			TOTAL
	Program Services	Management & General	Fund Raising	
EXPENSES				
Bad Debts	\$ 1,462	\$ -	\$ -	1,462
Chlorine and Other Chemicals	55,501	-	-	55,501
Contract Labor	359	-	-	359
Depreciation	313,697	-	-	313,697
Employee Benefits	122,139	-	-	122,139
Employee Retirement	38,001	-	-	38,001
Extension Expense	846	-	-	846
Gasoline Expense	12,215	-	-	12,215
Interest Expense	23,224	-	-	23,224
Insurance	56,546	-	-	56,546
Professional Fees	20,338	-	-	20,338
Maintenance and Repairs	39,000	-	-	39,000
Maintenance - Vehicles and Equipment	6,170	-	-	6,170
Meters	15,484	-	-	15,484
Miscellaneous	13,288	-	-	13,288
Office Expense	4,100	-	-	4,100
Pipes and Fittings	71,748	-	-	71,748
Postage	4,736	-	-	4,736
Purchase of Water	150,047	-	-	150,047
Printing	6,066	-	-	6,066
Safety	5,024	-	-	5,024
Salaries	660,316	-	-	660,316
Small Tools and Expendable Equipment	8,604	-	-	8,604
Supplies	4,186	-	-	4,186
Taxes, Licenses and Fees	22,917	-	-	22,917
Payroll Taxes	50,920	-	-	50,920
Telephone	24,693	-	-	24,693
Uniforms	6,894	-	-	6,894
Utilities	114,026	-	-	114,026
Water Testing	11,336	-	-	11,336
TOTAL EXPENSES	<u>\$ 1,863,883</u>	<u>\$ -</u>	<u>\$ -</u>	<u>1,863,883</u>

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



JONESTOWN WATER SUPPLY CORPORATION  
STATEMENT OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2021

<u>Cash Flows Provided (Used) by Operating Activities</u>		
Change in Net Assets		\$ 451,241
Adjustments to Reconcile Change in Net Assets		
To Net Cash Provided by Operating Activities:		
Depreciation & Amortization	\$ 313,697	
Decrease (Increase) in Accounts Receivable	13,789	
Decrease (Increase) in Prepaid Expenses	2,159	
(Decrease) Increase in Accounts Payable	17,842	
(Decrease) Increase in Accrued Liabilities	1,999	
(Decrease) Increase in Deferred Revenue	-	
	<hr/>	349,486
Total Adjustments		349,486
Net Cash Flows Provided (Used) by Operating Activities		<u>\$ 800,727</u>
 <u>Cash Flows Provided (Used) by Investing Activities</u>		
Purchase of CoBank Stock	\$ (2,198)	
Purchase of Fixed Assets	(416,954)	
	<hr/>	
Net Cash Flows Provided (Used) by Investing Activities		(419,152)
 <u>Cash Flows Provided (Used) by Financing Activities</u>		
Proceeds from Note Payable	\$ 807,331	
Payments on Long-Term Debt	(840,556)	
	<hr/>	
Net Cash Flows Provided (Used) by Financing Activities		(33,225)
Net Increase (Decrease) in Cash and Cash Equivalents		\$ 348,350
Cash & Cash Equivalents, Beginning of Year		<u>3,200,499</u>
Cash & Cash Equivalents, End of Year		<u><u>\$ 3,548,849</u></u>
 Supplemental Disclosures of Cash Flow Information:		
Interest Paid		\$ 23,224
Federal Income Taxes Paid		<u>\$ -</u>

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

JONESTOWN WATER SUPPLY CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Jonestown Water Supply Corporation (the Corporation), a non-profit corporation incorporated in the State of Texas, was organized August 8, 1976. The Corporation was formed for the purpose of furnishing a water supply for domestic purposes to individuals residing in the rural community of Jonestown, Texas and surrounding rural areas.

