

**The Grove Water Supply  
Corporation**  
Gatesville, Texas

*Audited Financial Statements*  
November 30, 2023 and 2022

**Shawnee Miller, CPA, P.C.**  
*3413 East Main Street  
Gatesville, Texas 76528*

The Grove Water Supply Corporation  
Audited Financial Statements  
For the Years Ended November 30, 2023 and 2022

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## Shawnee Miller, CPA, P.C.

CERTIFIED PUBLIC ACCOUNTANT

### INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of  
Grove Water Supply Corporation

#### **Report on the Audit of the Financial Statements**

##### ***Opinion***

We have audited the accompanying financial statements of Grove Water Supply Corporation (a nonprofit organization), which comprise the statements of financial position as of November 30, 2023, and 2022, and the related statements of activities and changes in net assets and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Grove Water Supply Corporation as of November 30, 2023, and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

##### ***Basis for Opinion***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 our report. We are required to be independent of Grove 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 opinions.

##### ***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 Grove Water Supply Corporation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

##### ***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 generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists.



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The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment 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 Grove 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 judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Grove 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 January 30, 2024, on our consideration of Grove 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 solely 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 the effectiveness of Grove Water Supply Corporation's 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 Grove Water Supply Corporation's internal control over financial reporting and compliance.



*Shawnee Miller, CPA, P.C.*

Gatesville, Texas  
January 30, 2024

The Grove Water Supply Corporation  
Statements of Financial Position  
November 30, 2023 and 2022

Assets		
	2023	2022
Current Assets		
Cash and cash equivalents	\$ 430,259	\$ 248,591
Trade accounts receivable	25,683	38,238
Prepaid expenses	2,246	2,031
Total Current Assets	458,188	288,860
Property and Equipment		
Equipment	4,061	4,061
Water distribution system	2,481,875	2,498,692
Land	5,410	5,410
Work in progress	6,752	-
Less: accumulated depreciation	(1,663,094)	(1,569,153)
Total Property and Equipment	835,004	939,010
Other Assets		
Reserve account	54,698	54,639
Total Assets	<u>1,347,890</u>	<u>1,282,509</u>
Liabilities & Net Assets		
Current Liabilities		
Accounts payable	29,756	48,302
Accrued expenses	1,361	1,373
Current portion of long-term debt	31,992	30,584
Total Current Liabilities	63,109	80,259
Long-term debt, net of current portion	491,732	523,727
Total Liabilities	554,841	603,986
Net Assets		
Without member restrictions		
Undesignated	738,461	623,935
Reserve	54,588	54,588
Total Net Assets Without Member Restrictions	793,049	678,523
Total Net Assets	793,049	678,523
Total Liabilities and Net Assets	<u>\$ 1,347,890</u>	<u>\$ 1,282,509</u>

See accompanying audit report and notes to financial statements.

The Grove Water Supply Corporation  
Statements of Activities and Changes in Net Assets  
For the years ended November 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Changes in Net Assets Without Donor Restrictions		
Operating Revenues		
Water Revenue & Connection Fees	\$ 454,513	\$ 430,407
Operating Expenses		
Program - Water Service:		
Bad Debt Expense	-	450
BRA Option Fee	36,903	34,770
Contract Payments	105,035	96,658
Depreciation Expense	95,062	93,643
Dues & Fees	1,482	3,144
Engineer Services	-	2,481
Insurance	2,404	3,277
Interest Expense	23,989	25,363
Samples	1,621	1,055
Utilities	4,181	4,323
Water Rights	101,268	107,676
Total Program Expenses	<u>371,945</u>	<u>372,840</u>
Support - Administrative:		
Contract Payments	27,600	27,462
Insurance	661	661
Legal & Accounting	9,307	11,958
Meeting Expense	458	488
Office Supplies & Expense	1,409	1,909
Total Support Expenses	<u>39,435</u>	<u>42,478</u>
Total Operating Expenses	<u>411,380</u>	<u>415,318</u>
Excess of operating revenues over operating expenses	43,133	15,089
Other Income (Expense)		
Contributions in Aid of Construction	26,850	12,675
Interest Income	114	110
Gain (Loss) on Disposal of Assets	(15,696)	-
Total Other Income (Expense)	<u>11,268</u>	<u>12,785</u>
Increase (Decrease) in Net Assets Without Donor Restrictions	54,401	27,874
Net Assets Beginning of Year	678,523	619,699
Current Payments to Equity Buy-In	57,725	29,450
Increase in Memberships, \$100 Each	<u>2,400</u>	<u>1,500</u>
Net Assets at End of Year	<u>\$ 793,049</u>	<u>\$ 678,523</u>

See accompanying audit report and notes to financial statements.

