

EJ WATER COOPERATIVE, INC.

**CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

YEAR ENDED SEPTEMBER 30, 2024



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**EJ WATER COOPERATIVE, INC.
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**EJ WATER COOPERATIVE, INC.
OFFICERS AND DIRECTORS (UNAUDITED)
SEPTEMBER 30, 2024**

Jason Warfel	President
Michael Hall	Vice President
Gail Garbe	Secretary
Jeff Wilson	Treasurer
Jimmy Ayers	Director
Diane Aherin	Director
Chris Hartke	Director
Charles Smedley	Director
Garry Morrison	Director



INDEPENDENT AUDITORS' REPORT

Board of Directors
EJ Water Cooperative, Inc.
Dieterich, Illinois

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of EJ Water Cooperative, Inc. (the Cooperative), which comprise the consolidated balance sheet as of September 30, 2024, and the related consolidated statements of operations and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Cooperative as of September 30, 2024, and the results of its operations and its cash flows for the year 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 (GAAS) 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Cooperative 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 opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Cooperative's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. 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 consolidated financial statements.

In performing an audit in accordance with GAAS 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 consolidated 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 consolidated 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 the Cooperative'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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Cooperative'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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary consolidating balance sheet, supplementary consolidating statement of operations, and the accompanying schedule of expenditures from federal awards (collectively, the supplementary information), as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The supplementary information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other Information Included in the Annual Report

Management is responsible for the other information included in the annual report. The other information comprises the listing of officers and directors and the Cooperative's annual report but does not include the financial statements and our auditors' report thereon. Our opinion on the 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 financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 17, 2025, on our consideration of the Cooperative'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 the Cooperative'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 the Cooperative's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Rochester, Minnesota
February 17, 2025

**EJ WATER COOPERATIVE, INC.
CONSOLIDATED BALANCE SHEET
SEPTEMBER 30, 2024**

ASSETS

UTILITY PLANT

Plant in Service	\$ 178,045,512
Construction Work in Progress	785,581
Total	178,831,093
Less: Accumulated Provision for Depreciation	(54,834,113)
Net Utility Plant	123,996,980
Operating ROU Asset	190,945
Less: Amortization	(51,405)
Net ROU Asset	139,540

OTHER PROPERTY AND INVESTMENTS

Investments in Associated Organizations	718,556
Notes Receivable - Net of Current Portion	193,980
Non-Utility Property, Net of Accumulated Depreciation	3,366,470
Total Other Property and Investments	4,279,006

CURRENT ASSETS

Cash and Cash Equivalents	5,793,130
Accounts Receivable, Less Provision for Uncollectible Accounts, Net of Allowance for Credit Losses of \$2,000 for the Years Ended September 31, 2023 and 2024	1,693,589
Materials and Supplies Inventory at Average Cost	500,951
Current Portion of Notes Receivable	46,000
Other Current and Accrued Assets	92,112
Total Current Assets	8,125,782

Total Assets	\$ 136,541,308
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See accompanying Notes to Consolidated Financial Statements.

**EJ WATER COOPERATIVE, INC.
CONSOLIDATED BALANCE SHEET (CONTINUED)
SEPTEMBER 30, 2024**

EQUITIES AND LIABILITIES

EQUITIES

Patronage Capital	\$ 2,418,341
Other Equities	56,873,287
Total Equities	59,291,628

LONG-TERM DEBT (LESS CURRENT MATURITIES)

69,617,362

OTHER LONG-TERM LIABILITIES

Long-Term Lease Liability - Operating	121,352
Notes Payable (Less Current Maturities)	3,492,705
Construction Payable	328,324
Total Other Long-Term Liabilities	3,942,381

CURRENT LIABILITIES

Current Lease Liability - Operating	18,188
Current Maturities of Long-Term Debt	2,069,705
Current Maturities of Notes Payable	677,149
Accounts Payable	434,868
Consumer Deposits	33,915
Other Current and Accrued Liabilities	456,112
Total Current Liabilities	3,689,937

Total Equities and Liabilities

\$ 136,541,308

See accompanying Notes to Consolidated Financial Statements.

