

AUDIT REPORT

ATOKA COUNTY RURAL WATER DISTRICT #2
ATOKA, OKLAHOMA

JUNE 30, 2023



April Adams CPA PLLC

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ATOKA COUNTY RURAL WATER DISTRICT #2
ATOKA, OKLAHOMA
JUNE 30, 2023

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ATOKA COUNTY RURAL WATER DISTRICT #2
ATOKA, OKLAHOMA
JUNE 30, 2023

BOARD OF DIRECTORS

<u>NAME</u>	<u>POSITION</u>
ROGER MCININCH	CHAIRMAN
JUSTIN RYAN	VICE-CHAIRMAN
KELLY KENNEDY	SECRETARY
MERRITT TAYLOR	TREASURER
CARL TOBLER	MEMBER
COLTEN COURTNEY	MEMBER
VACANT	MEMBER

FIELD MANAGER

MONTY BIRDSONG

Unaudited

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Atoka County Rural Water District #2
Atoka, Oklahoma

Report on the Audit of the Financial Statements

Opinion

I have audited the modified cash-basis financial statements of Atoka County Rural Water District #2, Atoka County, Oklahoma, as of and for the year ended June 30, 2023, and the related notes to the financial statements as listed in the table of contents.

In my opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective modified cash-basis financial position of the Atoka County Rural Water District #2 as of June 30, 2023, and the respective changes in modified financial position and, where applicable, cash flows thereof for the year then ended in accordance with the modified cash basis of accounting described in Note 1.

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 Atoka County Rural Water District #2 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 qualified audit opinion.

Emphasis of Matter - Basis of Accounting

I draw attention to Note 1 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. My opinion is not modified with respect to this matter.

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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 the modified cash basis of accounting described in Note 1, 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 Atoka County Rural Water District #2'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 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

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circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Atoka County Rural Water District #2'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 Atoka County Rural Water District #2'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.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the other introductory information section listed in the accompanying table of contents but 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 April 30, 2024, on my consideration of the Atoka County Rural Water District #2'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 Atoka County Rural Water District #2's internal control over financial reporting or on compliance. That report is an

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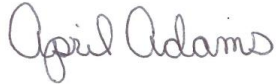
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integral part of an audit performed in accordance with *Government Auditing Standards* in considering Atoka County Rural Water District #2's internal control over financial reporting and compliance.



April Adams CPA PLLC
Ponca City, Oklahoma

April 30, 2024

ATOKA COUNTY RURAL WATER DISTRICT #2
ATOKA, OKLAHOMA
STATEMENT OF NET POSITION - MODIFIED CASH BASIS
JUNE 30, 2023

<u>ASSETS</u>	
<u>Current Assets:</u>	
Cash and Cash Equivalents (Note 2)	\$ 177,402
Total Current Assets	<u>177,402</u>
<u>Restricted Assets:</u>	
Reserve Account	26,316
Water Security Deposit Account	41,681
Total Restricted Assets	<u>67,998</u>
<u>Capital Assets:</u>	
Land	7,620
Equipment	90,838
Water Distribution Facilities	741,459
Sewer Lagoon	239,809
System Improvements	1,168,867
Less: Accumulated Depreciation	<u>(982,227)</u>
Total Capital Assets	<u>1,266,367</u>
TOTAL ASSETS	<u>\$ 1,511,767</u>
<u>LIABILITIES</u>	
<u>Current Liabilities:</u>	
Security Deposits	\$ 50,946
Current Portion of Long-Term Debt	36,699
Total Current Liabilities	<u>87,645</u>
<u>Long-Term Liabilities:</u>	
Notes Payable	612,011
Less: Current Portion	<u>(36,699)</u>
TOTAL LIABILITIES	662,957
<u>NET POSITION</u>	
Net investment in capital assets	654,356
Restricted for debt service	26,316
Unrestricted	168,137
TOTAL NET POSITION	<u>848,809</u>
TOTAL LIABILITIES & NET POSITION	<u>\$ 1,511,767</u>