The Grove Water Supply Corporation  
Statements of Cash Flows  
For the years ended November 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities:		
Net increase (decrease) in net assets	\$ 54,401	\$ 27,874
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities:		
Depreciation	95,062	93,643
(Increase) Decrease in :		
Accounts receivable	12,555	(9,189)
Prepaid expenses	(215)	57
Increase (Decrease) in :		
Accrued expenses	(12)	144
Accounts payable	(18,546)	30,910
Total adjustments	<u>88,844</u>	<u>115,565</u>
Net cash provided by (used in ) operating activities	<u>143,245</u>	<u>143,439</u>
Cash used by investing activities:		
(Increase) decrease in reserves	(59)	(20)
Investment in fixed assets	8,944	(99,167)
Net cash provided by (used in ) investing activities	<u>8,885</u>	<u>(99,187)</u>
Cash flows from financing activities:		
Principal payments on long-term debt	(30,587)	(29,369)
Increase in memberships	2,400	1,500
Increase in equity buy-in	57,725	29,450
Net cash provided by (used in ) financing activities	<u>29,538</u>	<u>1,581</u>
Net increase (decrease) in cash and cash equivalents	181,668	45,833
Cash and cash equivalents at beginning of year	248,591	202,758
Cash and cash equivalents at end of year	<u>\$ 430,259</u>	<u>\$ 248,591</u>
Supplemental disclosures of cash flow information:		
Cash paid during the year for interest	\$24,001	\$25,219
Cash paid during the year for income taxes	None	None

See accompanying audit report and notes to financial statements.

The Grove Water Supply Corporation  
Notes to Financial Statements  
November 30, 2023 and 2022

Nature of Activities

The Grove Water Supply Corporation (the Organization) is a non-profit corporation organized to furnish water to its members. The Organization is primarily supported through its members based on water consumption.

Summary of Significant Accounting Policies

The following is a summary of certain significant accounting policies followed in the preparation of the financial statements of the Organization.

*Financial Statement Presentation*

The financial statements of the Organization have been prepared in accordance with U.S. generally accepted accounting principles (GAAP). In accordance with FASB ASC 958-605, contributions received are recorded as without and with member restrictions depending on the existence and nature of the member restrictions. Net assets and revenues are classified based on member-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

*Net Assets Without Member Restrictions*

Net assets without member restrictions represent resources over which the Board of Directors has discretionary control and can be used currently for the general purposes of the Organization in accordance with its by-laws. The Organization may voluntarily designate unrestricted resources for land, buildings, and equipment or other purposes, but this is a voluntary action of the governing board that can be modified or reversed at its discretion. These designations of unrestricted resources by the governing board do not have the same legal requirements as do restriction of funds.

*Net Assets With Member Restrictions*

Net assets with member restrictions represent resources currently available for use, but expendable only for those operation purposes specified by the member. Such contributions are reported as increases in net assets with member restrictions. When the restrictions are met (either by passage of time or by use) the net assets are reported as "net assets released from restriction" on the statement of activities. The Organization had no net assets with member restrictions as of the audit date.

*Basis of Accounting*

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. Under the accrual basis of accounting, revenue is recognized when earned, regardless of when collected, and expenses are recognized when the obligation is incurred, regardless of when paid.

*Accounting Year*

The Organization's fiscal year is December 1 through November 30 each year.

*Presentation*

To add comparability, some figures have been reclassified in presentation as is customary in audits of financial statements.

