

AUDIT REPORT

JOHNSTON COUNTY RURAL WATER, SEWER AND
SOLID WASTE MANAGEMENT DISTRICT NO. 4

DECEMBER 31, 2022

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JOHNSTON COUNTY RWS&SWMD #4
COLEMAN, OKLAHOMA
DECEMBER 31, 2022

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JOHNSTON COUNTY RWS&SWMD #4
COLEMAN, OKLAHOMA
DECEMBER 31, 2022

BOARD OF DIRECTORS

<u>NAME</u>	<u>POSITION</u>
Dennis Stephens	Chairman
Donna Owens	Vice Chairman
Floyd White	Secretary/Treasurer
Jackie Lewis	Member
William F. Fahey Jr.	Member

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Johnston County RWS&SWMD #4
Coleman, Oklahoma

Report on the Audit of the Financial Statements

Opinion

I have audited the accompanying financial statements of Johnston County Rural Water, Sewer and Solid Waste Management District #4, Oklahoma, as of and for the years ended December 31, 2022, and the related notes to the financial statements, as listed in the table of contents.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Johnston County Rural Water, Sewer and Solid Waste Management District #4 as of December 31, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

I conducted my 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. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of the Johnston County Rural Water, Sewer and Solid Waste Management District #4 and to meet my other ethical responsibilities, in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

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Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Johnston County Rural Water, Sewer and Solid Waste Management District #4's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my 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 financial statements.

In performing an audit in accordance with GAAS, I

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design

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and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Johnston County Rural Water, Sewer and Solid Waste Management District #4's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Johnston County Rural Water, Sewer and Solid Waste Management District #4's ability to continue as a going concern for a reasonable period of time.

I am 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 I identified during the audit.

Required Supplementary Information

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. My opinion on the basic financial statements is not affected by this missing information.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory information section listed in the accompanying table of contents but

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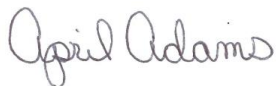
Email: cpa@apriladamscpa.com

does not include the basic financial statements and my auditor's report thereon. My opinion on the basic financial statements does not cover the other information, and I do not express an opinion or any form of assurance thereon.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated August 23, 2023, on my consideration of the Johnston County Rural Water, Sewer and Solid Waste Management District #4's internal control over financial reporting and my 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 my 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 Johnston County Rural Water, Sewer and Solid Waste Management District #4'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 Johnston County Rural Water, Sewer and Solid Waste Management District #4's internal control over financial reporting and compliance.



April Adams CPA PLLC
Ponca City, Oklahoma

August 23, 2023

JOHNSTON COUNTY RWS&SWMD #4
COLEMAN, OKLAHOMA
STATEMENT OF NET POSITION
DECEMBER 31, 2022

<u>ASSETS</u>	<u>2022</u>
<u>Current Assets:</u>	
Cash in Bank:	
Checking - Operations	\$ 235,082
Savings	138,783
Petty Cash	100
Accounts Receivable - Water/Sewer	17,178
Prepaid Insurance	2,572
Total Current Assets	<u>393,714</u>
<u>Restricted Assets:</u>	
Customer Deposits Checking	5,456
Rural Development Sewer Reserve CD	6,840
Rural Development Sewer Reserve #2 CD	1,116
Total Restricted Assets	<u>13,412</u>
<u>Capital Assets:</u>	
Water Distribution Facilities	659,942
Sewer Facilities	607,276
Building	22,454
Furniture & Fixtures	43,016
Land	28,000
Less: Accumulated Depreciation	<u>(707,307)</u>
Total Capital Assets	<u>653,383</u>
TOTAL ASSETS	<u>\$ 1,060,509</u>
<u>LIABILITIES & NET POSITION</u>	
<u>LIABILITIES:</u>	
<u>Current Liabilities:</u>	
Accounts Payable - Trade	\$ 3,299
Security Deposits	1,998
Current Portion of Long-Term Debt	4,285
Accrued Interest Payable	62
Total Current Liabilities	<u>9,644</u>
<u>Long-Term Liabilities:</u>	
Notes Payable	83,981
Less: Current Portion of Long-Term Debt	<u>(4,285)</u>
Total Long-Term Liabilities	<u>79,696</u>
TOTAL LIABILITIES	<u>89,340</u>
<u>NET POSITION:</u>	
Net investment in capital assets	569,402
Restricted for debt service	13,412
Unrestricted	<u>388,355</u>
TOTAL NET POSITION	<u>971,169</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 1,060,509</u>

The accompanying notes are an integral part of the basic financial statements.