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

ATOKA COUNTY RURAL WATER DISTRICT #2
ATOKA, OKLAHOMA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - MODIFIED CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

Operating Revenues:

Water Sales	\$ 236,991
Sewer Sales	61,398
Penalties	8,493
Benefit Units and Hook-Up Fees	5,535
Miscellaneous Income	41,647
Total Operating Revenues	<u>354,064</u>

Operating Expenses:

Salaries & Related Payroll Taxes	100,749
Retirement Expense	11,924
Water Purchases & City Sewer Fees	62,695
Repairs/Maintenance and Operating Supplies	29,247
Utilities	10,503
Legal & Accounting	2,715
Office Supplies & Postage	1,883
Insurance and Bonds	32,398
Travel	2,398
Licenses, Permits & Fees	1,640
Contract Labor	3,024
Bad Debt	(608)
Miscellaneous	9,116
Depreciation	68,034
Total Operating Expenses	<u>335,718</u>
Operating Income (Loss)	18,346

Non-Operating Revenues (Expenses):

Interest Income	1,281
Interest Expense	(14,207)
Total Non-operating Revenues (Expenses)	<u>(12,926)</u>
Net Income (Loss) Before Contributions	5,419

Capital Contributions	<u>-</u>
Change in Net Position	5,419
Total Net Position - Beginning	874,702
Total Net Position - Prior Year Adjustment	(31,312)
Total Net Position - Ending	<u><u>\$ 848,809</u></u>

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

ATOKA COUNTY RURAL WATER DISTRICT #2
ATOKA, OKLAHOMA
STATEMENT OF CASH FLOWS - MODIFIED CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

Net Cash Flows from Operating Activities:

Cash Receipts from Customers	\$ 354,064
Payments to Suppliers for Goods & Services	(166,934)
Payments to Employees & Laborers	(100,749)
Receipts of Customer Utility Deposits, Net of Refunds	3,798

Net Cash Provided (Used) by Operating Activities	90,178
--	--------

Net Cash Flows from Capital & Related Financing Activities:

Additions to Capital Assets	(21,045)
Capital Contributions - Grants	-
Loan Proceeds	-
Proceeds from sale of Capital Assets	-
Principal paid on Debt	(36,761)
Interest paid on Debt	(14,207)

Net Cash Provided (Used) by Capital & Related Financing Activities	(72,013)
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Net Cash Flows from Investing Activities:

Non-Operating Income	-
Interest Income	1,281

Net Cash Provided (Used) by Investing Activities	1,281
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Net Increase (Decrease) in Cash and Cash Equivalents	19,446
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Cash & Cash Equivalents, Beginning of Year	225,954
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Cash & Cash Equivalents, Prior Year Adjustment	-
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Cash & Cash Equivalents, End of Year	\$ 245,400
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**Reconciliation of operating income (loss) to net cash provided
operating activities:**

Operating Income (Loss)	\$ 18,346
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities	
Depreciation	68,034
(Increase)Decrease in Accounts Receivable-Trade	-
(Increase)Decrease in Prepaid Insurance	-
Increase(Decrease) in Accounts Payable	-
Increase(Decrease) in Security Deposits	3,798

Net Cash Provided (Used) by Operating Activities	\$ 90,178
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The accompanying notes are an integral part of the basic financial statements.

ATOKA COUNTY RURAL WATER DISTRICT #2
ATOKA, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES & OPERATIONS

As discussed further in Note 1.C, these financial statements are presented on a modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) established by the Governmental Accounting Standards Board (GASB). These modified cash-basis financial statements generally meet the presentation and disclosure requirements applicable to GAAP, in substance, but are limited to the elements presented in the financial statements and the constraints of the measurement and recognition criteria of the modified cash basis of accounting.