The Grove Water Supply Corporation  
Notes to Financial Statements  
November 30, 2023 and 2022

*Estimates*

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

*Revenue Recognition*

The Organization follows the revenue recognition policy ASC 606. To achieve ASC 606's core principle, the entity applies five steps; (1) identify the contract(s) with a customer, (2) identify the performance obligations in the contract, (3) determine the transaction price, (4) allocate the transaction price to the performance obligations in the contract, and (5) recognize revenue when (or as) the entity satisfies a performance obligation.

The Organization sells water utility services under short-term, monthly billing cycles, using a fee schedule approved by the Board of Directors. Revenues are recognized monthly, based on metered readings of water used, located at each member's place of residence or business.

The Organization derived its revenues primarily from the sale of water and installation of water meters. Revenues are recognized when control of these products or services is transferred to its customers, in an amount that reflects the consideration the Organization expects to be entitled to in exchange for those products or services. Incidental items that are immaterial in the context of the contract are recognized as expenses. The Corporation does not have any significant financing components as payment is received shortly at or shortly after the point of sale. Costs incurred to obtain a contract are expensed as incurred since the amortization period is less than a year.

Federal Income Tax

The Organization, as a nonprofit, is exempt from Income Tax under Internal Revenue Code Section 501 (c) (12). However a Form 990, Return of Organization Exempt from Income Tax, is required to be filed for the fiscal year beginning December 1 and ending November 30 of each year. The returns are subject to examination by the Internal Revenue Service, generally for three years after they were filed.

The Organization is also required to comply with other Internal Revenue reporting requirements regarding payments to independent contractors.

Uncertain Tax Positions

The preparation of financial statements in conformity with generally accepted accounting principles in the United States requires recognition for uncertain tax positions. The Organization has analyzed tax positions taken for filings with the Internal Revenue Service and believes that all tax filings would be sustained upon examination and does not anticipate any adjustments that would result in a material adverse affect on the Organization's financial condition, statements of activities, or cash flows. Accordingly, the Organization has not recorded any reserves, or related accruals for interest and penalties for uncertain tax positions. Therefore, for the year ended November 30, 2023, and 2022, there is no cumulative effect adjustment required.

Statement of Cash Flows

The indirect method is used to report cash flows from operating activities. Disclosure is made of the amount of cash paid for interest and income taxes, if any. Non-cash investing and financing activities, if any, are excluded from the body of the statement of cash flows (but are disclosed).

The Grove Water Supply Corporation  
Notes to Financial Statements  
November 30, 2023 and 2022

Cash and Cash Equivalents

The Organization considers all highly-liquid debt instruments within three months of their maturity date to be cash equivalents.

Accounts Receivable

Accounts receivable are reported at the amount the Organization expects to collect from outstanding balances. Uncollectible receivables are charged off as bad debts when all attempts to collect have failed and the prospect for future collection is unlikely. History has shown any write offs to be immaterial in amount to the financial statements. There is no allowance for accounts receivable as the organization considers uncollectible accounts to be minimal.

Concentrations

*Cash Analysis*

The following chart outlines potential cash investment risk as of November 30, 2023, and 2022:

2023

		Balance	Insured	Uninsured	Insurer
First National Bank	Operating	375,653.64	195,301.46	180,352.18	FDIC
First National Bank	Savings	54,605.04	-0-	54,605.04	FDIC
First National Bank	Reserve	54,698.54	54,698.54	-0-	FDIC
Total		484,957.22	250,000.00	234,957.22	

2022

		Balance	Insured	Uninsured	Insurer
First National Bank	Operating	194,045.77	194,045.77	-0-	FDIC
First National Bank	Savings	54,545.65	1,315.18	53,230.47	FDIC
First National Bank	Reserve	54,639.05	54,639.05	-0-	FDIC
Total		303,230.47	250,000.00	53,230.47	

The Organization maintains several cash balances at one financial institution located in Gatesville, Texas. The balances of cash accounts were insured by the Federal Deposit Insurance Corporation up to \$250,000. During the 2023 and 2022 fiscal years the Organization's bank balances were not fully covered by the federal insurance.

*Water*

The Organization purchases water exclusively from the City of Gatesville. All of the revenue of the Organization is from the sale of water to its members.

