

**MOSSY HEAD WATER WORKS, INC.**

**AUDITED FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2019 AND 2018**

**MOSSY HEAD WATER WORKS, INC.**  
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**SEPTEMBER 30, 2019 AND 2018**

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Mossy Head Water Works, Inc.

We have audited the accompanying financial statements of Mossy Head Water Works, Inc., which comprise the balance sheets as of September 30, 2019 and 2018, and the related statements of operations, members' equity, and cash flows for the years then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditors' Responsibility**

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Mossy Head Water Works, Inc., as of September 30, 2019 and 2018, and the results of its operations and cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued a report dated December 13, 2019, on our consideration of Mossy Head Water Works, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

*Warren Averett, LLC*

Destin, Florida  
December 13, 2019

**MOSSY HEAD WATER WORKS, INC.  
BALANCE SHEETS  
SEPTEMBER 30, 2019 AND 2018**

|  | <u>2019</u>         | <u>2018</u>         |
|--|---------------------|---------------------|
| <b>ASSETS</b>                                |                     |                     |
| <b>UTILITY PLANT IN SERVICE, NET</b>         | \$ 5,510,874        | \$ 5,741,266        |
| <b>RESTRICTED ASSETS</b>                     |                     |                     |
| Investments                                  | 375,506             | 414,267             |
| <b>CURRENT ASSETS</b>                        |                     |                     |
| Cash   | 381,799             | 381,456             |
| Investments                                  | 811,393             | 555,415             |
| Receivables, net                             | 71,621              | 71,621              |
| Prepaid expenses                             | 13,673              | 13,673              |
| Total current assets                         | <u>1,278,486</u>    | <u>1,022,165</u>    |
| <b>TOTAL ASSETS</b>                          | <u>\$ 7,164,866</u> | <u>\$ 7,177,698</u> |
| <b>LIABILITIES AND MEMBERS' EQUITY</b>       |                     |                     |
| <b>MEMBERS' EQUITY</b>                       |                     |                     |
| Contributions in aid of construction         | \$ 215,625          | \$ 221,875          |
| Retained earnings                            | 2,807,211           | 2,718,408           |
| Total members' equity                        | <u>3,022,836</u>    | <u>2,940,283</u>    |
| <b>LONG-TERM LIABILITIES</b>                 |                     |                     |
| Notes payable                                | 3,920,161           | 4,026,931           |
| Customer deposits                            | 110,924             | 99,575              |
| Total long-term liabilities                  | <u>4,031,085</u>    | <u>4,126,506</u>    |
| <b>CURRENT LIABILITIES</b>                   |                     |                     |
| Accounts payable                             | 39                  | 39                  |
| Accrued expenses                             | 4,688               | 4,731               |
| Deferred revenue                             | 10,102              | 10,102              |
| Prepaid tap fees                             | 3,120               | 9,360               |
| Current maturities of notes payable          | 92,996              | 86,677              |
| Total current liabilities                    | <u>110,945</u>      | <u>110,909</u>      |
| <b>TOTAL LIABILITIES AND MEMBERS' EQUITY</b> | <u>\$ 7,164,866</u> | <u>\$ 7,177,698</u> |

See notes to the financial statements.