B. Basis of Accounting

The financial statements of the Corporation have been prepared on the accrual basis of accounting and accordingly reflect all receivables, payables, and other liabilities. Using this basis of accounting, revenues and other support are reported when funds are considered earned, regardless of when cash is received. Expenses are reported when the obligation is incurred, regardless of when cash is disbursed.

C. Basis of Presentation

The accompanying financial statements are presented in accordance with generally accepted accounting principles in the United States of America ("U.S. GAAP") as defined by the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC").

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, the Corporation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

D. Estimates

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

E. Fixed Assets

Acquisitions of land, improvements and equipment with estimated useful life of more than one year are capitalized. Land, improvements and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed over the estimated useful service life of the asset (generally 3-40 years) using the straight-line method.

The Corporation's principal fixed assets are pledged or subject to a lien held by the United States Department of Agriculture. These include the water system and equipment. Should the Corporation default on the notes associated with these assets, title would revert back to the lender.

#### F. Revenue Recognition

The Corporation recognizes water revenues based on monthly usage at standard rates. Revenue is accrued for water used but not yet billed at the end of the year.

#### G. Cash and Cash Equivalents

Cash and cash equivalents include all monies in banks and highly liquid investments with maturity dates of less than three months. The carrying value of cash and cash equivalents approximates fair value because of the short maturities of those financial instruments. At June 30, 2021, all of the cash and cash equivalents were held in interest-bearing money-market accounts or checking accounts redeemable on demand.

#### H. Accounts Receivable

Accounts receivable report amounts billed for water services provided by the Corporation. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. The allowance for doubtful accounts at June 30, 2021 was \$4,000. Bad debts of \$1,462 were recorded as expense.

#### I. Impairment of Long-Lived Assets

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the amount recorded may not be recoverable. If the estimated fair value of the assets is less than the carrying amount, an impairment loss is recognized based on the fair value of the asset. Management believes there had been no impairment as of June 30, 2021.

#### J. Membership Fees

The Corporation assesses its' customers one-time, refundable membership fee of \$100.

#### K. Income Taxes

The Corporation is a qualified tax-exempt organization under IRC Section 501(c)(12), therefore no provision has been made for income taxes in the financial statements.

#### L. Adoption of Accounting Pronouncement

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No.2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities. The amendments in this ASU make improvements to the information provided in financial statements and accompanying notes. The Corporation has adjusted the presentation of its financial statements for fiscal year 2019 accordingly, applying the changes retrospectively to the comparative information presented. The new standards change the following aspects of the Corporations financial statements:

- The unrestricted net asset class has been renamed net assets without member restrictions.
- The financial statements include a new disclosure about liquidity and availability of resources.
- The temporarily restricted net asset class has been renamed net assets with member restrictions.

#### Fair Values Measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value accounting requires characterization of the inputs used to measure fair value into a three-level fair value hierarchy as follows:

Level 1 – Inputs based on quoted prices in active markets for identical assets or liabilities. An active market is a market in which transactions occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 – Observable inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from sources independent from the entity.

Level 3 - Unobservable inputs that reflect the entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available.

There are three general valuation techniques that may be used to measure fair value: 1) market approach – uses prices generated by market transactions involving identical or comparable assets or liabilities, 2) cost approach – uses the amount that currently would be required to replace the service capacity of an asset (replacement cost), and 3) income approach – uses valuation techniques to convert future amounts to present amounts based on current market expectations.

## NOTE 2. CASH

Cash as of June 30, 2021 is summarized as follows:

### Unrestricted:

Petty Cash	\$	200
Available for Operations		346,692
Designated for Repair & Replacement Reserve		706,197
Designated for Equity Buy-In		1,893,260
Designated for Insurance Deductions		14,864
Total Unrestricted Cash	\$	<u>2,961,213</u>

### Restricted:

Developer Advances	\$	396,536
Memberships		191,100
Total Restricted Cash	\$	<u>587,636</u>

Throughout the fiscal year, the Corporation's cash in bank balances exceeded the federally insured limits. At June 30, 2021, \$250,000 of the Corporation's balances were insured by the Federal Deposit Insurance Corporation at Business Bank of Texas and balances in excess of that amount were placed at destination depository institutions at which deposit accounts are insured by the FDIC up to maximum deposit insurance.