A. Reporting Entity

Rural Water District No. 2, Atoka County, Oklahoma, was formed in 1966, pursuant to the Oklahoma Rural Water, Sewer, and Solid Waste Management District Act. The District operates as a nontaxable government entity to serve residents of a portion of rural Atoka County in Atoka, Oklahoma.

B. Basis of Presentation

The accounts of the District are organized on the basis of proprietary fund type, specifically an enterprise fund. The activities of this fund are accounted for with a separate set of self-balancing accounts that comprise the District's assets, liabilities, net position, revenues and expenses. Enterprise Funds account for activities (1) that are financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity; or (2) that are required by laws or regulations that the activity's costs of providing services, including capital costs (such as depreciation or debt service), be recovered with fees and charges, rather than with taxes or similar revenues; or (3) that the pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs (such as depreciation or debt service).

C. Measurement Focus and Basis of Accounting

Measurement Focus

The District utilizes an economic resources measurement focus within the limitations of the modified cash basis of accounting. The accounting objectives of this measurement focus are the

ATOKA COUNTY RURAL WATER DISTRICT #2
ATOKA, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

determination of operating income, changes in net position (or cost recovery), net financial position, and cash flows. All assets, deferred outflows, liabilities, and deferred inflows (whether current or noncurrent or financial or nonfinancial) associated with their activities are generally reported within the limitations of the modified cash basis of accounting.

Basis of Accounting

The financial statements are presented on a modified cash basis of accounting, which is a basis of accounting other than GAAP as established by GASB. This basis of accounting involves modifications to the cash basis of accounting to report in the statements of net position cash transactions or events that provide a benefit or result in an obligation that covers a period greater than the period in which the cash transaction or event occurred. Such reported balances include investments, capital assets and related depreciation, and short-term and long-term liabilities arising from cash transactions or events.

This modified cash basis of accounting differs from GAAP primarily because certain assets and their related revenues (such as accounts receivable and revenue billed or provided services not yet collected and other accrued revenue and receivables) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid and other accrued expenses and liabilities) are not recorded in these financial statements. In addition, other economic assets, deferred outflows, liabilities, and deferred inflows that do not arise from a cash transaction or event are not reported, and the measurement of reported assets and liabilities does not involve adjustment to fair value.

If the District utilized the basis of accounting recognized as generally accepted in the United States, the fund financial statements for proprietary fund types would use the accrual basis of accounting.

ATOKA COUNTY RURAL WATER DISTRICT #2
ATOKA, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

D. Financial Position

Cash and Cash Equivalents

Cash is comprised of deposits in demand accounts and certificate of deposit accounts. At June 30, 2023, all deposits were fully insured by FDIC.

Capital Assets

Water distribution facilities 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.

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

System improvements in excess of \$1,000.00 and equipment in excess of \$80.00 that increase the capacity or operation efficiency or extend the useful life of any asset are capitalized. Repairs and maintenance are expensed as incurred.

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.

ATOKA COUNTY RURAL WATER DISTRICT #2
ATOKA, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

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

Budgetary Data

The District is required by Article 8 of its By-laws to prepare an annual budget.

Use of Estimates

The preparation of financial statements in conformity with the modified cash basis of accounting used by the District 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 June 30, 2023, the District held deposits of approximately \$245,400 at financial institutions. The District's cash deposits, including

ATOKA COUNTY RURAL WATER DISTRICT #2
ATOKA, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

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.).