**JOHNSTON COUNTY RWS&SWMD #4
COLEMAN, OKLAHOMA
STATEMENT OF REVENUES, EXPENSES & CHANGES IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2022**

	2022
OPERATING REVENUES:	
Water Sales	\$ 138,942
Sewer Sales	18,985
Membership and Connection Fees	13,525
Late Fees	3,741
Grant Income	-
Total Operating Revenues	175,193
OPERATING EXPENSES:	
Water:	
Operator and Bookkeeping Fees	42,697
Payroll Tax Expense	3,733
Utilities	10,312
Repairs & Maintenance	13,710
Contract Labor	2,526
Operating Supplies	8,112
Office Supplies & Postage	2,336
Insurance and Bonds	3,753
Professional Fees	-
Dues and Fees	7,395
Mileage	6,312
Depreciation	19,544
Bank Charges	65
Miscellaneous	5,489
Sewer:	
Utilities - Sewer	726
Depreciation - Sewer	15,129
Total Operating Expenses	141,838
Operating Income (Loss)	33,355
NON-OPERATING REVENUES (EXPENSES):	
Refunds and Miscellaneous	-
Interest Income	328
Interest Expense - Sewer	(3,857)
Miscellaneous Income	44,985
Net Non-Operating Revenues (Expenses)	41,456
Change in Net Position	74,812
TOTAL NET POSITION - Beginning of Year	896,357
TOTAL NET POSITION - Prior Year Adjustment	-
TOTAL NET POSITION - End of Year	\$ 971,169

The accompanying notes are an integral part of the basic financial statements.

**JOHNSTON COUNTY RWS&SWMD #4
COLEMAN, OKLAHOMA
STATEMENT OF CASH FLOWS
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2022**

	2022
<u>Cash Flows from Operating Activities:</u>	
Cash Receipts from Customers	\$ 171,179
Cash Receipts from Others	-
Payments to Suppliers for Goods & Services	(106,872)
Customer Deposits Received, Less Refunded	(150)
Net Cash Provided (Used) by Operating Activities	64,157
<u>Cash Flows from Capital & Related Financing Activities:</u>	
Additions to Capital Assets	(26,515)
Proceeds from sale of Capital Assets	44,985
Misc. Income	-
Principal Payments on Long-Term Debt	(4,097)
Interest Payments	(3,859)
Net Cash Provided (Used) by Capital & Related Financing Activities	10,514
<u>Net Cash Flows from Investing Activities:</u>	
Refunds and Miscellaneous	-
(Increase) Decrease in Investments	-
Interest Income	328
Net Cash Provided (Used) by Investing Activities	328
Net Increase (Decrease) in Cash and Cash Equivalents	74,999
Cash & Cash Equivalents, Beginning of Year	304,421
Cash & Cash Equivalents, End of Year	\$ 379,420
<u>Reconciliation of operating income (loss) to net cash provided</u>	
<u>operating activities:</u>	
Net Operating Income (Loss)	\$ 33,355
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities	
Depreciation	34,674
(Increase)Decrease in Accounts Receivable	(4,015)
(Increase)Decrease in Prepaid Insurance	(281)
Increase(Decrease) in Accounts Payable	573
Increase(Decrease) in Security Deposits	(150)
Increase(Decrease) in Other Payables	-
Net Cash Provided (Used) by Operating Activities	\$ 64,157

The accompanying notes are an integral part of the basic financial statements.