**EJ WATER COOPERATIVE, INC.
CONSOLIDATED STATEMENT OF OPERATIONS
YEAR ENDED SEPTEMBER 30, 2024**

OPERATING REVENUES - DISTRIBUTION	\$ 16,721,849
OPERATING EXPENSES - DISTRIBUTION	
Cost of Water	941,458
Distribution Expense - Operations	6,061,393
Distribution Expense - Maintenance	461,328
Administrative and General Expense	1,281,590
Depreciation and Amortization	4,800,505
Total Operating Expenses	13,546,274
OPERATING MARGINS BEFORE FIXED CHARGES - DISTRIBUTION	3,175,575
INTEREST EXPENSE	
Interest on Long-Term Debt	2,099,792
NET OPERATING MARGINS (LOSS)	1,075,783
NONOPERATING MARGINS	
Interest Income	70,081
Other Nonoperating Margins	1,330,326
Total Nonoperating Margins	1,400,407
NET MARGINS	2,476,190
MEMBER'S EQUITY - BEGINNING OF YEAR	56,815,438
MEMBER'S EQUITY - END OF YEAR	\$ 59,291,628

See accompanying Notes to Consolidated Financial Statements.

EJ WATER COOPERATIVE, INC.
CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED SEPTEMBER 30, 2024

CASH FLOWS FROM OPERATING ACTIVITIES

Net Margins	\$	2,476,190
Adjustments to Reconcile Net Margins to Net Cash		
Provided by Operating Activities:		
Depreciation and Amortization		4,782,854
Noncash Operating Lease Expense		17,651
Proceeds on sale of fixed assets		114,210
Change in Investments with Associated Organizations		(103,214)
Changes in Assets and Liabilities:		
(Increase) Decrease in:		
Accounts Receivable		(229,105)
Materials and Supplies Inventory		145,196
Other Accrued Assets		(6,500)
Increase (Decrease) in:		
Accounts Payable		(99,092)
Other Current and Accrued Liabilities		(110,135)
Net Cash Provided by Operating Activities		6,988,055

CASH FLOWS FROM INVESTING ACTIVITIES

Construction and Acquisition of Plant		(3,900,122)
Payments Collected on Notes Receivable		47,716
Change in Other Property and Investments		(49,102)
Net Cash Used by Investing Activities		(3,901,508)

CASH FLOWS FROM FINANCING ACTIVITIES

Principal Payments on Long-Term Debt		(2,007,213)
Proceeds from Issuance of Long-Term Debt		494,200
Change in Notes Payable		(259,973)
Payments on Operating Leases		(17,632)
Increase (Decrease) in Consumer Deposits		(13,290)
Net Cash Used by Financing Activities		(1,803,908)

NET INCREASE IN CASH AND CASH EQUIVALENTS

1,282,639

Cash and Cash Equivalents - Beginning of Year

4,510,491

CASH AND CASH EQUIVALENTS - END OF YEAR

\$ 5,793,130

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

Cash Payments for Interest		\$ 2,099,792
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See accompanying Notes to Consolidated Financial Statements.

EJ WATER COOPERATIVE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

EJ Water Cooperative, Inc. is a cooperative association organized under Illinois laws and statutes. The primary purpose of EJ Water Cooperative, Inc. (the Cooperative) is to provide water to rural homes in Effingham, Jasper, Clark, Clay, Cumberland, Edwards, Richland, Sangamon, Shelby, Fayette, Crawford, Christian, Montgomery, and Bond counties. The Cooperative also provides contract billings, reporting, accounting, and mapping services to local governments and nonprofit organizations.

EJ Wastewater Cooperative, LLC is a taxable corporation and was formed for the purpose of providing wastewater services to residential, commercial and industrial customers in Effingham, Cumberland, Macon, and Montgomery counties.

Principles of Consolidation

The consolidated financial statements include the accounts of EJ Water Cooperative and its wholly owned subsidiary, EJ Wastewater Cooperative LLC. All significant intercompany transactions and accounts have been eliminated in consolidation.

Basis of Accounting

The Cooperative follows a Uniform System of Accounts as modified by Rural Utilities Service (RUS). The accounting policies conform to accounting principles generally accepted in the United States of America as applied in the case of regulated water utilities.

Use of 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 the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Plant and Depreciation Procedures

Plant, property, and equipment are stated at cost. Cost of labor, materials, supervision, and other costs incurred in making improvements, replacements, and additions to the system, are charged to the plant accounts while such costs incurred in making normal repairs, minor replacements, and maintaining assets in efficient operating condition are charged to expense.

The plant assets are depreciated using composite straight-line methods. When plant assets are sold or retired, the original cost is removed from the accounts and charged, together with any cost of removal, to the accumulated provision for depreciation. Any salvage value realized is credited to the same accumulated provision.

