

# AUDIT REPORT

DELAWARE COUNTY RURAL WATER, SEWER, GAS AND  
SOLID WASTE MANAGEMENT DISTRICT NO. 7

AUGUST 31, 2023



April Adams CPA PLLC

PO Box 1355

Ponca City, Oklahoma 74602

Phone: (580) 762-1040

Fax: (580) 762-1047

DELAWARE COUNTY RURAL WATER, SEWER, GAS  
AND SOLID WASTE MANAGEMENT DISTRICT NO. 7  
AUGUST 31, 2023

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DELAWARE COUNTY RURAL WATER, SEWER, GAS  
AND SOLID WASTE MANAGEMENT DISTRICT NO. 7  
AUGUST 31, 2023

BOARD OF DIRECTORS

<u>NAME</u>	<u>POSITION</u>	<u>TERM EXPIRATION</u>
JO ADAMS	CHAIRMAN	NOVEMBER 2023
MIKE ROWAN	VICE CHAIRMAN	NOVEMBER 2024
CINDY DAVISON	SECRETARY	NOVEMBER 2025
LARRY HARRIS	TREASURER	NOVEMBER 2025
JAMES KEATH JR.	MEMBER	NOVEMBER 2023

# April Adams CPA PLLC

PO Box 1355

Ponca City, Oklahoma 74602

Phone: (580) 762-1040

Fax: (580) 762-1047

Email: [cpa@apriladamscpa.com](mailto:cpa@apriladamscpa.com)

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Delaware County Rural Water, Sewer, Gas  
and Solid Waste Management District No. 7

Report on the Audit of the Financial Statements

### *Opinion*

I have audited the modified cash-basis financial statements of Delaware County Rural Water, Sewer, Gas and Solid Waste Management District No. 7, Delaware County, Oklahoma, as of and for the year ended August 31, 2023, and the related notes to the financial statements, as listed in the table of contents.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash-basis financial position of the Delaware County Rural Water, Sewer, Gas and Solid Waste Management District No. 7 as of August 31, 2023, and the respective modified cash-basis changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with 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 Delaware County Rural Water, Sewer, Gas and Solid Waste Management District No. 7 and to meet my other ethical responsibilities, in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Delaware County Rural Water, Sewer, Gas and Solid Waste Management District No. 7'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 Delaware County Rural Water, Sewer, Gas and Solid Waste Management District No. 7'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 Delaware County Rural Water, Sewer, Gas and Solid Waste Management District No. 7'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 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 May 8, 2024, on my consideration of the Delaware County Rural Water, Sewer, Gas and Solid Waste Management District No. 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

# April Adams CPA PLLC

PO Box 1355

Ponca City, Oklahoma 74602

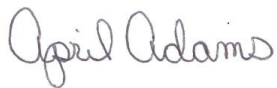
Phone: (580) 762-1040

Fax: (580) 762-1047

Email: [cpa@apriladamscpa.com](mailto:cpa@apriladamscpa.com)

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results of that testing, and not to provide an opinion on the effectiveness of Delaware County Rural Water, Sewer, Gas and Solid Waste Management District No. 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 Delaware County Rural Water, Sewer, Gas and Solid Waste Management District No. 7's internal control over financial reporting and compliance.



April Adams CPA PLLC  
Ponca City, Oklahoma

May 8, 2024

**DELAWARE COUNTY RURAL WATER, SEWER, GAS  
AND SOLID WASTE MANAGEMENT DISTRICT NO. 7  
STATEMENT OF NET POSITION - MODIFIED CASH BASIS  
AUGUST 31, 2023**