NOTE 3. FIXED ASSETS AND ACCUMULATED DEPRECIATION

A summary of changes in fixed assets and accumulated depreciation follows:

Fixed Assets	Beginning Balance	Additions	Deletions	Ending Balance
Land and Right-of-Way	\$ 69,144	\$ 172,190	\$ -	\$ 241,334
Building	106,921	-	-	106,921
Small Tools & Equipment	23,764	28,814	-	52,578
Furniture and Fixtures	1,168	-	-	1,168
Office Equipment	14,958	-	-	14,958
Machinery and Equipment	88,727	-	-	88,727
Trucks and Trailers	251,037	-	-	251,037
Water System	10,921,947	223,093	-	11,145,040
Construction in Progress	191,031	172,499	179,642	183,888
<b>Total Fixed Assets</b>	<b>\$ 11,668,697</b>	<b>\$ 596,596</b>	<b>\$ 179,642</b>	<b>\$ 12,085,651</b>

Accumulated Depreciation	Years	Beginning Balance	Additions	Deletions	Ending Balance
Building	25	\$ 52,275	\$ 4,277	\$ -	\$ 56,552
Small Tools & Equipment	5-7	11,159	2,660	-	13,819
Furniture and Fixtures	5-7	1,168	-	-	1,168
Office Equipment	5-7	14,583	360	-	14,943
Machinery and Equipment	7	88,192	535	-	88,727
Trucks and Trailers	5-7	172,546	22,333	-	194,879
Water System	5-40	5,337,727	283,532	-	5,621,259
<b>Total Depreciation</b>		<b>5,677,650</b>	<b>313,697</b>	<b>-</b>	<b>5,991,347</b>
<b>Net Fixed Assets</b>		<b>\$ 5,991,047</b>	<b>\$ 282,899</b>	<b>\$ 179,642</b>	<b>\$ 6,094,304</b>

#### NOTE 4. NOTES PAYABLE

Details of the long-term debt reported in the accompanying financial statements are as follows:

Promissory note dated August 20, 2020, payable to CoBank, original amount \$524,160, payable in 233 consecutive monthly installments, maturity date December 20, 2039, 3.20% interest.	\$ 506,134
Promissory note dated August 20, 2020, payable to CoBank, original amount \$283,171, payable in 185 consecutive monthly installments, maturity date December 20, 2035, 2.95% interest.	269,738
Current portion of long-term debt	<u>(35,397)</u>
Long-term debt, less current portion	<u>\$ 740,475</u>

Future debt service requirements are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>TOTAL</u>
2022	\$ 35,397	\$ 24,043	\$ 59,440
2023	36,524	22,919	59,443
2024	37,627	21,818	59,445
2025	38,883	20,563	59,446
2026	40,121	19,628	59,749
2027-2031	220,541	76,734	297,275
2032-2036	246,407	39,436	285,843
2037-2040	<u>120,372</u>	<u>7,338</u>	<u>127,710</u>
	<u>\$ 775,872</u>	<u>\$ 232,479</u>	<u>\$ 1,008,351</u>

Assets pledged as collateral on loans is all land, buildings, and property and equipment, see Note 3.

At June 30, 2021, Jonestown WSC had a \$150,000 CoBank line of credit, with interest due monthly at the weekly quoted CoBank variable rate, maturing on May 31, 2022. Jonestown WSC did not draw on the line of credit during the year ended June 30, 2021.

The CoBank loans are secured by all real and personal property of Jonestown WSC. The credit agreement has cross default provisions on any other obligations. It also contains a material adverse change provision, which would allow the bank to subjectively deem adverse changes in Jonestown WSC to be a default on the loans. It requires compliance with financial covenants, including a debt service coverage ratio of not less than 1.20 to 1.00 for each year.