**MOSSY HEAD WATER WORKS, INC.  
STATEMENTS OF OPERATIONS  
FOR THE YEARS ENDED SEPTEMBER 30, 2019 AND 2018**

|                                  | <u>2019</u>      | <u>2018</u>      |
|----------------------------------|------------------|------------------|
| <b>REVENUE FROM OPERATIONS</b>   |                  |                  |
| Water services                   | \$ 767,739       | \$ 751,218       |
| Tap fees                         | 102,563          | 78,557           |
| Other services                   | 25,296           | 21,237           |
| Total operating revenue          | <u>895,598</u>   | <u>851,012</u>   |
| <b>OPERATING EXPENSES</b>        |                  |                  |
| Operating and maintenance        | 406,409          | 413,663          |
| Depreciation and amortization    | 232,471          | 230,816          |
| Total operating expenses         | <u>638,880</u>   | <u>644,479</u>   |
| <b>OPERATING INCOME</b>          | <u>256,718</u>   | <u>206,533</u>   |
| <b>OTHER REVENUES (EXPENSES)</b> |                  |                  |
| Interest income                  | 14,955           | 6,935            |
| Interest expense                 | (182,870)        | (184,244)        |
| Total other revenues (expenses)  | <u>(167,915)</u> | <u>(177,309)</u> |
| <b>NET INCOME (LOSS)</b>         | <u>\$ 88,803</u> | <u>\$ 29,224</u> |

See notes to the financial statements.

**MOSSY HEAD WATER WORKS, INC.  
STATEMENTS OF MEMBERS' EQUITY  
FOR THE YEARS ENDED SEPTEMBER 30, 2019 AND 2018**

|   | <u>2019</u>                | <u>2018</u>                |
|---|----------------------------|----------------------------|
| <b>CONTRIBUTIONS IN AID OF CONSTRUCTION</b> |                            |                            |
| Beginning of year                           | \$ 221,875                 | \$ 228,125                 |
| Amortization                                | <u>(6,250)</u>             | <u>(6,250)</u>             |
| Ending balance                              | <u>215,625</u>             | <u>221,875</u>             |
| <b>RETAINED EARNINGS</b>                    |                            |                            |
| Beginning of year                           | 2,718,408                  | 2,689,184                  |
| Net income                                  | <u>88,803</u>              | <u>29,224</u>              |
| End of year                                 | <u>2,807,211</u>           | <u>2,718,408</u>           |
| <b>TOTAL MEMBERS' EQUITY</b>                | <u><u>\$ 3,022,836</u></u> | <u><u>\$ 2,940,283</u></u> |

See notes to the financial statements.

**MOSSY HEAD WATER WORKS, INC.  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED SEPTEMBER 30, 2019 AND 2018**

|  | <u>2019</u>        | <u>2018</u>       |
|--|--------------------|-------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>  |                    |                   |
| Net income (loss)  | \$ 88,803          | \$ 29,224         |
| Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities: |                    |                   |
| Depreciation and amortization  | 232,472            | 230,816           |
| (Increase) decrease in operating assets:   |                    |                   |
| Receivables, net   | -                  | (10,700)          |
| Prepaid expenses   | -                  | (1,365)           |
| Increase (decrease) in liabilities:  |                    |                   |
| Accrued expenses   | (43)               | -                 |
| Deferred revenue   | -                  | 1,193             |
| Prepaid tap fees   | (6,240)            | 9,360             |
| Customer deposits  | 11,349             | 3,740             |
| Net cash flows provided by operating activities  | <u>326,341</u>     | <u>262,268</u>    |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>  |                    |                   |
| Acquisition and construction of property and equipment   | (8,330)            | (69,789)          |
| Proceeds from sales and maturities of investments  | 804,081            | 100,000           |
| Purchase of investments  | <u>(1,021,298)</u> | <u>(182,435)</u>  |
| Net cash flows used in investing activities  | <u>(225,547)</u>   | <u>(152,224)</u>  |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>  |                    |                   |
| Principal payments of long-term debt   | <u>(100,451)</u>   | <u>(92,076)</u>   |
| <b>NET CHANGE IN CASH</b>  | 343                | 17,968            |
| <b>CASH AT BEGINNING OF YEAR</b>   | <u>381,456</u>     | <u>363,488</u>    |
| <b>CASH AT END OF YEAR</b>   | <u>\$ 381,799</u>  | <u>\$ 381,456</u> |
| <b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION</b>   |                    |                   |
| Interest paid  | <u>\$ 182,870</u>  | <u>\$ 184,244</u> |

See notes to the financial statements.