EJ WATER COOPERATIVE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

For the purposes of the statement of cash flows, the Cooperative considers short-term investments to be cash equivalents. The following is a summary of these items at September 30:

	2024
Restricted Cash on Hand and in Banks	\$ 37,898
Unrestricted Cash on Hand and in Banks	2,634,513
Total Cash on Hand and in Banks	2,672,411
Restricted Certificates of Deposit and Reserves	2,026,446
Unrestricted Certificates of Deposit	1,094,273
Total Certificates of Deposits and Reserves	3,120,719
Total Cash and Cash Equivalents	\$ 5,793,130

Cash on hand and in banks are maintained in financial institutions insured by Federal Deposit Insurance Corporation insurance and approved by the board of directors. These deposits may, at times, exceed federally insured amounts. The US Department of Agriculture (USDA) Rural Development Reserve Cash is required to be reserved by the USDA. The reserve account has a required minimum of \$2,026,446 and is therefore overfunded by \$1,094,273 at September 30, 2024. For the year ended September 30, 2024, the short-lived asset requirement from the USDA was \$431,808. The actual funds reserved and disbursed for the year ended September 30, 2024 was \$1,058,213.

Accounts Receivable

The Cooperative provides water to its consumers whose invoices are due within 15 days. The Cooperative uses historical loss information and an analysis of the collectability of individual accounts to determine expected credit losses for receivables. The majority of receivables are aged current, and there have been very limited losses over the lifetime of the Cooperative. The Cooperative believes that the composition of trade receivables at year-end is consistent with historical conditions as credit terms and practices and the customer base has not changed significantly. The Cooperative believes that current economic conditions are consistent with its historical assumptions. Management applied an inflation rate to the current historical factor and determined that the effect was not material to the allowance. Accounts past due are regularly reviewed by management and any balances that are deemed uncollectible are written off. At September 30, 2024, the allowance for credit losses was as follows:

Allowance for Credit Losses:	
Balance - Beginning of Year	\$ 2,000
Provision for Losses	13,879
Recoveries on Accounts Previously Charged Off	-
Accounts Charged Off	(13,879)
Balance - End of Year	\$ 2,000

Investments in Associated Organizations

Investments in associated organizations include patronage capital. Patronage capital investments are stated at cost plus undistributed allocated equities from other cooperatives.

EJ WATER COOPERATIVE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Notes Receivable and Allowance for Credit Losses on Loans

The Notes receivable consist of economic development loans to companies within or near the Cooperative's service territory for purposes of promoting economic development.

The allowance for credit losses on loans (allowance) is a valuation account that is deducted from the amortized cost basis of loans to present the net amount expected to be collected. The allowance for credit losses on loans is adjusted through the provision for credit losses to the amount of amortized cost basis not expected to be collected at the balance sheet date. Loan losses are charged off against the allowance for credit losses on loans when the Cooperative determines the loan balance to be uncollectible. Cash received on previously charged off amounts is recorded as a recovery to the allowance for credit losses on loans.

Loans are evaluated on an individual basis. When management determines that the borrower is experiencing financial difficulty at the reporting date, management determines the amount that is expected to be collected on the loan, including the value of collateral pledged by the borrower as security on the loan, and an allowance for loan credit losses is deducted from the loan's amortized cost basis to present the net amount expected to be collected on the loan. Loan balances are charged off against the allowance when management believes the uncollectibility of the loan balance is confirmed. Expected recoveries do not exceed the aggregate of amounts previously charged-off and expected to be charged-off.

The valuation of the allowance for loan credit losses is determined as follows: repayment is expected to be provided substantially through the operation or sale of the collateral so expected loan losses are based on the fair value of the collateral, adjusted for selling costs as appropriate.

Accrued interest receivable totaled \$-0- at September 30, 2024, and was reported in accrued interest receivable on the balance sheet and is excluded from the estimate of loan credit losses. Interest income is accrued on the unpaid principal balance.

There is no allowance for credit losses recorded at September 30, 2024.

Inventories

Inventories are valued at the lower of cost or net realizable value using the first-in, first-out method.

Water Purchases

Cost of water purchased is recognized on the basis of meter readings made by the water suppliers on the last day of each month or closest business day thereafter.

EJ WATER COOPERATIVE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

EJ Water Cooperative is exempt from income taxes under Section 501(c)(12) of the Internal Revenue Code, thus there is no provision for income taxes at September 30, 2024.

Exempt cooperatives which receive gross income from business activities which are regularly carried on and which are not substantially related to the Cooperative's exempt purpose are required to pay tax on this income. There was no income tax expense or benefit for the year ended September 30, 2024.

EJ Wastewater had no income tax expense or benefit for the year ended September 30, 2024.

