

AUDIT REPORT

MCCURTAIN COUNTY RURAL WATER DISTRICT #7
GARVIN, OKLAHOMA

OCTOBER 31, 2022



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MCCURTAIN COUNTY RURAL WATER DISTRICT #7
GARVIN, OKLAHOMA
OCTOBER 31, 2022

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MCCURTAIN COUNTY RURAL WATER DISTRICT #7
GARVIN, OKLAHOMA
OCTOBER 31, 2022

BOARD OF DIRECTORS

Kelly Ward

Jeff Spencer

Eric McManus

John Smith

Barry Williams

Holly Coffman, Manager

April Adams CPA PLLC

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
McCurtain County Rural Water District #7
Garvin, Oklahoma

Report on the Financial Statements

I have audited the accompanying financial statements of McCurtain County Rural Water District #7, as of and for the fiscal year ended October 31, 2022, as listed in the table of contents 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 the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit 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 I plan and perform the audit 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 auditor's 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

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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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the McCurtain County Rural Water District #7, as of October 31, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

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.

Supplementary and Other Information

The introductory section listed in the accompanying table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements of the District. Such additional information has not been subjected to the auditing

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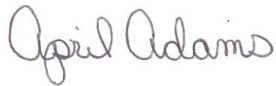
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procedures applied in my audit of the basic financial statements, and accordingly, I do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated May 22, 2023, on my consideration of the McCurtain County Rural Water District #7'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 McCurtain County Rural Water District #7'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 McCurtain County Rural Water District #7's internal control over financial reporting and compliance.



April Adams CPA PLLC
Ponca City, Oklahoma

May 22, 2023

**MCCURTAIN COUNTY RURAL WATER DISTRICT #7
GARVIN, OKLAHOMA
STATEMENT OF NET POSITION
OCTOBER 31, 2022**

	<u>2022</u>
<u>ASSETS</u>	
<u>CURRENT ASSETS:</u>	
Cash	\$ 289,621
Certificates of Deposit	424,578
Certificate of Deposit - Restricted	-
Accounts Receivable	49,628
Prepaid Insurance	7,358
Total Current Assets	771,185
<u>CAPITAL ASSETS:</u>	
Land	50,000
Buildings	62,225
Vehicles	53,266
Office Equipment	10,696
Water Distribution System	2,040,605
Less: Accumulated Depreciation	(1,347,414)
Net Capital Assets	869,377
TOTAL ASSETS	\$ 1,640,562
<u>LIABILITIES & NET POSITION</u>	
<u>CURRENT LIABILITIES:</u>	
Accounts Payable	\$ 19,140
Payroll Taxes Payable	640
Accrued Interest Payable	494
Current Maturities of Long-Term Debt	42,838
Total Current Liabilities	63,112
<u>LONG-TERM LIABILITIES:</u>	
Note Payable	228,494
Less: Current Maturities of Long-Term Debt	(42,838)
Total Long-Term Liabilities	185,656
TOTAL LIABILITIES	248,768
<u>NET POSITION:</u>	
Net investment in capital assets	640,883
Restricted for debt service	-
Unrestricted	750,911
TOTAL NET POSITION	1,391,794
TOTAL LIABILITIES AND NET POSITION	\$ 1,640,562

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

**MCCURTAIN COUNTY RURAL WATER DISTRICT #7
GARVIN, OKLAHOMA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE TWELVE MONTHS ENDED OCTOBER 31, 2022**