The Grove Water Supply Corporation  
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*Other*

The Organization is dependent on an arms-length contract with Justin Veazey (Veazey Corp) for management and accounting services. Amy Veazey, wife of Justin Veazey, handles financial reporting matters for the Organization. Amounts paid for these services, and the work on the new line, were \$130,035 in 2023 and \$214,364 in 2022.

Also, the Organization contracted with Pam Seiler for minutes at a cost of \$200 per month.

Water Purchase Contracts

*City of Gatesville*

The Grove Water Supply Corporation had a contractual right with the City of Gatesville to purchase, or pay for the purchase of, 14.11% of the 4,000-acre feet of water from Lake Belton. In addition, there is an operating and maintenance charge at a rate of \$1.35 per thousand gallons of water, up to 57,000,000 gallons per year. Gallons in excess of this amount will be billed at \$1.45 per thousand gallons. Costs due to the City of Gatesville include raw water, bonded debt service, and a pro rata share of operation and maintenance costs, billed monthly.

*Brazos River Authority (BRA)*

The Organization has a water availability agreement with the BRA to pay \$88 per acre-foot annually for 400 acre-feet of water. The Organization made three quarterly payments of \$8,800.00 for water and \$146.40 for administrative fees for a quarterly payment totaling \$8,946.40. The fourth quarterly payment increased to \$93.5 per acre-foot annually for 400 acre feet of water. The payments consisted of \$9,350.00 for water and \$155.12 for administrative fees.

Debt Analysis

During the year ended November 30, 1994, the Organization completed a major plant improvement project costing \$325,000 of which FMHA funded \$299,000. The loan portion totaled \$78,500 (91-01), while \$220,500 was an economic grant.

During the year ended November 30, 1998, another expansion project was undertaken at a cost of \$316,000. The loan portion was \$86,000 (91-03), and the Organization received a grant for \$230,000.

On September 30, 1999, the Organization received an additional \$11,000 in grant money.

During the November 30, 2002 fiscal year, the Organization received a loan of \$504,000 (91-05) for system improvements.

In 2005, the system received, from the USDA Rural Development, a grant of \$858,900 and a loan of \$286,300 (91-06) for the expansion and improvement of the water distribution system.

On July 23, 2009, the Organization received an additional advance from USDA in the amount of \$18,400 for system improvements, and a grant in the amount of \$30,394.

The Grove Water Supply Corporation  
Notes to Financial Statements  
November 30, 2023 and 2022

At November 30, 2023, details of these notes are as follows:

<u>Note Number</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Note Balance Due</u>	
			<u>Current</u>	<u>Total</u>
USDA-RD (formerly FMHA)				
91-01	5.125%	11/02/33	\$ 2,980.99	\$ 34,272.63
91-03	4.50%	12/22/37	2,570.11	48,323.41
91-05	4.50%	11/15/33	20,264.64	229,563.95
91-06	4.25%	05/04/45	<u>6,176.30</u>	<u>211,564.27</u>
			\$ 31,992.04	\$ 523,724.26

The following is a schedule by years of note payments required under the notes:

<u>Fiscal Year Ending November 30,</u>	<u>Principal</u>
2024	31,992.04
2025	33,465.16
2026	35,006.32
2027	36,618.53
2028	38,305.22
2029 & thereafter	<u>348,336.99</u>
Total	\$ 523,724.26

Along with the principal payments due above, there are substantial interest payment requirements:

<u>Fiscal Year Ending November 30,</u>	<u>Interest</u>
2024	22,595.96
2025	21,122.84
2026	19,581.68
2027	17,969.47
2028	16,282.78
2029 & thereafter	<u>89,885.00</u>
Total	\$ 187,437.73

Reserve for Emergency Repairs and Debt Retirement

The Organization is required, as long as it is indebted to the federal government, to deposit from its revenues one-tenth of its total mortgage payments per year (including interest) in an FDIC insured financial institution or in securities backed by the U. S. Government. Such deposits continue until the account balance equals one year's mortgage payments (including interest). The Organization has 10 years to accumulate the required reserve amount. Withdrawals may be made only for emergency repairs, equipment obsolescence, and revenue deficiencies during periods when water is not available to members. The reserve has been transferred to a separate account and is considered fully funded as of the date of this report.