JOHNSTON COUNTY RWS&SWMD #4
COLEMAN, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICES

A. The Reporting Entity

The Coleman Waterworks, Inc. is a non-profit corporation having been organized and established under the provisions of Title 18 of the Oklahoma Statutes, for the purpose of constructing and operating a water supply distribution system serving the members of the Corporation. The Corporation was organized in Coleman, Oklahoma on March 27, 1969.

On December 9, 2004, the corporation was dissolved and the District was reorganized under the provisions of the Rural Water, Sewer and Solid Waste Management Districts Act of Oklahoma (82 O.S. 1991 Sec. 1324-01-1324.26) as amended and supplemented. The new name of the District shall be "Rural Water, Sewer and Solid Waste Management District No. 4, Johnston County, Oklahoma."

B. Basis of Presentation

The District is accounted for within the framework of enterprise fund accounting. Enterprise funds are used to account for operations that are operated in a manner similar to private business enterprises wherein the intent of the District's Board of Directors is to recover the cost of providing goods and services through user charges

C. Basis of Accounting

The financial statements of the District are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

D. Budgetary Data

In accordance with the By-laws of the District, an annual budget is prepared for internal bookkeeping purposes. The District prepares USDA Form RD 442-2A Statement of Budget, Income and Equity as its budget for the year.

JOHNSTON COUNTY RWS&SWMD #4
COLEMAN, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022

E. Assets, Liabilities & Equity

Cash and Cash Equivalents

For purposes of the statement of cash flows, the District considers all cash on hand, demand deposits and highly liquid investments (including restricted assets), with a maturity of three months or less when purchased, to be cash and cash equivalents.

Allowance for Doubtful Accounts

The District does not have an allowance for doubtful accounts because it believes the ultimate amount received will be materially similar to the amount accrued.

Capital Assets

Water distribution facilities, office furniture and equipment purchased, or constructed by the District are stated at cost. Depreciation is computed on the straight-line method based on the estimated useful lives of the assets ranging from five to forty years. The capitalization threshold has been set at \$100.00.

Construction in progress is recorded at cost. No depreciation is recognized until construction contracts are complete and the applicable facilities become operational.

Long-Term Debt

Long-term liabilities are recorded at the amount payable as of the report date.

Equity Classification

Equity is classified as net position and displayed in three components:

1. Net investment in capital assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition,

JOHNSTON COUNTY RWS&SWMD #4
COLEMAN, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022

construction, or improvements of those assets and adjusted for any deferred inflows and outflows of resources attributable to capital assets and related debt.

2. Restricted – Consists of restricted assets reduced by liabilities and deferred inflows or resources related to those assets, with restriction constraints placed on the use either by (a) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (b) law through constitutional provisions or enabling legislation.
3. Unrestricted - Net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

It is the District's policy to first use restricted net resources prior to the use of unrestricted net resources when an expense is incurred for purposes for which both restricted and unrestricted net resources are available.

F. Revenues, expenditures & expenses

Operating revenues and expenses for proprietary funds result from providing services and producing and delivering goods and/or services. They also include all revenues and expenses not related to capital and related financing, noncapital financing, or investing activities.

G. Governmental Accounting Standards Board Statement No. 34

In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments. Certain of the significant changes in the Statement include the following:

1. For the first time the financial statement should include:
 - a. A Management Discussion and Analysis (MD&A) section providing analysis of the District's overall financial position and results of operations. However, the District

JOHNSTON COUNTY RWS&SWMD #4
COLEMAN, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022

has chosen not to present the required MD&A for the current year.

- b. Financial statements prepared using full accrual accounting for all of the District's activities, except for including the General capital assets or infrastructure (lines, pump stations, etc.).
2. A change in the fund financial statements to focus on major funds.

These and other changes are reflected in the accompanying financial statements (including the notes to the financial statements). The District has elected to implement the general provisions of the Statement and report infrastructure acquired after December 31, 2003 as provided by GASB standards.