**MOSSY HEAD WATER WORKS, INC.  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2019 AND 2018**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF BUSINESS**

**Background**

Mossy Head Water Works, Inc., (hereinafter referred to as the Company) was incorporated in the State of Florida on April 25, 1969, as a not-for-profit corporation to provide water utility services under retail and wholesale agreements to members in Walton County near Mossy Head, Florida. The service area is 120 square miles, 77 square miles of which is currently being served. The Company's primary funding sources are from sales of water service, infrastructure constructed and donated by developers, and tap fees. The Company has qualified under Internal Revenue Code Section 501(c)(12) as an exempt organization and, as such, is not liable for income taxes. By Florida Statutes, the Company is also exempt from sales tax and ad valorem taxes.

**Basis of Accounting**

The Company prepares its financial statements on the accrual basis of accounting. The Company recognizes revenue for services as they are billed monthly to members, connection fees are recognized when payment is received, and contributions in aid of construction are recorded as equity when received and are amortized over the life of the related improvement. The Company's revenues for water service are recognized monthly when billed. All other revenue is recognized when received or receivable.

**Utility Plant In-Service and Depreciation**

Utility plant and other property are recorded at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is reflected in income for the period. In accordance with generally accepted accounting principles, property contributed by developers is recorded at estimated fair value at the time of acceptance by the Company. The cost of maintenance and repairs is charged to expense as incurred while significant renewals and betterments are capitalized. Estimated useful lives of utility plant in service are as follows:

|                                  | <u>Useful Life</u> |
|----------------------------------|--------------------|
| Buildings and improvements       | 10 to 25 years     |
| Utility system                   | 25 to 50 years     |
| Office, plant and shop equipment | 5 to 10 years      |
| Vehicles                         | 5 years            |

**Restricted Investments**

Certain investments have been classified as restricted pursuant to the requirements of long term debt agreements and for customer deposits.

**Cash and Cash Equivalents**

For the purpose of the statements of cash flows, cash equivalents include all investments with original maturities of three months or less when purchased.

**Investments**

Investments held by the Company consist of certificates of deposit and deposits with the certificate of deposit account registry service. These investments are considered to be held to maturity and are recorded at cost.

**MOSSY HEAD WATER WORKS, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2019 AND 2018**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF BUSINESS – CONTINUED**

**Customer Receivables**

Customer receivables are due when bills are rendered. Bills not paid in full by the 10<sup>th</sup> of the following month will be assessed a late fee. Bills not paid in full by the close of business of the 15<sup>th</sup> of the month will be locked for non-payment and a reconnect fee will be charged. The Company provides for doubtful accounts based on an analysis of individual accounts. When specific amounts are determined to be uncollectible, they are written off by charging the allowance and crediting trade accounts receivable. Allowance for doubtful accounts as of September 30, 2019 and 2018, was \$5,487.

**Contributions in Aid of Construction**

Contributions in aid of construction consist of state and federal grants and contributions by developers toward the cost of the water system. Property contributed by developers is recorded as contributions in aid of construction at its estimated fair value at the date received. These contributions are amortized using the straight-line method over the estimated useful lives of the contributed assets, generally 40 years. The amortization is offset against depreciation charged to operations.

**Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the reporting date and revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Events Occurring After Reporting Date**

The Company has evaluated events and transactions that occurred between September 30, 2019 and December 13, 2019, which is the date the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

**2. INVESTMENTS**

At September 30, 2019, the restricted investments balance of \$375,506 consisted of one certificate of deposit and two deposits with the certificate of deposit account registry service (CDARS) that bear interest ranging from 2.20% to 2.45% and mature between November 2019 and July 2020. At September 30, 2019, the unrestricted investments balance of \$811,393 consists of two certificates of deposits and five deposits with the CDARS that bear interest ranging from 1.76% to 2.55% and mature between March 2020 and February 2021.