The following is a breakdown of the Cash & Cash Equivalents figure shown in the Statement of Net Position:

ATOKA COUNTY RURAL WATER DISTRICT #2
ATOKA, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

Cash & Cash Equivalents:	
Operating Fund	\$ 152,463.09
Savings Accounts	24,725.58
Certificate of Deposit	-
Petty Cash	213.32
Total	<u>\$ 177,401.99</u>

NOTE 3 - RESTRICTED ASSETS

Restrictions on restricted assets are as follows:

Security Deposits	-Use is Restricted to deposit and refund water meter security deposits
Reserve Account	-Restricted by USDA RD loan covenants

The loan agreement with the United States Department of Agriculture Rural Development (USDA) requires the District to set aside into a Reserve Account an accumulated amount equal to the sum of the annual installments (originally \$26,004 and \$7,548, now \$18,888 & \$6,972), after which deposits may be suspended, except to replace withdrawals. The District cannot withdraw funds from the reserve account without USDA approval. As of June 30, 2023, the account is fully funded with a balance of \$26,316.49, which complies with the covenants of the loan agreements.

NOTE 4 - CAPITAL ASSETS

Capital asset activity, for the fiscal year ended June 30, 2023, was as follows:

ATOKA COUNTY RURAL WATER DISTRICT #2
ATOKA, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

	6/30/22 Balance	Additions	Deductions	6/30/23 Balance
Non-depreciable assets:				
Land	\$ 7,620	\$ -	\$ -	\$ 7,620
Total non-depreciable assets	7,620	-	-	7,620
Depreciable assets:				
Equipment	90,838	-	-	90,838
Water Distribution Facilities	741,459	-	-	741,459
Sewer Lagoon	218,765	21,045	-	239,809
System Improvements	1,168,867	-	-	1,168,867
Total depreciable assets	2,219,929	21,045	-	2,240,974
Less accumulated depreciation for:				
Equipment	(45,234)	(15,253)	-	(60,487)
Water Distribution Facilities	(520,239)	(15,177)	-	(535,416)
Sewer Lagoon	(27,281)	(8,383)	-	(35,664)
System Improvements	(321,438)	(29,222)	-	(350,660)
Total accumulated depreciation	(914,192)	(68,034)	-	(982,227)
Net depreciable assets	1,305,737	(46,990)	-	1,258,747
Total net capital assets	\$ 1,313,357	\$ (46,990)	\$ -	\$ 1,266,367

The District purchased a handrail & ladder for the tank roof & installed rotating assemblies with pump repairs.

Depreciation expense for the year was \$68,034.

NOTE 5 - LONG-TERM DEBT

The District has a note payable with an original balance of \$481,500, to the United States Department of Agriculture Rural Development (USDA), payable in monthly installments of \$2,167 until maturity, including interest at 4.50%. The final payment was scheduled for July 10, 2049. The note is secured by the water and sewer system. On June 10, 2013, after an 18-month moratorium to postpone loan payments due to a tornado in the area, this loan was re-amortized. The new original loan balance, which includes the principal & accumulated interest from the previous loan, is \$507,439.18. This loan is payable in monthly installments of \$1,574 until maturity, including interest at 2.125%. The final payment is scheduled for June 10, 2053.

The District has a note payable with an original balance of \$186,400, to the United States Department of Agriculture Rural Development (USDA), payable in monthly installments of \$629 until maturity, including interest at 2.625%. The final payment was scheduled for July 10, 2049. The note is secured by the water and sewer system. The note is secured by the water and sewer system. On June 10, 2013, after an 18-month moratorium to postpone loan payments due to a tornado in the area, this loan was re-amortized. The new original loan balance, which includes the principal & accumulated interest from the previous loan, is \$187,175.12.

ATOKA COUNTY RURAL WATER DISTRICT #2
ATOKA, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

This loan is payable in monthly installments of \$581 until maturity, including interest at 2.125%. The final payment is scheduled for June 10, 2053.

The District has a note payable with an original balance of \$49,782.31, to AmeriState Bank, payable in monthly installments of \$1,480.47 until maturity, including an interest rate of 4.450%. A final payment of \$1,200.33 is due May 20, 2024. The note is secured by the District's assets and was used to refinance the First Bank loan that was used to purchase electronic water meters.

The District has a note payable with an original balance of \$34,221, to AmeriState Bank, payable in monthly installments of \$611.86 until maturity on January 3, 2027, including an interest rate of 2.80%. The note is secured by the 2022 Ford F150 that it was used to purchase.