The Cooperative has evaluated its tax positions and determined that it has no uncertain tax positions as of September 30, 2024.

Presentation of Sales Taxes

The Cooperative does business in various taxing jurisdictions which impose sales taxes on sales to nonexempt member-owners. The Cooperative collects that sales tax from member-owners and remits the entire amount to the taxing jurisdictions. The Cooperative's accounting policy is to exclude the tax collected and remitted to the taxing jurisdictions from revenues and costs of sales.

Revenue from Contracts with Customers

The Cooperative primarily generates revenue from the distribution and sale of water to members. The Cooperative satisfies the performance obligation when the water is delivered to the member. The Cooperative recognizes revenue from water sales based on meter readings of the member's usage. Meters are read as of the end of each month with payment due 15 days after the bill is sent out. Rates charged to members are based on rates approved by the Cooperative's Board of Directors. The Cooperative has elected to use the Invoice Practical Expedient allowing the Cooperative to recognize revenue in the amount that directly corresponds to the value transferred to the customer.

The following table presents the Cooperative's revenues disaggregated by type of customer at September 30, 2024:

Water Sales	\$ 13,478,774
Sewer Sales	370,569
Other Operating Revenue	2,872,506
Total Operating Revenue	<u>\$ 16,721,849</u>

**EJ WATER COOPERATIVE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2024**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subsequent Events

In preparing these financial statements, the Cooperative has evaluated events and transactions for potential recognition or disclosure through February 17, 2025, the date the financial statements were available to be issued.

NOTE 2 WATER PLANT AND DEPRECIATION PROCEDURES

Listed below are the major classes of plant as of September 30, 2024:

Intangible Plant	\$ 3,366,470
Water Distribution Plant	160,783,694
General Plant	13,895,348
Plant in Service	178,045,512
Construction Work in Progress	785,581
Total Plant	<u>\$ 178,831,093</u>

The following plant depreciation rates are being used for the year ended September 30, 2024:

General and Water Distribution Plant	2.00% to 3.00%
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NOTE 3 OTHER PROPERTY AND INVESTMENTS

Investments in Associated Organizations

Investments in associated organizations include patronage capital credits with CoBank, Norris Electric Cooperative (NEC) and Southwestern Electric Cooperative (SWEC).

Listed below is a summary of investments in associated organizations as of September 30, 2024:

Investments in Associated Organizations:	
CoBank - Patronage Capital Credits	\$ 477,578
NEC - Patronage Capital Credits	173,900
SWEC - Patronage Capital Credits	67,078
Total	<u>\$ 718,556</u>

Non-Utility Property

Non-Utility property consists of easements obtained during construction projects by the Cooperative. Non-utility property value at September 30, 2024 was as follows:

Non-Utility Property, Net of Accumulated Depreciation	\$ 3,366,470
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EJ WATER COOPERATIVE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

NOTE 4 NOTES RECEIVABLE

Notes receivable consist of the following:

Note receivable to be paid in monthly installments of \$3,816 with 2.75% interest through 2029.	\$ 239,980
Total Notes Receivable	239,980
Less: Current Portion	<u>(46,000)</u>
Total Notes Receivable, Net of Current Portion	<u>\$ 193,980</u>

NOTE 5 ALLOWANCE FOR LOAN LOSSES

As of September 30, 2024, the Cooperative has not reserved any allowance for loan losses on their economic development loans.

The following table shows an aging analysis of the loan portfolio by time past due:

	Accruing Interest			Total Nonaccrual	2024 Total
	Current	30-89 Days Past Due	More Than 90 Days Past Due		
	\$	\$	\$		
Economic Development	\$ 239,980	\$ -	\$ -	\$ -	\$ 239,980

NOTE 6 LONG-TERM DEBT AND LINE OF CREDIT

The following is a summary of outstanding long-term debt as of September 30, 2024:

CoBank Fixed-Rate Notes, Due 2025 to 2045 (3.70%-7.85%)	\$ 22,348,270
USDA Notes, Due 2040 to 2060 (1.125% to 3.750%)	49,301,822
Peoples State Bank Note, Due 2024 (5.83%)	<u>36,975</u>
Subtotal	71,687,067
Less: Current Maturities	<u>2,069,705</u>
Long-Term Debt, Net of Current Maturities	<u>\$ 69,617,362</u>

**EJ WATER COOPERATIVE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2024**

NOTE 6 LONG-TERM DEBT AND LINE OF CREDIT (CONTINUED)

Substantially all assets are pledged as security for the long-term debt owed to the USDA and CoBank.