**MOSSY HEAD WATER WORKS, INC.  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2019 AND 2018**

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**2. INVESTMENTS – CONTINUED**

At September 30, 2018 the restricted investments balance of \$414,267 consisted of one certificate of deposit and two deposits with the certificate of deposit account registry service (CDARS) that bear interest ranging from .75% to 2.20% and mature between November 2018 and July 2019. At September 30, 2018, the unrestricted investments balance of \$555,415 consists of two certificates of deposits and three deposits with the CDARS that bear interest ranging from 1.25% to 2.35% and mature between March 2019 and February 2021.

**3. RESTRICTED INVESTMENTS**

The Company's restricted investments include reserves imposed by the United States Department of Agriculture Rural Utility Service (USDA/RUS) in connection with various loans to the Company. The restrictions will remain until such time that the loans are no longer outstanding. Restricted investments also represents meter deposits held for customers.

**4. UTILITY PLANT IN SERVICE, NET**

The following is a summary of utility plant in service as of September 30:

|                                   | <u>2019</u>         | <u>2018</u>         |
|-----------------------------------|---------------------|---------------------|
| Utility plant                     | \$ 8,419,926        | \$ 8,419,926        |
| Land                              | 39,430              | 39,430              |
| Buildings                         | 177,822             | 177,822             |
| Equipment                         | 231,479             | 230,295             |
| Improvements other than buildings | 14,057              | 14,057              |
| Vehicles                          | 145,655             | 145,656             |
|                                   | 9,028,369           | 9,027,186           |
| Less accumulated depreciation     | <u>(3,517,495)</u>  | <u>(3,285,920)</u>  |
|                                   | <u>\$ 5,510,874</u> | <u>\$ 5,741,266</u> |

Annual provisions for depreciation of utility plant in service, net of amortization of contributions in aid of construction, total \$232,471 (depreciation of \$238,721 and amortization of \$6,250) and \$230,816 (depreciation of \$237,066 and amortization of \$6,250 for the years ended September 30, 2019 and 2018, respectively).

**MOSSY HEAD WATER WORKS, INC.  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2019 AND 2018**

**5. CUSTOMER DEPOSITS**

A customer deposit is required for each customer account and is held until that account is closed. The fee is either applied toward the final billing or returned after the final payment has been received. These deposits are presented as a long-term liability on the balance sheet. Customer deposits held on accounts were \$110,924 and \$99,575 as of September 30, 2019 and 2018. This liability is funded by restricted investments.

**6. LONG-TERM DEBT**

The Company's long-term debt consisted of the following as of September 30:

|  | <u>2019</u>         | <u>2018</u>         |
|--|---------------------|---------------------|
| Note payable to USDA/RUS #91-04 secured by facilities and equipment; interest rate 4.875% per annum; payable in 369 monthly installments of \$3,650 including interest; note matures in 2038.  | \$ 473,783          | \$ 505,890          |
| Note payable to USDA/RUS #91-06 secured by facilities and equipment; interest rate 4.625% per annum; payable in 430 monthly installments of \$6,249 including interest; note matures in 2042.  | 1,030,945           | 1,057,662           |
| Note payable to USDA/RUS #91-08 secured by facilities and equipment; interest rate 4.25% per annum; payable in 468 monthly installments of \$12,461 including interest ; note matures in 2049. | <u>2,508,429</u>    | <u>2,550,056</u>    |
|  | 4,013,157           | 4,113,608           |
| Less current portion included in current liabilities   | <u>(92,996)</u>     | <u>(86,677)</u>     |
| Long-term portion  | <u>\$ 3,920,161</u> | <u>\$ 4,026,931</u> |

In order to meet the covenants for the Rural Utilities Service (RUS) loans, the Company is required to maintain a reserve cash account equal to one-tenth of the annual payment until the equivalent of a year's worth of annual payments have been accumulated and thereafter as necessary to maintain the required amount. As of September 30, 2019, the reserve requirement was \$264,582. This amount was fully funded as of September 30, 2019. All deposits made for the purpose of meeting either current or future reserve needs are classified as restricted funds.