Changes in Long-Term Debt

The following is a summary of changes in long-term debt for the year ended June 30, 2023:

	Balance 6/30/2022	Additions	Deductions	Balance 6/30/2023
USDA RD #93-04	\$ 427,134	\$ -	\$ (9,907)	\$ 417,227
USDA RD #93-05	157,505	-	(3,660)	153,844
Ameristate Bank	32,588	-	(16,655)	15,933
Ameristate Bank #2	31,546	-	(6,538)	25,008
	<u>\$ 648,772</u>	<u>\$ -</u>	<u>\$ (36,761)</u>	<u>\$ 612,011</u>

Debt Services Requirements to Maturity

The annual debt service requirements to maturity, including principal and interest, for long-term debt, as of June 30, 2023, are as follows:

ATOKA COUNTY RURAL WATER DISTRICT #2
ATOKA, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

Note Payable - USDA RURAL DEVELOPMENT 93-04				
Year Ending June 30,	Principal	Interest	Total	
2024	\$ 10,244	\$ 8,644	\$ 18,888	
2025	10,461	8,427	18,888	
2026	10,682	8,206	18,888	
2027	10,908	7,980	18,888	
2028	11,139	7,749	18,888	
2029-2033	59,333	35,107	94,440	
2034-2038	65,882	28,558	94,440	
2039-2043	73,154	21,286	94,440	
2044-2048	81,228	13,212	94,440	
2049-2053	84,196	4,137	88,333	
Total	<u>\$ 417,227</u>	<u>\$ 143,307</u>	<u>\$ 560,533</u>	
Note Payable - USDA RURAL DEVELOPMENT 93-05				
Year Ending June 30,	Principal	Interest	Total	
2024	\$ 3,785	\$ 3,187	\$ 6,972	
2025	3,865	3,107	6,972	
2026	3,947	3,025	6,972	
2027	4,030	2,942	6,972	
2028	4,115	2,857	6,972	
2029-2033	21,921	12,939	34,860	
2034-2038	24,341	10,519	34,860	
2039-2043	27,027	7,833	34,860	
2044-2048	30,011	4,849	34,860	
2049-2053	30,802	1,498	32,301	
Total	<u>\$ 153,844</u>	<u>\$ 52,756</u>	<u>\$ 206,601</u>	

Note Payable - Ameristate Bank

Year Ending June 30,	Principal	Interest	Total
2024	\$ 15,933	\$ 351	\$ 16,284
2025	-	-	-
2026	-	-	-
2027	-	-	-
2028	-	-	-
2029-20233	-	-	-
Total	<u>\$ 15,933</u>	<u>\$ 351</u>	<u>\$ 16,284</u>

ATOKA COUNTY RURAL WATER DISTRICT #2
ATOKA, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

Note Payable - Ameristate Bank #2			
Year Ending June 30,	Principal	Interest	Total
2024	\$ 6,737	\$ 605	\$ 7,342
2025	6,925	417	7,342
2026	7,119	223	7,342
2027	4,227	39	4,265
2028	-	-	-
2029-2033	-	-	-
Total	\$ 25,008	\$ 1,284	\$ 26,292

NOTE 6 - CONTINGENCIES

Litigation

The District currently has no pending litigation.

Grant Program Involvement

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 7 - ECONOMIC DEPENDENCY - WATER CONTRACT

The District has a contract to purchase all of its water from the City of Atoka.

NOTE 8 - RETIREMENT PLAN

During the fiscal year 2003, the District joined the Oklahoma Public Employees Retirement (OPERS). The District follows the OPERS Code H percentages for retirement contributions as follows: employees contribute 6.5% of gross wages and the District contributes 7.0%.