	<u>2022</u>
<u>OPERATING REVENUES:</u>	
Water Sales	\$ 498,551
Other	9,707
TOTAL OPERATING REVENUES	<u>508,258</u>
<u>COST OF SALES:</u>	
Water Purchases	<u>(157,962)</u>
GROSS PROFIT	<u>350,296</u>
<u>OPERATING EXPENSES:</u>	
Salaries	49,800
Contract Labor	45,431
Employee Benefits	18,442
Payroll Taxes	3,645
Repairs & Maintenance	6,119
Materials & Supplies	39,025
Fuel	3,465
Insurance	15,829
Utilities	9,817
Membership Dues & Licenses	6,139
Professional Fees	3,100
Office	8,610
Training & Meetings	565
Travel	834
Other	8,352
Fire Collection Fees	4,072
Depreciation	81,170
TOTAL OPERATING EXPENSES	<u>304,416</u>
NET OPERATING INCOME (LOSS)	45,880
<u>OTHER REVENUES (EXPENSES):</u>	
Interest Income	388
Interest Expense	(9,842)
Gain (Loss) on Sale of Capital Assets	5,350
NET INCOME (LOSS)	41,777
TOTAL NET POSITION, Beginning of Year	<u>1,350,018</u>
TOTAL NET POSITION, End of Year	<u><u>\$ 1,391,794</u></u>

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

**MCCURTAIN COUNTY RURAL WATER DISTRICT #7
GARVIN, OKLAHOMA
STATEMENT OF CASH FLOWS
FOR THE TWELVE MONTHS ENDED OCTOBER 31, 2022**

	<u>2022</u>
<u>Cash Flows from Operating Activities:</u>	
Cash Receipts from Customers	\$ 501,646
Payments to Suppliers for Goods & Services	(378,408)
Net Cash Provided (Used) by Operating Activities	<u>123,238</u>
<u>Cash Flows from Capital & Related Financing Activities:</u>	
Additions to Capital Assets	(60,921)
Proceeds from disposal of capital assets	40,000
Principal Payments on Long-Term Debt	(41,616)
Interest Expense	(9,909)
Net Cash Provided (Used) by Capital & Related Financing Activities	<u>(72,446)</u>
<u>Cash Flows from Investing Activities:</u>	
(Increase)Decrease in Investments	(58,146)
Interest Income	388
Net Cash Provided (Used) by Investing Activities	<u>(57,758)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(6,966)
Cash & Cash Equivalents, Beginning of Year	<u>296,587</u>
Cash & Cash Equivalents, End of Year	<u><u>\$ 289,621</u></u>
<u>Reconciliation of operating income (loss) to net cash provided</u>	
<u>operating activities:</u>	
Net Operating Income (Loss)	\$ 45,880
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities	
Depreciation	81,170
(Increase)Decrease in Accounts Receivable	(6,612)
(Increase)Decrease in Prepaid Insurance	(362)
Increase(Decrease) in Accounts Payable	2,679
Increase(Decrease) in Payroll Taxes Payable	482
Net Cash Provided (Used) by Operating Activities	<u><u>\$ 123,238</u></u>

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

MCCURTAIN COUNTY RURAL WATER DISTRICT #7
GARVIN, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2022

NOTE 1 -SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

McCurtain County Rural Water District No. 7 (the "District") was incorporated under the laws of the State of Oklahoma in accordance with Title Eight-Two of the Oklahoma Statutes, as a subdivision of the State of Oklahoma. The District operates and maintains a water treatment and distribution system within McCurtain County, Oklahoma, and provides potable water services to members of the District.

Basis of Presentation

The Enterprise Fund is used to account for the operations of the District that are financed and operated in a manner similar to private business enterprises where the intent is that costs or providing goods or services be recovered in whole or part through user fees or charges.

Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. The District utilizes the accrual basis of accounting, which is in accordance with U.S. generally accepted accounting principles. Revenues are recognized when earned and expenses when incurred.

Budgetary Data

As required by the loan agreement with the USDA Rural Development, the District prepares an annual budget.

Assets, Liabilities, & Equity

Cash and Cash Equivalents

For purposes of the statement of cash flows, cash and cash equivalents consist of cash in the checking and savings accounts. All funds are deposited in institutions insured by FDIC. Deposits are carried at cost.

