

Murray County RWD #1
Independent Auditors Report
As of and for the Years Ended
December 31, 2023

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Independent Auditors Report

To the Board of Directors
Murray County RWD #1
Sulphur, Oklahoma

Report on the Audit of Financial Statements

Opinions

We have audited the modified cash-basis financial statements of the business-type activities of the Murray County RWD #1, as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the Murray County RWD #1's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective modified cash-basis financial position of the business-type activities of the Murray County RWD #1, as of December 31, 2023, and the respective changes in modified cash-basis financial position, and where applicable, cash flows therefor for the year then ended in accordance with modified cash basis of accounting described in Note 1.B.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards (Government Auditing Standards)*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Murray County RWD #1 and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter — Basis of Accounting

We draw attention to Note 1.B. of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 1.B, and for determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible 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 Murray County RWD #1'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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the 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 Murray County RWD #1'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 our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Murray County RWD #1's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Management has omitted the management's discussion and analysis and budgetary comparison information 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. Our opinions on the basic financial statements are not affected by this missing information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 9, 2024 on our consideration of the Murray County RWD #1's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Murray County RWD #1'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 Murray County RWD #1's internal control over financial reporting and compliance.

Russell + William CPA's, P.C.

Oklahoma City, Oklahoma
April 9, 2024

Murray Co. RWD #1
Statement of Net Position - Modified Cash Basis
December 31, 2023

ASSETS

Current Assets

Cash and Cash Equivalents, unrestricted	\$ 3,092,686
Cash and Cash Equivalents, restricted	5,904
Deposits with Insurance Pool	2,000
Total Current Assets	3,100,590

Noncurrent Assets

Water Systems	5,697,947
Building and Acreage	127,629
Water Well & Rights	1,654,013
Office Equipment	41,509
Equipment	546,647
Less: Accumulated Depreciation	(5,012,761)
Total Noncurrent Assets	3,054,984

TOTAL ASSETS	\$ 6,155,574
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LIABILITIES AND NET POSITION

Current Liabilities

Long-Term Liabilities	
Long-Term Notes Payable	444,054
TOTAL LIABILITIES	\$ 444,054

Net Position

Net Investment in Capital Assets	2,610,930
Restricted for Debt Service	5,904
Unrestricted	3,094,687
TOTAL NET POSITION	\$ 5,711,520

The accompanying notes are an integral part of these financial statements.

Murray Co. RWD #1
Statement of Revenues Over Expenses and Changes in Net Position - Modified Cash Basis
For the Year Ended December 31, 2023

Operating Revenues	
Water Sales	\$ 1,168,833
Late Charges	23,895
Benefit Units	58,452
Miscellaneous	128,021
Reconnect Fees	9,866
Total Operating Revenues	<u>1,389,067</u>
Expenses - Operating	
Salaries	310,489
Payroll Taxes	23,752
Employee Benefits	59,448
Truck Expense	25,985
Professional Fees	69,142
Dues, Licenses, and Fees	2,290
Utilities	88,380
Insurance	40,298
Materials and Supplies	450,875
Repairs and Maintenance	44,295
Office Expense	97,463
Security	286
Miscellaneous	(358)
Telephone	12,580
Water Wells, Leases and Storage	27,823
Depreciation	200,635
Total Operating Expense	<u>1,453,382</u>
Operating Income	<u>(64,315)</u>
Non-Operating Revenues	
Interest Income	53,963
Interest Expense	(20,440)
ODOT Project Reimbursement	1,193,262
ODOT Project Expenses	(1,132,209)
Total Non-Operating Revenues	<u>94,576</u>
Change in Net Position	30,262
Net Position, Beginning of Year	<u>5,681,259</u>
Net Position, End of Year	<u><u>\$ 5,711,520</u></u>

The accompanying notes are an integral part of these financial statements.