NOTE 2 - CASH AND INVESTMENTS

Custodial Credit Risk

At December 31, 2022, the District held deposits of approximately \$387,422 at financial institutions. The District's cash deposits, including interest-bearing certificates of deposit are covered by Federal Depository Insurance (FDIC) or direct obligation of the U.S. Government insured or collateralized with securities held by the District or by its agent in the District's name. However at December 31, 2022, the excess over FDIC coverage was uninsured and uncollateralized.

Investment Interest Rate Risk

The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Investment Credit Risk

The District has no policy that limits its investment choices other than the limitation of state law as follows:

- a. Direct obligations of the U.S. Government, its agencies and instrumentalities to which the full faith and credit of the U.S. Government is pledged, or obligations to the payment of which the full faith and credit of the State is pledged.

JOHNSTON COUNTY RWS&SWMD #4
COLEMAN, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022

- b. Certificates of deposits or savings accounts that are either insured or secured with acceptable collateral with in-state financial institutions, and fully insured certificates of deposit or savings accounts in out-of-state financial institutions.
- c. With certain limitation, negotiable certificates of deposit, prime bankers' acceptances, prime commercial paper and repurchase agreements with certain limitations.
- d. County, municipal or school district tax supported debt obligations, bond or revenue anticipation notes, money judgments, or bond or revenue anticipation notes of public trusts whose beneficiary is a county, municipality or school district.
- e. Notes or bonds secured by mortgage or trust deed insured by the Federal Housing Administrator and debentures issued by the Federal Housing Administrator, and in obligations of the National Mortgage Association.
- f. Money market funds regulated by the SEC and in which investments consist of the investments mentioned in the previous paragraphs (a.-d.).

Concentration of Investment Credit Risk

The District places no limit on the amount it may invest in any one issuer. The District has the following of credit risk: 100% in CDs (\$7,956).

NOTE 3 - RESTRICTED ASSETS

For the loan number 92-02, the loan agreement with the United States Department of Agriculture Rural Development (USDA) requires the District to set aside into a Reserve Account the sum of 10% of the monthly installment or \$57.00 each month until there is accumulated in that account the sum of the annual installment (\$6,840.00), after which deposits may be suspended, except to replace withdrawals. The District cannot withdraw funds from the reserve account without USDA approval. As of December 31, 2022, the District was required to have at least \$6,840.00 set aside in the reserve account; as of that date the account balance for the reserve account was \$6,840.00, which complies with the covenants of the loan agreement.

For the loan number 92-03, the loan agreement with the United States Department of Agriculture Rural Development (USDA) requires the District to set aside into a Reserve Account the sum of 10% of the monthly installment or \$9.30 each month until there is accumulated in that account the sum of the annual installment (\$1,116.00), after which

JOHNSTON COUNTY RWS&SWMD #4
 COLEMAN, OKLAHOMA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2022

deposits may be suspended, except to replace withdrawals. The District cannot withdraw funds from the reserve account without USDA approval. As of December 31, 2022, the District was required to have at least \$1,116.00 set aside in the reserve account; as of that date the account balance for the reserve account was \$1,116.00, which complies with the covenants of the loan agreement.

NOTE 4 - CAPITAL ASSETS

Capital asset activity, for the fiscal year ended December 31, 2022, was as follows:

	12/31/21 Balance	Additions	Deductions	12/31/22 Balance
Capital assets not being depreciated:				
Land	\$ 28,000	\$ -	\$ -	\$ 28,000
Construction in Progress	-	-	-	-
Total capital assets not being depreciated	28,000	-	-	28,000
Other capital assets:				
Water Distribution Facilities	633,427	22,875	-	656,302
Sewer Distribution Facilities	607,276	-	-	607,276
Buildings	22,454	-	-	22,454
Furniture & Fixtures	43,016	3,640	-	46,656
Total other capital assets at historical cost	1,306,174	26,515	-	1,332,689
Less accumulated depreciation for:				
Water Distribution Facilities	(308,343)	(14,262)	-	(322,604)
Sewer Distribution Facilities	(312,975)	(15,129)	-	(328,104)
Buildings	(13,994)	(748)	-	(14,742)
Furniture & Fixtures	(37,321)	(4,534)	-	(41,856)
Total accumulated depreciation	(672,633)	(34,674)	-	(707,306)
Other capital assets, net	633,541	(8,159)	-	625,383
Total Capital Assets, net	\$ 661,541	\$ (8,159)	\$ -	\$ 653,383

NOTE 5 - ACCUMULATED UNPAID VACATION BENEFITS

Accumulated unpaid vacation benefits have not been shown as a liability in the financial statements. The District's position is that any accrued benefits are not significant and would not materially affect the financial statements.