As of September 30, 2024, there was \$-0- in unadvanced loan funds with the USDA and CoBank.

The aggregate five-year maturities of long-term debt are as follows:

<u>Year Ending September 30,</u>	<u>Amount</u>
2025	\$ 2,069,705
2026	2,089,757
2027	2,148,532
2028	2,207,460
2029	2,338,689
Later Years	60,832,924
Total	<u>\$ 71,687,067</u>

Lines of Credit

The Cooperative has a \$5,000,000 line of credit with CoBank at September 30, 2024. The interest rates on the line of credit at September 30, 2024 was 7.08%. There was a balance outstanding on the line of credit of \$4,169,688 as of September 30, 2024 which is shown as Notes Payable on the Balance Sheet.

The Cooperative had a \$400,000 line of credit with Dieterich Bank at September 30, 2024. The interest rate on the line of credit at September 30, 2024 was 6.70%. The balance was \$186 on the line of credit as of September 30, 2024.

NOTE 7 RETIREMENT PLAN

Disclosure Information for EJ Water Cooperative Participation in the Retirement Security Plan

The Cooperative has also adopted the 401(k) pension plan, a savings plan qualified under Section 401(k) of the Internal Revenue Code. The plan allows employees to defer the maximum amount prescribed by law combined on a pre-tax basis and an after-tax basis (Roth 401(k) provision) through contributions to the savings plan. The Cooperative may also make voluntary contributions to this plan. The Cooperative's contributions to the plan for the year ended September 30, 2024 were approximately \$171,205.

EJ WATER COOPERATIVE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

NOTE 8 LEASES ASC – 842

The Cooperative leases water meter from CoBank under a long-term lease agreement. The lease term is for 10 years and will expire in 2031. In the normal course of business, it is expected that this lease will be renewed or replaced by a similar lease.

ROU assets represent the Cooperative's right to use an underlying asset for the lease term and lease liabilities represent the Cooperative's obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at the lease commencement date based on the present value of the lease payments over the lease term. As most leases do not provide an implicit rate, the Cooperative uses its incremental borrowing rate based on the information available at commencement date in determining the present value of lease payments. The financing ROU asset also includes any lease payments made and excludes incentives. The lease terms may include options to extend or terminate the lease when it is reasonably certain that the Cooperative will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

The Cooperative elected the available practical expedients to account for existing operating leases as operating leases under the new guidance, without reassessing (a) whether the contracts contain leases under the new standard, (b) whether classification of capital leases or operating leases would be different in accordance with the new guidance, or (c) whether the unamortized initial direct costs in the new guidance at lease commencement.

As a result of the new lease accounting guidance, the Cooperative recognized on October 1, 2022 a lease liability of \$190,945, which represents the present value of the remaining operating lease payments of \$190,945, discounted using the Cooperative's incremental borrowing rate of 3%, and a right-of-use asset of \$190,945.

The following table provides quantitative information concerning the Cooperative's leases:

Lease Costs:		
Operating Lease Costs	\$	17,651
Operating Cash Flows from Operating Leases	\$	22,125
Weighted-Average Remaining Lease Term - Operating Lease		7 Years
Weighted-Average Discount Rate - Operating Lease		3.00%

EJ WATER COOPERATIVE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

NOTE 8 LEASES ASC – 842 (CONTINUED)

The Cooperative classifies the total discounted lease payments that are due in the next 12 months as current. A maturity analysis of annual discounted cash flows for lease liabilities as of September 30, 2024 is as follows:

<u>Year Ending September 30.</u>	<u>Amount</u>
2025	\$ 17,651
2026	18,188
2027	18,741
2028	19,311
2029	19,899
Thereafter	45,750
Total	<u>\$ 139,540</u>

EJ WATER COOPERATIVE, INC.
CONSOLIDATING BALANCE SHEET
SEPTEMBER 30, 2024
(SEE INDEPENDENT AUDITORS' REPORT)