**MOSSY HEAD WATER WORKS, INC.  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2019 AND 2018**

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**6. LONG-TERM DEBT – CONTINUED**

Aggregate maturities of long-term debt at September 30, 2019, are as follows:

|            | <u>Amount</u>       |
|------------|---------------------|
| 2020       | \$ 92,996           |
| 2021       | 97,274              |
| 2022       | 101,749             |
| 2023       | 106,431             |
| 2024       | 111,330             |
| Thereafter | <u>3,503,377</u>    |
|            | <u>\$ 4,013,157</u> |

## **COMPLIANCE SECTION**

**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**

To the Board of Directors  
Mossy Head Water Works, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Mossy Head Water Works, Inc., which comprise the balance sheets as of September 30, 2019 and 2018, and the related statements of operations, members' equity, and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated December 13, 2019

**Internal Control over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses, that we consider to be a material weakness (See Finding 2019-1).

**Compliance and Other Matters**


As part of obtaining reasonable assurance about whether Mossy Head Water Works, Inc.'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 audits 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*.

**Mossy Head Water Works, Inc.'s Response to Findings**

Mossy Head Water Works, Inc.'s response to the findings identified in our audit is described in the accompanying schedule of findings and responses. Mossy Head Water Works, Inc.'s response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

**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 Mossy Head Water Works, Inc.'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 Mossy Head Water Works, Inc.'s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

  
Destin, Florida  
December 13, 2019

**MOSSY HEAD WATER WORKS, INC.  
SCHEDULE OF FINDINGS AND RESPONSES  
FISCAL YEAR ENDED SEPTEMBER 30, 2019**

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**1. Summary of Auditors' Results**

*Financial Statements*

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? \_\_\_\_\_ X \_\_\_\_\_ Yes \_\_\_\_\_ No
- Significant deficiency(ies) identified that is/are not considered to be material weakness(es)? \_\_\_\_\_ Yes \_\_\_\_\_ X \_\_\_\_\_ No
- Non-compliance material to financial statements noted? \_\_\_\_\_ Yes \_\_\_\_\_ X \_\_\_\_\_ No

**2. Financial Statement Findings**

**Finding 2019-1 Segregation of Duties Surrounding Financial Reporting**

***Criteria***

In accordance with certain agreements entered into by the Company, it is required to design and implement internal control over financial reporting that allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis.

***Condition***

The Company has not designed nor implemented internal controls over financial reporting that would prevent, or detect and correct, on a timely basis a material misstatements of the Company's financial statements.

***Cause***

All accounting functions are performed by two individuals with limited skills, expertise, and knowledge in accounting, internal controls over financial reporting or preparing financial statements in accordance with generally accepted accounting principles in the United States ("US GAAP").

**2. Financial Statement Findings – Continued**

***Effect***

While there are some mitigating controls put in place by the Company, it is unable to adequately mitigate its lack of segregation of duties and is also not able to prepare financial statements in accordance with US GAAP.

**MOSSY HEAD WATER WORKS, INC.  
SCHEDULE OF FINDINGS AND RESPONSES  
FISCAL YEAR ENDED SEPTEMBER 30, 2019**

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***Recommendation***

The Company should consider outsourcing the year end closing, preparation of the financial statements, and monthly review of the bank reconciliations to a certified public accountant. The Company should continue its efforts to mitigate its lack of segregation of duties issue by separating check signing ability from individuals who have recordkeeping responsibilities or requiring a Board member to sign each disbursement check and approve ACH payments. We also recommend having a formal review process of the final check register in place as evidence of review by someone other than those with check signing ability.

***Views of Responsible Officials and Planned Corrective Action***

The entity believes that the costs of correcting the weaknesses outweigh the benefits derived from the additional staffing of qualified staff to produce financial statements in accordance with generally accepted accounting principles.