Accounts Receivable

Accounts receivable represent customer billings for water sales, which were due and owing at the FYE date.

The direct write-off method is used to account for uncollectible receivables. The balance at October 31, 2022 is considered fully collectible.

MCCURTAIN COUNTY RURAL WATER DISTRICT #7
GARVIN, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2022

Property, Plant and Equipment

Purchases of assets with estimated useful lives exceeding one-year are capitalized at cost and depreciated over the estimated useful life of the asset using the straight-line method. Estimated useful lives range from 5 to 40 years. The capitalization threshold has been set at \$1,500.00.

Long-Term Debt

Long-term debt is reported at face value, net of applicable discounts and deferred loss on refunding. Costs related to the issuance of debt are deferred and amortized over the lives of various debt issues.

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, 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.

Revenues, expenditures & expenses

Operating revenues and expenses for proprietary funds result from providing services and producing and delivering goods and/or services.

MCCURTAIN COUNTY RURAL WATER DISTRICT #7
GARVIN, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2022

They also include all revenues and expenses not related to capital and related financing, noncapital financing, or investing activities.

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 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 in the current year and report infrastructure acquired after October 31, 2003 as provided by GASB standards.

Income Taxes

The District is exempt from income taxes under Section 501(c)(12) of the Internal Revenue Code.

Compensated Absences

The organization does not accrue a liability for compensated absences. This is not in accordance with generally accepted accounting principles. However, because of the limited number of people employed by the organization, any liability for compensated absences at October 31, 2022 would not be material to the financial statements taken as a whole.

MCCURTAIN COUNTY RURAL WATER DISTRICT #7
GARVIN, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2022

Estimates

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2 - CASH AND INVESTMENTS

Custodial Credit Risk

At October 31, 2022, the District held deposits of approximately \$714,199 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.

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.
- 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.).

MCCURTAIN COUNTY RURAL WATER DISTRICT #7
GARVIN, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2022

The District places no limit on the amount it may invest in any one issuer. The District has the following of credit risk: 69% in certificates of deposit (\$292,305) and 31% in annuities (\$132,273).

NOTE 3 - RESTRICTED ASSETS

There are no restricted assets this year.

NOTE 4 - CAPITAL ASSETS

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

	10/31/21 Balance	Additions	Deductions	10/31/22 Balance
Capital assets not being depreciated:				
Land	\$ 50,000	\$ -	\$ -	\$ 50,000
Total capital assets not being depreciated	50,000	-	-	50,000
Other capital assets:				
Buildings	62,225	-	-	62,225
Vehicles	102,766	-	(49,500)	53,266
Office Equipment	10,696	-	-	10,696
Water Distribution System	1,979,684	60,921	-	2,040,605
Total other capital assets at historical cost	2,155,371	60,921	(49,500)	2,166,791
Less accumulated depreciation for:				
Buildings	(55,831)	(3,111)	-	(58,942)
Vehicles	(10,277)	(20,553)	14,850	(15,980)
Office Equipment	(10,696)	-	-	(10,696)
Water Distribution System	(1,204,291)	(57,505)	-	(1,261,796)
Total accumulated depreciation	(1,281,094)	(81,170)	14,850	(1,347,414)
Other capital assets, net	874,276	(20,249)	(34,650)	819,377
Total capital assets, net	\$ 924,276	\$ (20,249)	\$ (34,650)	\$ 869,377

NOTE 5 - LONG-TERM DEBT

On May 10, 2018, the District borrowed \$191,000.00 from First State Bank Valliant to purchase smart meters. The note has an interest rate of 2.05%, with monthly payments of \$2,443.04 and matures on May 10, 2025.

On May 10, 2018, the District borrowed \$211,318.80 from First State Bank Valliant to purchase smart meters. The note has an interest rate of 5.00%, with monthly payments of \$1,845.54 and matures on June 10, 2031.