The Grove Water Supply Corporation  
Notes to Financial Statements  
November 30, 2023 and 2022

At November 30, 2023, and 2022, the Reserve accounts consisted of the following:

	<u>November 30,</u>	
	<u>2023</u>	<u>2022</u>
Required fund balance for loan agreement	\$ 54,588	\$ 54,588
Invested funds, reserve	<u>54,698</u>	<u>54,639</u>
Funds in excess (short) of loan agreements	110	51

Membership Investment

New members are required to purchase memberships at \$100 per member to use the water system. As of November 30, 2023, and 2022 there were approximately 471 and 448 active members respectively, with the overall number varying slightly for unread and vacant meters.

Property and Equipment

Purchases of property and equipment are recorded at cost. Property and equipment are depreciated on a straight-line basis over the estimated useful lives of the assets: 3 to 10 years for furniture, fixtures, and office equipment, 20 to 40 years for the distribution system, meter, and hydrant installation, and 10 to 20 years for wells and pumps. When items are disposed, the cost and accumulated depreciation are eliminated from the records of account, and a gain or loss is reported in current income. Repair and maintenance charges that do not increase the useful lives of the assets are charged to income as incurred.

Advertising

Advertising, if any, is expensed as it is incurred.

Interim Financial Reporting

The Organization presents its interim financial statements using the cash basis of accounting, a presentation which differs from accounting principles generally accepted in the United States.

Insurance Coverage

The by-laws require that the assets of the Corporation be insured. Current policies owned by the Organization are as follows:

	<u>2023 and 2022</u>
Liability Insurance	
Directors/Officers	\$1,000,000
Property	\$ 817,872
General (aggregate)	\$3,000,000
Crime/Dishonesty	\$ 125,000

The Grove Water Supply Corporation  
Notes to Financial Statements  
November 30, 2023 and 2022

Liquidity and Availability of Financial Assets

The following reflects the organization's financial assets as of the balance sheet date, reduced by amounts not available for general use because of contractual or member-imposed restrictions within one year of the balance sheet date. Contractual restricted amounts include a predetermined required reserve balance for the USDA note payable principal and interest payments.

	<u>2023</u>	<u>2022</u>
Financial assets at year-end (current assets and reserve)	\$ 512,886.15	\$ 343,498.96
Less those unavailable for general expenditures within one year due to:		
Required USDA note payments/reserve	<u>(54,588)</u>	<u>(54,588)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$458,298.15</u>	<u>\$288,910.96</u>

The Organization's liquidity management is to maintain their cash balances by continuing the sale of water and its related services, and to perform system improvements during years of surplus, as fund are available, to avoid additional debt.

Cost Allocation

The financial statements report certain categories of expenses that are attributable to the water program and its supporting functions. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include a portion of the contract expenses for administrative work, which is allocated based on the general manager estimate of time spent, director related insurance, that is allocated based on premium breakdown from the insurance company, required audit due to USDA loan, legal expenses, meeting expenses, and office expenses that are allocated based on function alone.

Subsequent Events

Subsequent events have been evaluated through January 30, 2024, the date which the financial statements were available to be issued.

## Compliance Section



## Shawnee Miller, CPA, P.C.

CERTIFIED PUBLIC ACCOUNTANT

### INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND ON OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors  
Grove Water Supply Corporation

We have audited 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, the financial statements of Grove Water Supply Corporation (a nonprofit organization), which comprise the statements of financial position as of November 30, 2023, and 2022, and the related statements of activities and changes in net assets and cash flows years then ended, and the related notes to the financial statements, and have issued our report thereon dated January 30, 2024.

#### Internal Control Over Financial Reporting

In planning and performing our audits of the financial statements, we considered Grove Water Supply Corporation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purposes of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Grove Water Supply Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of Grove 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 on 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 Grove Water Supply 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*.



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### **Purpose of this Report**

This report is intended 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.

*Shawnee Miller, CPA, P.C.*

***Shawnee Miller, CPA, P.C.***  
Gatesville, Texas

January 30, 2024