Murray Co. RWD #1
Statement of Cash Flows - Modified Cash Basis
For the Year Ending December 31, 2023

Cash Flows From Operating Activities

Cash Received from Customers	\$ 1,314,376
Cash Payments to Suppliers for Goods and Services	(861,735)
Cash Payments to Employees	(391,012)
Net Cash Provided by Operating Activities	61,629

Cash Flows From Investing Activities

Interest Received	53,963
Miscellaneous Income	74,691
Net Cash Provided by Investing Activities	128,655

Cash Flows From Capital and Related Financing Activities

Cash Used to Purchase Assets	(206,217)
Principal Paid on Capital Debt	(37,287)
Interest Paid on Capital Debt	(20,440)
Reimbursements from Relocation Project	1,193,262
Expenses for Relocation Project	(1,132,209)
Net Cash Flows From Capital and Related Financing Activities	(202,890)

Net Increase (Decrease) in Cash (12,607)

Cash, Beginning of the Year 3,111,197

Cash, End of the Year \$ 3,098,590

***Reconciliation of change in net position
to net cash provided by operations***

Operating Income	(139,006)
net cash provided (used) by operating activities:	
Depreciation	200,635
Changes in Assets and Liabilities:	
Net cash provided by operating activities	\$ 61,629

MURRAY COUNTY RWD #1
Notes to Basic Financial Statements
December 31, 2023

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1.A. FINANCIAL REPORTING ENTITY

Rural Water District #1, Murray County, Oklahoma was established pursuant to Title 82 of Oklahoma State Law in June 1965. The purpose of the District is to provide a water distribution system for its members in the Sulphur, Oklahoma area. Members are owners of property located within the area who have subscribed to one or more Benefit Units. Each member represents one vote of the governing body of the District without any direct ownership in its assets.

The accompanying financial statements include all functions and activities over which the District exercises financial accountability. The District is considered a primary government as defined by the Governmental Accounting Standards Board (GASB) and has no other component units within its reporting entity.

1.B. BASIS OF PRESENTATION

The District utilizes the modified cash basis of accounting, which is comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under the modified cash basis of accounting assets, liabilities and related revenues and expenses are recorded when they result from cash transactions with an adjustment for depreciation.

If the District utilized the basis of accounting recognized as generally accepted, as a proprietary type fund, they would use the accrual basis of accounting. In other words, revenues would be recognized when earned and expenses (including depreciation) would be recorded when the liability is incurred, or economic asset used.

1.C. ASSETS, LIABILITIES AND EQUITY

Cash and Cash Equivalents

For the purpose of financial reporting, "cash and cash equivalents" includes all demand and savings accounts, and certificates of deposit or short-term investments with an original maturity of three-months or less.

Accounts Receivable

As a result of the use of the modified cash basis of accounting, accounts receivable and other revenue related receivables are not reported in the financial statements.

Capital Assets

Facilities purchased, constructed, or donated are recorded at cost and include improvements that significantly add to the productive capacity or extend the useful life of the asset. The District has determined that assets with a cost of more than \$1,000 will be capitalized. Costs of maintenance and repairs are charged to expense. Upon retirement or disposal of assets, the cost and related accumulated depreciation are removed from the accounts, and gain or loss, if any, is reflected in earnings for that period. Depreciation is provided on a straight-line method over the estimated useful lives of the assets, generally forty years for the water system and five years for office

MURRAY COUNTY RWD #1
Notes to Basic Financial Statements
December 31, 2023

furniture and equipment.

Long-Term Debt

Long-term debt to be repaid from District resources are reported as liabilities in the balance sheet. As of December 31, 2023, long-term debt is comprised of one private placement note payable.

Equity Classification

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

1. Invested in capital assets, net of related debt - 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.
2. Restricted net assets - Consists of net assets with constraints placed on the use either by 1) external groups such as creditors, grantors, contributors or laws and regulations of other governments, or 2) law through constitutional provisions or enabling legislation.
3. Unrestricted net assets - All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".

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

1.D. REVENUES AND EXPENSES

For purposes of the operating statement, revenues and expenses are classified by Operating and Non-Operating. The District reports expenses relating to use of economic resources including depreciation.

Benefit Unit Fees

Benefit unit fees represent a membership/connection fee required of each District member at the time they request service. This nonrefundable fee is designed to cover the estimated cost of connection, tap and related hook-up costs to the District's system. As such, the fees are recorded as operating revenue.

1.E. USE OF ESTIMATES

The preparation of financial statements in conformity with the other comprehensive basis of accounting used by the District requires management to make estimates and assumptions that affect certain reported amounts and disclosures (such as estimated useful lives in determining depreciation expense); accordingly, actual results could differ from those estimates.

MURRAY COUNTY RWD #1
Notes to Basic Financial Statements
December 31, 2023

1.F. DIFFERENCES FROM GAAP

Basis of Accounting

As discussed in Note 1.B., the District reports its financial statements on a modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles.

