

# Edwards Aquifer Authority

FY 2025 Audit Results  
Report to the Finance/Administrative Committee  
and Board of Directors

[DATE]



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Finance/Administrative Committee and Board of Directors  
Edwards Aquifer Authority

We are pleased to present this report related to our 2025 audit of Edwards Aquifer Authority's (the Authority) basic financial statements (hereafter, the financial statements). Our report shares the results of our audit work as required by professional standards alongside other meaningful insights, which we believe will help you in executing your oversight responsibility for the Authority's financial reporting process.

It will be our pleasure to respond to any questions you have regarding this report. We appreciate the opportunity to continue to be of service to Edwards Aquifer Authority.

[Firm Signature]

*This report is intended solely for the information and use of the Finance/Administrative Committee, Board of Directors and management and is not intended to be, and should not be, used by anyone other than these specified parties.*

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# Executive summary

## Audit status

The 2025 audit is nearing completion.

We expect the Authority to be able to issue the financial statements as planned on April 15, 2026.

After completing our remaining procedures, we expect to issue an unqualified opinion on the financial statements.

Key open items include completion of our final quality control reviews.

## Significant changes to the planned audit strategy

There were no significant changes to the planned audit strategy communicated to the Finance/Administrative Committee and Board of Directors in our report dated February 19, 2026.

## Adoption of new accounting policy

In 2025, the Authority adopted GASB Statement No. 102, *Certain Risk Disclosures*.

Understand the client

Risk assessment

Further audit procedures

Evaluation

Delivery

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# Accounting policies and practices

The following required communications summarize our responsibilities regarding the financial statement audit as well as observations from our audit that are significant and relevant to your responsibility to oversee the financial reporting process.

Matter to Report	Yes	No
Our responsibilities	✓	We described our responsibilities under auditing standards generally accepted in the United States of America in our engagement letter dated October 28, 2025. Our audit of the financial statements does not relieve management or you of your responsibilities, which are also described in that letter.
Planned scope and timing of the audit	✓	We previously issued a separate communication dated February 19, 2026 regarding the planned scope and timing of our audit and identified significant risks.
<b>Accounting policies and practices</b>		
Preferability of accounting policies and practices	✓	Under accounting principles generally accepted in the United States of America, management may select among alternative accounting practices in certain circumstances.  In our view, in such circumstances, management has selected the preferable accounting practice.
Adoption of, or change in, accounting policies	✓	Management has the ultimate responsibility for the appropriateness of the accounting policies used by the Authority.  The Authority did not adopt any significant new accounting policies nor change any significant accounting policies during the current period.
Significant accounting policies	✓	We did not identify any significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.
Significant unusual transactions	✓	We did not identify any significant unusual transactions.

# Significant accounting estimates

Accounting estimates are an integral part of the preparation of financial statements and are based upon management’s current judgment. The process used by management encompasses their knowledge and experience about past and current events, and certain assumptions about future events.

## Fair Value of Investments

### Accounting policy

Investments are recorded at fair value.

### Management’s estimation process

Investments in U.S. Agency securities are valued at quoted market prices. Investments in oil and mineral rights are valued using forecasted cash flows attributed to the leased acreage and ownership and related data of oil and gas exploration and productive activities in a similar area.

### Basis for our conclusion on the reasonableness of the estimate

We tested the fair value of the investments by verifying the quoted market prices and used a valuation specialist to price marketable securities. We also obtained the forecasted cash flow and valuation for oil and mineral rights. We concluded the estimates are reasonable.

## Leases

### Accounting policy

Lease activity and agreements are reviewed against GASB lease guidance and are compared to the Authority’s adopted policies for the identification, calculation, classification and inclusion of the lease on the statement of net position.

### Management’s estimation process

Management prepares the calculation of the right-of-use (ROU) asset and liability utilizing excel and key lease information.

### Basis for our conclusion on the reasonableness of the estimate

We tested the Authority’s implementation process for completeness, implementation, and calculation of ROU lease assets and liabilities. We concluded the estimates are reasonable.

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# Significant accounting estimates (continued)

## Net Pension Liability

### Accounting policy

The net pension liability is based on actuarial assumptions, including discount rates, interest costs, expected return on plan assets, retirement and mortality rates, inflation rates, salary growth and other factors.

### Management’s estimation process

The net pension liability calculation is prepared by an independent actuary. The Authority and executive management reviews the actuarial results and considers the appropriateness of the assumptions.

### Basis for our conclusion on the reasonableness of the estimate

We obtained the actuary report and had an internal actuarial specialist review the significant assumptions and conclusions for reasonableness and tested the underlying data. We concluded the estimates are reasonable.

## Useful Lives of Capital Assets

### Accounting policy

The depreciable useful lives of capital assets are set at the estimated useful lives of the related assets.