ASSETS	EJ Water Cooperative	EJ Wastewater	Total	Eliminations	Consolidated
UTILITY PLANT					
Plant in Service	\$ 172,931,470	\$ 5,114,042	\$ 178,045,512	\$ -	\$ 178,045,512
Construction Work in Progress	785,581	-	785,581	-	785,581
Total	173,717,051	5,114,042	178,831,093	-	178,831,093
Less: Accumulated Provision for Depreciation	(54,418,118)	(415,995)	(54,834,113)	-	(54,834,113)
Net Utility Plant	119,298,933	4,698,047	123,996,980	-	123,996,980
Operating ROU Asset	190,945	-	190,945	-	190,945
Less: Amortization	(51,405)	-	(51,405)	-	(51,405)
Net ROU Asset	139,540	-	139,540	-	139,540
OTHER PROPERTY AND INVESTMENTS					
Investments in Associated Organizations	718,556	-	718,556	-	718,556
Notes Receivable, Net of Current Portion	193,980	-	193,980	-	193,980
Non-Utility Property, Net of Accumulated Depreciation	3,366,470	-	3,366,470	-	3,366,470
Total Other Property and Investments	4,279,006	-	4,279,006	-	4,279,006
CURRENT ASSETS					
Cash and Cash Equivalents	5,557,880	235,250	5,793,130	-	5,793,130
Accounts Receivable, Less Provision for Uncollectible Accounts	2,705,064	25,435	2,730,499	(1,036,910)	1,693,589
Materials and Supplies Inventory at Average Cost	500,951	-	500,951	-	500,951
Current Portion of Notes Receivable	46,000	-	46,000	-	46,000
Other Current and Accrued Assets	92,112	-	92,112	-	92,112
Total Current Assets	8,902,007	260,685	9,162,692	(1,036,910)	8,125,782
 Total Assets	 \$ 132,619,486	 \$ 4,958,732	 \$ 137,578,218	 \$ (1,036,910)	 \$ 136,541,308

EJ WATER COOPERATIVE, INC.
CONSOLIDATING BALANCE SHEET (CONTINUED)
SEPTEMBER 30, 2024
(SEE INDEPENDENT AUDITORS' REPORT)

EQUITIES AND LIABILITIES	EJ Water Cooperative	EJ Wastewater	Total	Eliminations	Consolidated
EQUITIES					
Patronage Capital	\$ 2,418,341	\$ -	\$ 2,418,341	\$ -	\$ 2,418,341
Other Equities	52,963,110	3,910,177	56,873,287	-	56,873,287
Total Equities	<u>55,381,451</u>	<u>3,910,177</u>	<u>59,291,628</u>	-	<u>59,291,628</u>
LONG-TERM DEBT (LESS: CURRENT MATURITIES)	69,617,362	-	69,617,362	-	69,617,362
OTHER LONG-TERM LIABILITIES					
Long-Term Lease Liability - Operating	121,352	-	121,352	-	121,352
Notes Payable (Less: Current Maturities)	3,492,705	-	3,492,705	-	3,492,705
Construction Payable	328,324	-	328,324	-	328,324
Total Other Long-Term Liabilities	<u>3,942,381</u>	<u>-</u>	<u>3,942,381</u>	<u>-</u>	<u>3,942,381</u>
CURRENT LIABILITIES					
Current Lease Liability - Operating	18,188	-	18,188	-	18,188
Current Maturities of Long-Term Debt	2,069,705	-	2,069,705	-	2,069,705
Current Maturities of Notes Payable	677,149	-	677,149	-	677,149
Accounts Payable	423,223	11,645	434,868	-	434,868
Consumer Deposits	33,915	-	33,915	-	33,915
Other Current and Accrued Liabilities	456,112	-	456,112	-	456,112
Total Current Liabilities	<u>3,678,292</u>	<u>11,645</u>	<u>3,689,937</u>	<u>-</u>	<u>3,689,937</u>
DEFERRED CREDITS	<u>-</u>	<u>1,036,910</u>	<u>1,036,910</u>	<u>(1,036,910)</u>	<u>-</u>
Total Equities and Liabilities	<u>\$ 132,619,486</u>	<u>\$ 4,958,732</u>	<u>\$ 137,578,218</u>	<u>\$ (1,036,910)</u>	<u>\$ 136,541,308</u>

EJ WATER COOPERATIVE, INC.
CONSOLIDATING STATEMENT OF OPERATIONS
YEAR ENDED SEPTEMBER 30, 2024
(SEE INDEPENDENT AUDITORS' REPORT)