NOTE 6 - LONG-TERM DEBT

The District has two notes payable to the United States Department of Agriculture Rural Development (USDA), payable in monthly installments of \$570.00 and \$93.00 until maturity, including interest at 4.50% and 4.375%, respectively. The final payment is scheduled for 2037 and 2046.

JOHNSTON COUNTY RWS&SWMD #4
 COLEMAN, OKLAHOMA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2022

The notes are secured by the distribution facilities and a pledge of revenues of the District.

Changes in Long-Term Debt

The following is a summary of changes in long-term debt for the year ended December 31, 2022:

	Balance at December 31, 2021	Additions	Deductions	Balance at December 31, 2022
Note Payable - USDA RD 92-02	\$ 71,448	\$ -	\$ (3,701)	\$ 67,748
Note Payable - USDA RD 92-03	16,630	-	(396)	16,233
Total Long-Term Debt	<u>\$ 129,312</u>	<u>\$ -</u>	<u>\$ (4,097)</u>	<u>\$ 83,981</u>

Debt Services Requirements to Maturity

The annual debt service requirements to maturity, including principal and interest, for long-term debt, as of December 31, 2022, are as follows:

Note Payable - USDA RD 92-02:

Year Ended December 31,	Principal	Interest	Annual Payment
2023	\$ 3,871	\$ 2,969	\$ 6,840
2024	4,048	2,792	6,840
2025	4,234	2,606	6,840
2026	4,429	2,411	6,840
2027	4,632	2,208	6,840
2028-2032	26,556	7,644	34,200
2033-2036	19,977	1,439	21,416
Total	<u>\$ 67,748</u>	<u>\$ 22,069</u>	<u>\$ 89,816</u>

JOHNSTON COUNTY RWS&SWMD #4
 COLEMAN, OKLAHOMA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2022

Note Payable - USDA RD 92-03:

Year Ended December 31,	Principal	Interest	Annual Payment
2023	\$ 414	\$ 702	\$ 1,116
2024	432	684	1,116
2025	452	664	1,116
2026	472	644	1,116
2027	493	623	1,116
2028-2032	2,816	2,764	5,580
2033-2037	3,712	1,868	5,580
2038-2042	4,631	949	5,580
2043-2045	2,811	141	2,952
Total	<u>\$ 16,233</u>	<u>\$ 9,039</u>	<u>\$ 25,272</u>

NOTE 7 - CONTINGENCIES

Litigation

According to management there were no known contingent liabilities at December 31, 2022, which would have a material effect on the financial statements.

Federally Assisted Programs

In the normal course of operations, the District participates in various federal or state/loan programs from year to year. The grant/loan programs are often subject to additional audits by agents of the granting or loaning agency, the purpose of which is to ensure compliance with the specific conditions of the grant or loan. Any liability of reimbursement that may arise as a result of these audits cannot be reasonably determined at this time, although it is believed the amount, if any, would not be material.

NOTE 8 - RETIREMENT PLAN

The District has no retirement or pension plans.

NOTE 9 - SUBSEQUENT EVENTS

The District did not have any subsequent events through the date the financial statements were issued, for events requiring recording or disclosure in the financial statements for the year ending December 31, 2022.