ATOKA COUNTY RURAL WATER DISTRICT #2
ATOKA, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

The OPERS contributions are as follows:

<u>Fiscal Year</u>	<u>Employee Contributions</u>	<u>Employer Contributions</u>
2021	\$2,091	\$ 4,587
2022	\$4,601	\$ 9,450
2023	\$5,810	\$12,066

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 June 30, 2023.

NOTE 10 - PRIOR YEAR ADJUSTMENT

A prior year adjustment of \$31,312 was made to equity to remove accruals from the financial statements. The District maintains its financial statements on a modified cash-basis of accounting.

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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
Atoka County Rural Water District #2
Atoka, 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 modified cash-basis financial statements of the Atoka County Rural Water District #2, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which were prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles, and have issued my report thereon dated April 30, 2024.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered the Atoka County Rural Water District #2'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 Atoka County Rural Water District #2's internal control. Accordingly, I do not express an opinion on the effectiveness of Atoka County Rural Water District #2'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 consider to be material weaknesses. I did identify certain deficiencies in

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internal control described in the accompanying Schedule of Findings as Item 2023-01, 2023-02, 2023-03 and 2023-04 that I consider to be significant deficiencies.

Compliance and Other Matters

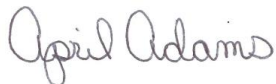
As part of obtaining reasonable assurance about whether the Atoka County Rural Water District #2's financial statements are free of material misstatement, I performed tests of compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have 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*.

Atoka County Rural Water District #2's Response to Findings

Atoka County Rural Water District #2's response to the findings identified in my audit is described in the accompanying Schedule of Findings. Atoka County Rural Water District #2'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

April 30, 2024

ATOKA COUNTY RURAL WATER DISTRICT #2
ATOKA, OKLAHOMA
SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2023

INTERNAL CONTROL FINDINGS:

Item 2023-01: 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 District Clerk, 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.

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.

Item 2023-02: General Ledger

Criteria: Internal control refers to the methods and procedures used to provide reasonable assurance regarding the achievement of objectives in the following categories: Safeguarding assets, Ensuring validity of financial records and reports, Promoting adherence to policies, procedures, regulations and laws, and Promoting effectiveness and efficiency of operations. Internal control also refers to how an entity processes, summarizes and records the financial transactions. In general terms, internal controls are simply good business practices.

Condition: The District did not maintain a complete, accurate double-entry general ledger system.

Cause/Effect: The District maintained general ledger spreadsheets for expenses but not categorized income spreadsheet. Adjustments were made in order to get the funds in the general ledger to balance. The financial statements contained misstatements and omitted financial information.

ATOKA COUNTY RURAL WATER DISTRICT #2
ATOKA, OKLAHOMA
SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2023

Recommendation: The District needs to purchase the accounting module of Sequoyah Software and prepare financial statements with a complete general ledger system.

Response: The District has a new bookkeeper which has improved the accounting process and hopes to make additional improvements going forward.

Item 2023-03: Bank Reconciliations

Criteria: It is the responsibility of the District to properly report and account for the financial information.

Condition: Reconciliations are not being completed in full each month.

Cause/Effect: The general ledger spreadsheet for expenses has items marked as cleared but a full reconciliation is not prepared each month. The balance shown as the book balance is not accurate.

Recommendation: It is recommended that all bank accounts be reconciled each month.

Response: The District is aware of the problem.

Item 2023-04: Meter Deposits

Criteria: It is the responsibility of the District to properly report and account for the financial information.

Condition: The Meter Deposit Ledger has not been accurately posted with all transactions during the year.

Cause/Effect: Customers could potentially not receive proper reimbursement on their deposit and the organization's balance sheet could be incorrect with respect to the deposit account.

Recommendation: All deposit refunds and final bills should be accurately posted to reconcile the account at yearend. A Meter Deposit Ledger should be maintained so that an accurate liability amount can be reported. The District should also maintain a reserved bank account to be used for refunding meter deposits.

Response: The District is aware of the situation which was created by switching accounting systems during the previous year.