	EJ Water Cooperative	EJ Wastewater	Total	Eliminations	Consolidated
OPERATING REVENUES - DISTRIBUTION	\$ 16,326,099	\$ 395,750	\$ 16,721,849	\$ -	\$ 16,721,849
OPERATING EXPENSES - DISTRIBUTION					
Cost of Water	941,458	-	941,458	-	941,458
Distribution Expense - Operations	5,892,160	169,233	6,061,393	-	6,061,393
Distribution Expense - Maintenance	461,328	-	461,328	-	461,328
Administrative and General Expense	1,274,974	6,616	1,281,590	-	1,281,590
Depreciation and Amortization Expense	4,638,453	162,052	4,800,505	-	4,800,505
Total Operating Expenses	<u>13,208,373</u>	<u>337,901</u>	<u>13,546,274</u>	<u>-</u>	<u>13,546,274</u>
TOTAL OPERATING MARGINS BEFORE FIXED CHARGES	3,117,726	57,849	3,175,575	-	3,175,575
INTEREST EXPENSE					
Interest on Long-Term Debt	<u>2,099,792</u>	<u>-</u>	<u>2,099,792</u>	<u>-</u>	<u>2,099,792</u>
NET OPERATING MARGINS (LOSS)	1,017,934	57,849	1,075,783	-	1,075,783
NONOPERATING MARGINS					
Interest Income	70,081	-	70,081	-	70,081
Other Nonoperating Margins	<u>1,330,326</u>	<u>-</u>	<u>1,330,326</u>	<u>-</u>	<u>1,330,326</u>
Total Nonoperating Margins	<u>1,400,407</u>	<u>-</u>	<u>1,400,407</u>	<u>-</u>	<u>1,400,407</u>
NET MARGINS	2,418,341	57,849	2,476,190	-	2,476,190
MEMBER'S EQUITY - BEGINNING OF YEAR	<u>52,963,110</u>	<u>3,852,328</u>	<u>56,815,438</u>	<u>-</u>	<u>56,815,438</u>
MEMBER'S EQUITY - END OF YEAR	<u>\$ 55,381,451</u>	<u>\$ 3,910,177</u>	<u>\$ 59,291,628</u>	<u>\$ -</u>	<u>\$ 59,291,628</u>



**INDEPENDENT AUDITORS' 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**

Board of Directors
EJ Water Cooperative, Inc.
Dieterich, Illinois

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 consolidated financial statements of EJ Water Cooperative, Inc. (the Cooperative), which comprise the consolidated balance sheet as of September 30, 2024, and the related consolidated statements of operations, and cash flows for the year then ended, and the related notes to the consolidated financial statements, which collectively comprise the Cooperative's basic financial statements, and have issued our report thereon dated February 17, 2025.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the Cooperative's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Cooperative's internal control. Accordingly, we do not express an opinion on the effectiveness of the Cooperative'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 Cooperative's consolidated 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 and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and responses at items 2024-001 and 2024-002, that we consider to be material weaknesses.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Cooperative’s consolidated 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 consolidated financial statements. 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*.

EJ Water Cooperative, Inc.’s Response to Finding

Government Auditing Standards require the auditor to perform limited procedures on the Cooperative’s response to the finding identified in our audit and described in the accompanying Schedule of Findings and Questioned Costs. The Cooperative’s response was not subjected to the auditing procedures applied in the audit of the consolidated financial statements and, accordingly, we express no opinion on the response.

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 Cooperative’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 Cooperative’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



CliftonLarsonAllen LLP

Rochester, Minnesota
February 17, 2025



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL PROGRAM, REPORT ON INTERNAL CONTROL OVER COMPLIANCE,
AND REPORT ON THE SCHEDULE OF EXPENDITURES OF
FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE**

Board of Directors
EJ Water Cooperative, Inc.
Dieterich, Illinois

Report on Compliance for Each Major Federal Program
Opinion on Each Major Federal Program

We have audited EJ Water Cooperative, Inc.'s (the Cooperative) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the Cooperative's major federal programs for the year ended September 30, 2024. The Cooperative's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Cooperative complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2024.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Cooperative and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Cooperative's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Cooperative's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Cooperative's compliance based on our audit. 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 GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Cooperative's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Cooperative's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Cooperative's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Cooperative's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

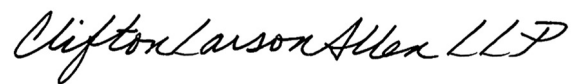
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Board of Directors
EJ Water Cooperative, Inc.

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



CliftonLarsonAllen LLP

Rochester, Minnesota
February 17, 2025

**EJ WATER COOPERATIVE, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED SEPTEMBER 30, 2024**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Passed- Through to Subrecipients	Total Federal Expenditures
U.S. Department of Agriculture Passed Through Rural Utilities Service Department of Agriculture				
Water and Waste Disposal Systems for Rural Communities	10.760	H2AHPB9HRT75	N/A	\$ 782,500
U.S. Department of Housing and Urban Development Passed Through Illinois Department of Commerce and Economic Opportunity				
Community Development Block Grants	14.228	U311LMMSD427	N/A	<u>550,000</u>
Total Federal Awards Expended				<u><u>\$ 1,332,500</u></u>

See accompanying Notes to Schedule of Expenditures of Federal Awards.