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INDEPENDENT AUDITOR'S 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
Johnston County RWS&SWMD #4
Coleman, Oklahoma

I 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 the Johnston County RWS&SWMD #4, as of and for the years ended December 31, 2022, and the related notes to the financial statements, and have issued my report thereon dated August 23, 2023. The Johnston County RWS&SWMD #4 has implemented the general provisions of the Governmental Accounting Standards Board (GASB) Statement No. 34, except that the District did not present the required MD&A.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered the Johnston County RWS&SWMD #4'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 my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Johnston County RWS&SWMD #4's internal control. Accordingly, I do not express an opinion on the effectiveness of Johnston County RWS&SWMD #4'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 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.

My 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. Given these limitations, during my audit I did not identify any deficiencies in internal control that I

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consider to be material weaknesses. However, material weaknesses may exist that have not been identified. I did identify certain deficiencies in internal control described in the accompanying Schedule of Findings that I consider to be significant deficiencies. Those deficiencies are listed as Item 2022-01.

Compliance and Other Matters

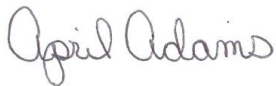
As part of obtaining reasonable assurance about whether the Johnston County RWS&SWMD #4's financial statements are free of material misstatement, I performed tests of compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed one instance of noncompliance that is required to be reported under *Government Auditing Standards*, which is included in the Schedule of Findings as Item 2022-02. The results of my tests disclosed no instances of other matters that are required to be reported under *Government Auditing Standards*.

Johnston County RWS&SWMD #4's Response to Findings

Johnston County RWS&SWMD #4's response to the findings identified in my audit is described in the accompanying Schedule of Findings. Johnston County RWS&SWMD #4's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



April Adams CPA PLLC
Ponca City, Oklahoma

August 23, 2023

JOHNSTON COUNTY RWS&SWMD #4
COLEMAN, OKLAHOMA
SCHEDULE OF FINDINGS
DECEMBER 31, 2022

INTERNAL CONTROL FINDINGS:

Item 2022-01: Segregation of Duties

Criteria: A good system of internal control requires a proper segregation of duties to prevent one person from being in a position to authorize, execute, and record the same transaction.

Condition: Due to the size of the District's major areas of internal control, that would be prevalent in a larger District, such segregation of duties is not available for this size operation. Duties are concentrated in the hands of a few individuals, who are responsible for all phases of the accounting functions. Because of this lack of division of responsibility, internal control is determined to be weak, and in some instances, non-existent.

Cause/Effect: Due to the limited number of personnel, a breach of internal controls could occur and not be detected in the normal course of operations.

Recommendation: The Board should continue to be actively involved in the operations of the organization.

Response: The Board continues to be actively involved in the operations of the organization.

COMPLIANCE FINDINGS:

Item 2022-02: Uninsured & Uncollateralized Deposits

Criteria: To protect public monies from potential loss, Oklahoma Statutes require that local governments, such as the District, before depositing in excess of the federally insured amount (FDIC coverage of \$250,000.00), secure collateral pledges to cover the amount of the deposits. Further, U.S. generally accepted accounting principles (GAAP) requires the District to disclose the amount of its bank balance that is uninsured and uncollateralized at the end of the period.

Condition: During the fiscal year, the District's deposits with Shamrock Bank continued to grow. As a result, \$133,327.95 of the District's bank balance was uninsured and uncollateralized at December 31, 2022.

Cause/Effect: Collateral was not pledged by the servicing bank. Cash deposits exceeding the Federal Deposit Insurance Corporation coverage of

JOHNSTON COUNTY RWS&SWMD #4
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\$250,000 are at risk of being lost if the bank becomes insolvent. No loss of public monies resulted from these uninsured and uncollateralized deposits.

Recommendation: To help protect public monies from potential loss and to comply with state statutes, the District must ensure that all deposits not covered by federal depository insurance are collateralized in accordance Oklahoma Statutes.

Response: The District is now aware of the problem and will work with the bank to find a solution. The Bank stated that they would help the District resolve the problem and on January 25, 2023 issued a letter of credit to cover the excess balance.

Current Status: Both of these findings are repeated from the previous year's audit. The compliance finding is not expected to be applicable to the next fiscal year due to the issuance of the letter of credit.