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

By its nature as a local government unit, the District is subject to various federal, state and local laws and contractual regulations. An analysis of the District's compliance with significant laws and regulations and demonstration of its stewardship over District resources follows:

2.A. DEPOSITS AND INVESTMENT LAWS AND REGULATIONS

In accordance with State law, all uninsured deposits of municipal funds in financial institutions must be secured with acceptable collateral valued at the lower of market or par. Acceptable collateral includes certain U.S. Government or Government Agency securities, certain State of Oklahoma or political subdivision debt obligations, surety bonds and certain letters of credit. As required by 12 U.S.C.A., Section 1823(e), all financial institutions pledging collateral to the District must have a written collateral agreement approved by the board of directors or loan committee. For the year ended December 31, 2023, the District's deposits were fully collateralized.

2.B. DEBT RESTRICTIONS AND COVENANTS

In accordance with the requirements set by Rural Development, the District is required to set aside funds for the purpose of major catastrophic repair or extensions and improvements. The funding amounts required are equal to one year's worth of payments, with the provision the District has ten years to fully fund the reserve. At December 31, 2023, the amount of reserve funds required is \$5,904. The reserve was fully funded at December 31, 2023.

NOTE 3. DETAIL NOTES-TRANSACTION CLASSES/ACCOUNTS

The following notes present detail information to support the amounts reported in the basic financial statements for its various assets, liabilities, equity, revenues and expenditures/expenses.

3.A. CASH AND CASH EQUIVALENTS

Custodial Credit Risk

At December 31, 2023, the District held deposits of approximately \$3,098,590 at financial institutions. The District's cash deposits, including the interest-bearing certificates of deposit, are entirely covered by the 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. See Note 2.A. above for details.

MURRAY COUNTY RWD #1
Notes to Basic Financial Statements
December 31, 2023

Investment Interest Rate Risk

The District does not have a formal investment policy that limits the 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, bonds 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 obligation 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.).

3.B. RESTRICTED ASSETS

The amount reported as restricted assets of the District on the Statement of Net Assets is comprised of amounts held by the District for cash held as debt service reserves on the Rural Development note payable. The restricted asset as of December 31, 2023 was as \$5,904 for debt service.

3.C. NOTE PAYABLE-PRIVATE PLACEMENT

Mortgage Payable

The District had one note payable with Rural Development. This note carries an interest rate of 5%. This note calls for monthly payments of \$492. As of December 31, 2023, the balance of this note was \$36,711. This loan is expected to mature on November 19, 2031. The District paid \$3,961 in principal and \$1,943 in interest payments for the year. Principal required for the next five years is as follows:

MURRAY COUNTY RWD #1
Notes to Basic Financial Statements
December 31, 2023

	Principal	Interest		
2024	4,164	1,740	Beginning Balance	\$ 40,729
2025	4,377	1,527	Principal Payments	(4,018)
2026	4,601	1,303	Ending Balance	<u>\$ 36,711</u>
2027	4,836	1,068		
2028	5,084	820		
2029-2031	13,649	7,015		
	<u>\$ 36,711</u>	<u>\$ 13,473</u>		

The District had one note payable with a local landowner for the purchase of water rights. The original amount of this loan was \$510,966. This note carries an interest rate of 4%. This note calls for monthly payments of \$3,977. As of December 31, 2023, the balance of this note was \$407,342. This loan is expected to mature on October 1, 2034. The District paid \$33,269 in principal and \$14,456 in interest payments for the year. Principal required for the next five years is as follows:

	Principal	Interest		
2024	31,617	16,108	Beginning Balance	\$ 440,611
2025	32,905	14,820	Principal Payments	(33,269)
2026	34,246	13,479	Ending Balance	<u>\$ 407,342</u>
2027	35,641	12,084		
2028	37,093	10,632		
2028/2033	209,403	29,222		
2033/2034	26,437	58,090		
	<u>\$ 407,342</u>	<u>\$ 154,435</u>		

3.D. CAPITAL ASSETS

Capital assets activity resulting from modified cash basis transactions for the fiscal year ended December 31, 2023, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Water System	5,697,947	-	-	5,697,947
Building and Acreage	127,629	-	-	127,629
Water Well & Rights	1,654,013	-	-	1,654,013
Office Equipment	41,509	-	-	41,509
Equipment	340,430	206,217	-	546,647
Total	7,861,528	206,217	-	8,067,745
Less: Accumulated Depreciation	(4,812,126)	(200,635)	-	(5,012,761)
Net Capital Assets	<u>\$ 3,049,402</u>			<u>\$ 3,054,984</u>

MURRAY COUNTY RWD #1
Notes to Basic Financial Statements
December 31, 2023

NOTE 4. OTHER NOTES

4.A. RISK MANAGEMENT

Rural Water District No. 1 is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District continues to carry commercial insurance for these risks, including general and auto liability, and property damage liability. Settled claims resulting from these risks have not exceeded the commercial insurance coverage in any of the past three fiscal years.