MCCURTAIN COUNTY RURAL WATER DISTRICT #7
GARVIN, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2022

Changes in Long-Term Debt

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

	Balance at October 31, 2021	Additions	Deductions	Balance at October 31, 2022
Note Payable - FSB 1	\$ 101,214	\$ -	\$ (27,506)	\$ 73,708
Note Payable - FSB 2	\$ 168,896	\$ -	\$ (14,111)	\$ 154,786
Total Long-Term Debt	<u>\$ 270,110</u>	<u>\$ -</u>	<u>\$ (41,616)</u>	<u>\$ 228,494</u>

Debt Services Requirements to Maturity

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

Year Ending October 31,	Principal	Interest	Total
2023	\$ 28,069	\$ 1,248	\$ 29,316
2024	28,649	667	29,316
2025	16,990	85	17,075
2026	-	-	-
2027	-	-	-
Total	<u>\$ 73,708</u>	<u>\$ 2,000</u>	<u>\$ 75,708</u>

Year Ending October 31,	Principal	Interest	Total
2023	14,769	7,377	\$ 22,146
2024	15,525	6,621	22,146
2025	16,319	5,827	22,146
2026	17,154	4,992	22,146
2027	18,032	4,115	22,146
2028-2031	72,986	6,886	79,872
Total	<u>\$ 154,786</u>	<u>\$ 35,819</u>	<u>\$ 190,605</u>

NOTE 6 - RISK MANAGEMENT

The District's risk management of loss consists of commercial insurance for property and liability losses, an employee's bond for employee dishonesty, and worker's compensation. There have been no significant reductions in insurance coverage during the year ended October 31, 2022.

MCCURTAIN COUNTY RURAL WATER DISTRICT #7
GARVIN, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2022

NOTE 7 - CONTINGENCIES

Litigation

According to management there were no known contingent liabilities at October 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 FUND

At the January 22, 2018 board meeting, the board voted to start a retirement fund with Edward Jones for the Manager. Due to the longevity that the Manager had been employed by the District, \$36,000.00 was initially transferred to an account with Edward Jones in the Manager's name. In fiscal year October 31, 2022 and 2021, respectively, \$13,000.00 and \$12,000.00 was transferred into the account.

NOTE 9 - SUBSEQUENT EVENTS

The District did not have any subsequent events through May 22, 2023, which is the date the financial statements were issued, for events requiring recording or disclosure in the financial statements for the year ending October 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
McCurtain County Rural Water District #7
Garvin, 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 McCurtain County Rural Water District #7, as of and for the year ended October 31, 2022, and the related notes to the financial statements, and have issued my report thereon dated May 22, 2023. Management has omitted the MD&A required by accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered the McCurtain County Rural Water District #7's internal control over financial reporting (internal control) as a basis for designing the 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 McCurtain County Rural Water District #7's internal control. Accordingly, I do not express an opinion on the effectiveness of McCurtain County Rural Water District #7'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

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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 consider to be material weaknesses. I did identify certain deficiencies in internal control described in the accompanying Schedule of Findings as Item 2022-01 that I consider to be significant deficiencies.

Compliance and Other Matters

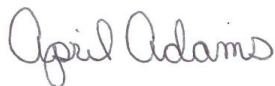
As part of obtaining reasonable assurance about whether the McCurtain County Rural Water District #7's financial statements are free of material misstatement, I performed tests of compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

McCurtain County Rural Water District #7's Response to Findings

McCurtain County Rural Water District #7's response to the findings identified in my audit is described in the accompanying Schedule of Findings. McCurtain County Rural Water District #7'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

May 22, 2023

MCCURTAIN COUNTY RURAL WATER DISTRICT #7
SCHEDULE OF FINDINGS
OCTOBER 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 the Manager, who is 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: Some compensating controls have been implemented by requiring the Boards approval and signature for all expenditures. 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 District.

Current Status:

This is a repeat finding from the previous audit.

COMPLIANCE FINDINGS:

None