EJ WATER COOPERATIVE, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
SEPTEMBER 30, 2024

NOTE 1 BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal activity of EJ Water Cooperative, Inc. (the Cooperative) under programs of the federal government for the year ended September 30, 2024. The information in this Schedule is presented in accordance with the requirements of 2 CFR Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Because the Schedule presents only a selected portion of the operations of the Cooperative, it is not intended to and does not present the financial position, changes in patronage capital and other equities, or cash flows of the Cooperative.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 3 RELATIONSHIP TO FINANCIAL STATEMENTS

Federal awards revenue was reflected in the financial statements as a contribution in aid of construction.

NOTE 4 INDIRECT COST RATE

The Cooperative has elected not to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**EJ WATER COOPERATIVE, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2024**

Section I – Summary of Auditors’ Results

Financial Statements

Type of auditors’ report issued: Unmodified

1. Internal control over financial reporting:

- Material weakness(es) identified? x yes no
- Significant deficiency(ies) identified? yes x none reported

2. Noncompliance material to financial statements noted? yes x no

Federal Awards

1. Internal control over major federal programs:

- Material weakness(es) identified? yes x no
- Significant deficiency(ies) identified? yes x none reported

2. Type of auditors’ report issued on compliance for major federal programs: Unmodified

3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? yes x no

Identification of Major Federal Programs

Assistance Listing Number(s)	Name of Federal Program or Cluster
10.760	Water and Waste Disposal Systems for Rural Communities
Dollar threshold used to distinguish between Type A and Type B programs:	\$ <u> 750,000 </u>
Auditee qualified as low-risk auditee?	<u> </u> yes <u> x </u> no

**EJ WATER COOPERATIVE, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2024**

Section II – Financial Statement Findings

FINDING: 2024-001 ANNUAL FINANCIAL REPORTING UNDER GAAP

Type of Finding: Material weakness in internal control over financial reporting.

Condition:

The Cooperative does not have an internal control policy in place over annual financial reporting that would enable management to prepare its annual consolidated financial statements and related footnote disclosures are complete and presented in accordance with GAAP.

Criteria or Specific Requirement:

Management is responsible for establishing and maintaining internal controls and for the fair presentation of the consolidated financial statements including the related disclosures, in conformity with GAAP.

Effect:

The potential exists that a material misstatement could occur in the consolidated financial statements and not be prevented or detected and corrected by the Cooperative's internal control.

Cause:

The Cooperative has not adopted an internal control policy over the annual financial reporting under GAAP. The Cooperative engages the audit firm to prepare the annual consolidated financial statements and related footnote disclosures. However, they have reviewed and approved the annual consolidated financial statements and the related footnote disclosures.

Repeat Finding:

This finding is a repeat finding in the immediately prior year. Prior year finding number was 2023-001.

Recommendation:

The Cooperative should continue to evaluate their internal staff and expertise to determine if an internal control policy over the annual financial reporting is beneficial.

Views of Responsible Officials and Planned Corrective Actions:

Management will continue to engage the audit firm to create the draft consolidated financial statements and related footnote disclosures and will review and approve these prior to the issuance of the annual consolidated financial statements.

**EJ WATER COOPERATIVE, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2024**

Section II – Financial Statement Findings (Continued)

FINDING: 2024-002 Material Audit Adjustments

Type of Finding: Material weakness in internal control over financial reporting.

Condition:

The audit firm proposed, and the Cooperative posted to its accounts, journal entries to correct certain misstatements identified by the auditors.

Criteria or Specific Requirement:

Management is responsible for establishing and maintaining internal controls and for the fair presentation of the consolidated financial statements.

Effect:

The potential exists that a material misstatement could occur in the consolidated financial statements and not be prevented or detected and corrected by the Cooperative's internal controls.

Cause:

The Cooperative had accrual entries that they depended on the audit firm to assist in calculating and adjusting.

Repeat Finding:

This is not a repeat finding.

Recommendation:

The Cooperative should continue to evaluate their internal staff and expertise to ensure that accounts are adjusted to their appropriate year-end balances in accordance with Generally Accepted Accounting Principles (GAAP)

Views of Responsible Officials and Planned Corrective Actions:

Management is in agreement with the finding and will continue to implement procedures to ensure balances are appropriately adjusted at year-end.

Section III – Federal Award Findings and Questioned Costs

Our audit did not disclose any matters required to be reported in accordance with 2 CFR 200.516(a).



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