4.B. EMPLOYEE PENSION AND OTHER BENEFITS

The District provides pension benefits through a Simplified Employee Pension Plan. As of December 31, 2023, the District provided a benefit to each full-time employee in the amount of 7% of each employee's gross income excluding bonuses. The District provides no other deferred compensation or other post-employment benefits to employees of the District.

4.C. COMMITMENTS AND CONTINGENCIES

Commitments

Rural Water District #1, Murray County, Oklahoma has a contract to sell water to Buckhorn Rural Water District #2, Murray County, Oklahoma and the Dougherty Public Water Works, which sets the cost of water purchased by the Water District. At December 31, 2023, the contract allowed a purchase rate of \$2.20 per thousand gallons of water used. The contract with Buckhorn Rural Water District #2, Murray Co. extends through November 2046 and the contract with the Dougherty Public Water Works is renewed yearly.

Rural Water District #1, Murray County, Oklahoma entered into a contract on February 7, 2017 with HU Ranch, LLC to purchase water rights at an annual rate of \$18,000 payable in monthly installments beginning with the month immediately after the month that the OWRB provides final approval to add the locations of Lessee's existing wells to Permit B. The initial term is for a period of seven (7) years with an option to extend for another three (3) years at prevailing market rates.

Contingencies: Litigation

The District has hired an attorney to dispute a lawsuit that has been filed against the district concerning discriminatory water rates to RV Parks. The District does not feel like the amount they could lose would be material to the financial statements, therefore no accruals or provisions for loss contingencies are included in the financial statements at December 31, 2023.

While legal proceedings cannot be foreseen, the District feels that any settlement or judgment not covered by insurance would not have a material adverse effect on the financial condition of the District.

4.D. SUBSEQUENT EVENTS

Subsequent events have been evaluated through April 9, 2024 which is the date the financial statements were issued.

Russell & Williams CPA's, P.C.

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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
Murray County RWD #1
Sulphur, Oklahoma

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 accompanying financial statements of the business-type activities of the Murray County RWD #1, as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the Murray County RWD #1's basic financial statements, and have issued our report thereon dated April 9, 2024.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Murray County RWD #1's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Murray County RWD #1's internal control. Accordingly, we do not express an opinion on the effectiveness of the Murray County RWD #1'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 questioned that we consider to be significant deficiencies. 2023-1, 2023-2.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Murray County RWD #1's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

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 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.

Russell + William CPA's, P.C.

Oklahoma City, Oklahoma
April 9, 2024

Schedule of Current Findings and Responses

2023-1 Lack of Segregation of Duties (Repeat Finding)

Condition: The same individual receiving payments for utility billings is the same individual doing the billing, making the deposits and maintaining accounts receivable.

Criteria: An adequate internal control structure does not exist because of the small size of the entity, nor is there adequate segregation of duties. A good internal control system would provide for separation of duties and responsibilities in financial matters between various employees.

Cause: The entity's size and budget make it difficult to fully segregate the duties.

Effect or Potential Effect: Without sufficient segregation of duties, the risk significantly increases that errors and/or fraud related to the utility billing and collection activities, including misappropriation of assets could occur and not be detected on a timely basis.

Recommendation: The best protection is to maintain sufficient bond on those handling cash to cover losses should they occur.

Board's Response: The board has evaluated the need and decided that the cost to achieve segregation of duties would exceed the benefits that would be derived from it.

2023-1 Financial Reporting

Condition: The District is not reconciling their bank accounts on a monthly basis. During our audit, we noted that none of the bank accounts had properly been reconciled as of December 31, 2023 and had not been reconciled for several months.

Criteria: All bank accounts must be properly reconciled monthly to insure that all revenue and expenses are properly accounted for.

Cause: The District switched banks during the year which resulted in staff inappropriately setting up new accounts and handling closure of old accounts in the general ledger.

Effect or Potential Effect: Without proper reconciliation of bank accounts the district is at risk of fraud and misappropriation of assets.

Recommendation: To hire an outside accountant to help with reconciliations or at a minimum train the current staff how to properly reconcile bank accounts.

Board's Response: The board will evaluate this need and will implement proper controls to insure that all accounts are properly reconciled on a monthly basis.