### Management’s estimation process

Management estimates the various assets’ useful lives based on the Authority’s experience with similar assets.

### Basis for our conclusion on the reasonableness of the estimate

We compared the estimated useful lives to the Authority’s policy. We believe the estimates used by management are reasonable.

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# Significant accounting estimates (continued)

## Compensated Absences

### Accounting policy

Personal and sick leave are accumulated in accordance with the Authority's established policies.

### Management's estimation process

Management estimates compensated absences by calculating accrued leave balances and adjusting to make sure carryover balances are in line with the Authority's policies.

### Basis for our conclusion on the reasonableness of the estimate

We compared the estimated compensated absences to the Authority's policy. We believe the estimates used by management are reasonable.

## Allowance for Doubtful Accounts

### Accounting policy

The allowance for doubtful accounts is based on management's estimate of collectability of identified receivables as well as the aging of accounts receivable.

### Management's estimation process

The Authority estimates this allowance based on historical experiences and the nature of the account transactions.

### Basis for our conclusion on the reasonableness of the estimate

Based on our audit procedures performed, we believe the method used by the conference for the allowance of accounts receivable is reasonable.

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# Reporting matters

## Matter to Report

## Other information

Other information included in annual reports

Management is responsible for the other information included in the annual report. The other information comprises the Schedule of Expenses—Budget and Actual (General Operations and Habitat Conservation Plan)—Non-GAAP Basis, as listed in the table of contents, but does not include the basic financial statements and our auditor's report thereon. Our opinion on the basic financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

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# Audit adjustments and uncorrected misstatements

## Audit adjustments

There were no audit adjustments made to the original trial balance presented to us to begin our audit.

## Uncorrected misstatements

We are not aware of any uncorrected misstatements other than misstatements that are clearly trivial.

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# Observations about the audit process

Matter to Report	Yes	No
<b>Observations about the audit process</b>		
Significant issues discussed with management	✓	No significant issues arising from the audit were discussed or were the subject of correspondence with management.
Disagreements with management	✓	There were no disagreements with management.
Significant difficulties encountered in performing the audit	✓	We did not encounter any significant difficulties in dealing with management during the audit.
Consultations with other accountants	✓	We are not aware of any consultations management had with other accountants about accounting or auditing matters.
Significant matters that required consultation	✓	We did not encounter any difficult or contentious matters that required consultation outside our engagement team and that are, in our professional judgment, significant and relevant to your responsibility to oversee the financial reporting process.

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# Independence

## Shared responsibilities: AICPA independence

The American Institute of Certified Public Accountants (AICPA) regularly emphasizes that auditor independence is a **joint responsibility** and is managed most effectively when management, audit committees (or their equivalents), and audit firms work together in considering compliance with AICPA independence rules. For RSM to fulfill its professional responsibility to maintain and monitor independence, management, the Finance/Administrative Committee and the Board of Directors, and RSM each play an important role.

### Our responsibilities

- AICPA rules require independence both of mind and in appearance when providing audit and other attestation services. RSM is to ensure that the AICPA's General Requirements for performing nonattest services are adhered to and included in all letters of engagement.
- Maintain a system of quality management over compliance with independence rules and firm policies.

### The Authority's responsibilities

- Timely inform RSM, before the effective date of transactions or other business changes, of the following:
  - New affiliates, directors, or officers.
  - Changes in the organizational structure or the reporting entity impacting affiliates such as partnerships, related entities, investments, joint ventures, component units, and jointly governed organizations.
- Provide necessary affiliate information such as new or updated structure charts, as well as financial information required to perform materiality calculations needed for making affiliate determinations.
- Understand and conclude on the permissibility, prior to the Authority and its affiliates, officers, directors, or persons in a decision-making capacity, engaging in business relationships with RSM.
- Not entering into relationships resulting in close family members of RSM covered persons, temporarily or permanently acting as an officer, director, or person in an accounting or financial reporting oversight role at the Authority.

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# Appendices

# Appendix A—Significant written communications between management and our firm

Copies of significant written communications between our firm and the management of the Authority, including the draft representation letter to be provided to us by management, are attached.

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# RSM contacts

## Marc Sewell

Assurance Partner

Audit Services

+1 210 253 1506

Marc.Sewell@rsmus.com

## Matt Babinski

Assurance Senior Manager

Audit Services

+1 218 336 3179

Matt.Babinski@rsmus.com

## Katherine Mendoza

Assurance Senior Associate

Audit Services

+1 210 253 1592

Katherine.Mendoza@rsmus.com

## Robert Williams

Owner

Robert J. Williams CPA  
(Subcontractor)

+1 210 525 8588

rjwcpa@att.net



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