#### NOTE 5. ACCOUNTING FOR COMPENSATED ABSENCES

The Corporation's policy allows an employee to accrue up to one week of vacation for the first year of employment, two weeks for two to six years of employment, and three weeks of vacation for more than seven years of employment. The maximum carry-over from year to year for vacation is eighty hours. Upon termination, all employees in good standing will be compensated for unused vacation leave, up to the eighty hours maximum.

Each employee is also entitled to one day of sick leave for each month of service (after a three-month probationary period) computed on an annual basis from the date of employment. The maximum accumulation is forty days. At the end of each year, any sick leave lost due to the forty-day rule will be paid at a rate of one half the hours lost at the employee's current hourly rate.

At year-end, the accrual for vacation and sick leave is \$45,949.

#### NOTE 6. DEFINED CONTRIBUTION RETIREMENT PLAN

The Rural/Municipal Retirement Plan is a money purchase pension plan. This is a defined contribution type of plan, with a fixed level of contributions made, and with benefits to be based upon the total amount of contributions, plus or minus investment returns. Since the Corporation does not guarantee a specific level of benefits when the employee retires, the Corporation does not have to bear the expense of plan insurance. Because the plan is a money purchase plan, the contributions and investment returns are not tied to the profitability of the Corporation.

The Corporation contributes 7% and the employee contributes 3% of the employee's salary to the plan. The employees are always fully vested in their own contributions to the plan. The employee is fully vested in the Corporation's contribution after five years of service. The Corporation contributed \$38,001 to the plan in fiscal year 2021.

#### NOTE 7. BOARD DESIGNATED NET ASSETS WITHOUT MEMBER RESTRICTIONS

The Corporation's Board of Directors has designated a portion of its net assets without member restrictions for the following purposes as of June 30, 2021:

<u>Purpose</u>	<u>Amount</u>
Operations	\$ 266,251
Capital Recovery	1,893,260
Repair & Replacement Reserve	662,485
Insurance Deductions	<u>14,864</u>
Total Board Designated Assets	<u>\$ 2,836,860</u>

## NOTE 8. NET ASSETS WITH MEMBER RESTRICTIONS

Not-for-Profit Organizations receive funds whose use is limited by stipulations that accompany those funds. Resources (net assets) with stipulations that either expire by passage of time or can be fulfilled by actions of an organization are reported as net assets with member restrictions.

At year-end, the Corporation had net assets with member restrictions available for the following purposes:

Funding Source	Amount	Nature of Imposed Restriction
Memberships	\$ 191,100	Membership in Corporation
Developer Funds	396,536	Water System Improvements
Total Net Assets with Member Restrictions	\$ 587,636	

A summary of changes in memberships follows:

	Beginning Balance	Issued	Refunded	Ending Balance
# of Members	1,766	406	261	1,911
\$ Investment	\$ 176,600	\$ 40,600	\$ 26,100	\$ 191,100

## NOTE 9. CONTRACTS AND COMMITMENTS

### Water Purchase Agreement

The Corporation entered into a firm water contract for municipal uses with the Lower Colorado River Authority in 2005. The agreement is for a term of forty (40) years. Fees are billed monthly to the Corporation based upon a fee schedule included in the Contract. For the year ended June 30, 2021, payments under the agreement totaled \$150,047.

## NOTE 10. RISK MANAGEMENT

The Corporation is exposed to various risks of loss relating to general liability, accidental loss of real and personal property, damage to assets, errors and omissions, acts of God and personnel risks which relate to workers compensation.

The Corporation contracts with a private insurance carrier for identified risks. Premiums paid for the year ended June 30, 2021 were \$56,546.



#### NOTE 11. LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without member or other restrictions limiting their use, within one year of the statement of net position date, comprise the following:

	<u>June 30, 2021</u>
Cash and Cash Equivalents	\$ 3,548,849
Accounts Receivable	75,815
Less: Member Restrictions	<u>(587,636)</u>
	<u>\$ 3,037,028</u>

As part of Jonestown WSC's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The policy is that monthly revenues are to cover monthly expenses. Monthly revenues and expenditures are deposited in and deducted from Jonestown WSC's operating accounts.

