



Edwards Aquifer Authority

FY 2022 AUDIT RESULTS

Report to the Board of Directors

4/12/2023



Board of Directors

Edwards Aquifer Authority

We are pleased to present this report related to our 2022 audit of Edwards Aquifer Authority (the Authority) 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 the Authority.

[Firm Signature]

This report is intended solely for the information and use of the Board of Directors and is not intended to be, and should not be, used by anyone other than this specified party.



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requirements,
turn challenges
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business.

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EXECUTIVE SUMMARY

Audit Status

The 2022 audit is nearing completion.

We expect the Authority to be able to issue the financial statements as planned on April 12, 2023.

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

Significant Changes to the Planned Audit Strategy

There were no significant changes to the planned audit strategy and communicated to the audit committee in our report dated October 4, 2022.

Significant Risks

We identified significant risks related to Net Pension Liability (Asset) and Leases subsequent to those we communicated to you in our report dated October 4, 2022.

Adoption of New Accounting Policy

In 2022, the Authority adopted GASB Statement No. 87, *Leases* and GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting for Internal Revenue Code Section 457 Deferred Compensation Plans*.

Audit Adjustments or Uncorrected Misstatements

No audit adjustments and uncorrected misstatements were identified during the audit.

Deficiencies in Internal Control

No internal control deficiencies were identified during the audit.



UNDERSTAND
THE CLIENT



RISK
ASSESSMENT



FURTHER AUDIT
PROCEDURES



EVALUATION



DELIVERY

Accounting policies and practices

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

Matter to Report	Yes	No
Changes to the planned scope and timing of the audit	✓	We have issued a separate communication dated October 4, 2022 regarding the planned scope and timing of our audit and identified significant risks. We identified significant risks related to Net Pension Liability and Leases subsequent to those we communicated to you in our report dated October 4, 2022.
Accounting policies and practices		
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 independent valuation for oil and mineral rights. We concluded the valuation methods and 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 excl 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 and properly disclosed.

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.

Net Pension Liability (Asset)

Accounting policy

The net pension liability (asset) 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 (asset) 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.

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.

Compensated Absences

Accounting policy

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

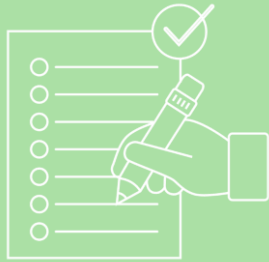
Management's estimation process

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

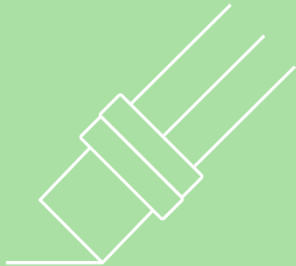
We compared the estimated compensated absences to the Authority's policy. We believe the estimates used by management are reasonable.

Audit Adjustments and Uncorrected Misstatements



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

AUDIT ADJUSTMENTS



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

UNCORRECTED MISSTATEMENTS

Observations About the Audit Process

Matter to Report	Yes	No
Observations about the audit process		
Significant issues discussed with management	✓	No significant issues arising from the audit were discussed or 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.
Difficult or contentious matters that required consultation	✓	We did not encounter any significant and difficult or contentious matters that required consultation outside our engagement team.

Independence

Shared Responsibilities: AICPA Independence

The AICPA regularly emphasizes that auditor independence is a **joint responsibility** and is managed most effectively when management, audit committees, 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 audit committee, 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 non-attest services are adhered to and included in all letters of engagement.
- Maintain a system of quality control 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, officers, or person in financial reporting oversight roles.
 - New beneficial owners of the Authority's equity securities that have significant influence.
 - Change in corporate structure impacting affiliates such as add-on acquisitions or exits.
- Provide necessary affiliate information such as new or updated investment 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 RSM, RSM covered persons or their close family members, temporarily or permanently acting as an officer, director, or person in an accounting or financial reporting oversight role at the Authority.

APPENDICES



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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