The Board allocates certain funds received to specific purpose designated accounts. Amounts available for operations at June 30, 2021 were \$266,251. The Board also had designated accounts for repair and replacement (\$662,485), capital recovery (\$1,893,260) and insurance deductions (\$14,864).

Other restricted accounts were for developer advances (\$396,536) and memberships (\$191,100).

#### NOTE 12. SUBSEQUENT EVENTS

The Corporation has evaluated subsequent events through December 10, 2021, the date which the financial statements were available to be issued. The Corporation is not aware of any subsequent events that materially impact the financial statements.



# NEFFENDORF & BLOCKER, P.C.

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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

### Independent Auditor's Report

Board of Directors  
Jonestown Water Supply Corporation  
Jonestown, TX 78645

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 Jonestown Water Supply Corporation (a nonprofit organization), which comprise the statement of financial position as of June 30, 2021, and the related statement 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 December 10, 2021.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Jonestown Water Supply 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 Jonestown Water Supply 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.

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## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Jonestown 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in blue ink that reads "Neffendorf & Blocker, P.C." in a cursive style.

Neffendorf & Blocker, P.C.  
Fredericksburg, Texas

December 10, 2021



# NEFFENDORF & BLOCKER, P.C.

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December 10, 2021

The Board of Directors  
Jonestown Water Supply Corporation  
Jonestown, TX 78645

We have audited the financial statements of Jonestown Water Supply Corporation for the year ended June 30, 2021 and have issued our report thereon dated December 10, 2021. Professional standards required that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, 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 May 17, 2021. Professional standards also required that we communicate to you the following information related to our audit.

## Significant Audit Matters

### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Jonestown Water Supply Corporation 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 organization 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 disclosures in the financial statements are neutral, consistent, and clear.

### *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 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.

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### *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 December 10, 2021.

### *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 organization'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 organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

### Recommendations

#### ***Financial Accounting and Control***

The Corporation has not adopted a written policy manual for financial accounting, reporting and controls. We recommend that the Corporation adopt a written manual for policies and procedures to address all financial aspects (reporting, recording, budgeting, utility billing, purchasing); internal controls and proper review and approvals.

#### ***Inventory of Fixed Assets and Supplies***

1. The Corporation had not performed an actual physical inventory of all fixed assets (compare and update depreciation schedule). We again recommend the Corporation take a physical inventory annually (at year-end).

We also recommend that the Corporation adopt a fixed asset policy to provide a dollar limit on what is capitalized (i.e. items purchased over \$500 or \$1,000) and what is expensed as part of the supplies (or non-capital) inventory and to establish internal control over these assets.

2. The Corporation has not taken a physical inventory of materials and supplies. Although the amount maybe immaterial, we recommend that the Corporation take an annual physical inventory (at year-end) for possible recording in the general ledger.

## Bonuses

The Corporation has paid a performance bonus to the general manager in the past and in the current year. Compensation, including bonuses, are carefully scrutinized by the IRS to ensure that no prohibited private benefit results. If deemed excessive compensation by the IRS, fines can be levied not only to the employee but also to the board members who approved it or knew about it but did nothing to prevent it.

The key area in developing a bonus plan includes, approving in advance, amending the budget, basing the decision on comparability data before approval, and documenting the decision-making process at the time it approves the budget including recognition of an employee's extra-efforts or exceptional performance.

Since the management bonus was paid on the cost effectiveness to perform the project in-house, the documentation of all costs including detailed time sheets for the manager and employees should be reviewed and approved by someone other than management (board member or engineer). The review and approval process should be done on a periodic basis as the project is being worked on (progress reports) and not just at the completion of the project.

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

Sincerely,

  
Neffendorf & Blocker, P.C.  
Fredericksburg, Texas