	<u>Total 2023</u>
<b><u>ASSETS</u></b>	
<b><u>Current Assets:</u></b>	
Cash in Bank	\$ 98,289
Investments	<u>326,084</u>
<b>Total Current Assets</b>	<u><b>424,373</b></u>
<b><u>Capital Assets:</u></b>	
Construction in Progress	-
Water System, Buildings, Improvements & Equipment	754,844
Less: Accumulated Depreciation	<u>(308,664)</u>
<b>Total Capital Assets</b>	<u><b>446,179</b></u>
<b>TOTAL ASSETS</b>	<u><b>870,553</b></u>
 <b><u>LIABILITIES</u></b>	
<b><u>Current Liabilities:</u></b>	
Meter Deposits	20,023
Current Portion of Long-Term Debt	<u>23,995</u>
<b>Total Current Liabilities</b>	<u><b>44,017</b></u>
<b><u>Long-Term Liabilities:</u></b>	
Notes Payable	<u>86,791</u>
 <b>TOTAL LIABILITIES</b>	<u><b>130,808</b></u>
 <b><u>NET POSITION</u></b>	
Net investment in capital assets	335,394
Restricted for debt service	-
Unrestricted	<u>404,351</u>
 <b>TOTAL NET POSITION</b>	<u><b>\$ 739,744</b></u>

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



**DELAWARE COUNTY RURAL WATER, SEWER, GAS  
AND SOLID WASTE MANAGEMENT DISTRICT NO. 7  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - MODIFIED CASH BASIS  
FOR THE FISCAL YEAR ENDED AUGUST 31, 2023**

	<u>2023</u>
<b><u>Operating Revenues:</u></b>	
Water Sales	\$ 240,396
Membership Fees	5,360
Other Income (Late Charges, Transfer Fees, Etc...)	<u>700</u>
Total Operating Revenues	<u>246,456</u>
<b><u>Operating Expenses:</u></b>	
Water Purchased	164,418
Billing Service	-
Maintenance - Labor	38,235
Maintenance - Materials	8,399
Director Fees	2,610
Professional Fees	2,648
Insurance	2,261
Testing and Permits	1,786
Postage	2,548
Office Expense	2,349
Office - Labor	21,783
Miscellaneous	935
Utilities	413
Meetings and Training	272
Dues	587
Depreciation & Amortization	<u>16,279</u>
Total Operating Expenses	<u>265,523</u>
Operating Income (Loss)	(19,066)
<b><u>Non-Operating Revenues (Expenses):</u></b>	
Interest Income	6,530
Interest Expense	<u>(6,162)</u>
Total Non-operating Revenues (Expenses)	<u>368</u>
Net Income (Loss) Before Contributions	(18,698)
Capital Contributions	<u>57,453</u>
Change in Net Position	38,755
Total Net Position - Beginning	714,982
Total Net Position - Prior Year Adjustment	<u>(13,992)</u>
Total Net Position - Ending	<u><u>\$ 739,744</u></u>

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

**DELAWARE COUNTY RURAL WATER, SEWER, GAS  
AND SOLID WASTE MANAGEMENT DISTRICT NO. 7  
STATEMENT OF CASH FLOWS - MODIFIED CASH BASIS  
FOR THE FISCAL YEAR ENDED AUGUST 31, 2023**

	<u>2023</u>
<b><u>Cash Flows from Operating Activities:</u></b>	
Receipts from Customers	\$ 246,456
Payments to Suppliers for Goods & Services	(189,225)
Payments to Employees & Laborers	(60,018)
Net Meter Deposits received less Deposits Refunded	<u>(50)</u>
<b>Net Cash Provided (Used) by Operating Activities</b>	<u><b>(2,837)</b></u>
<b><u>Cash Flows from Capital &amp; Related Financing Activities:</u></b>	
Additions to Capital Assets	(264,745)
Capital Contributions	57,453
Principal paid on Debt	(22,827)
Interest paid on Debt	<u>(6,162)</u>
<b>Net Cash Provided (Used) by Capital &amp; Related Financing Activities</b>	<u><b>(236,281)</b></u>
<b><u>Cash Flows from Investing Activities:</u></b>	
Investments in Certificate of Deposit	13,482
Interest Income	<u>6,530</u>
<b>Net Cash Provided (Used) by Investing Activities</b>	<u><b>20,012</b></u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>(219,106)</b>
<b>Cash &amp; Cash Equivalents, Beginning of Year</b>	<b>317,394</b>
<b>Cash &amp; Cash Equivalents, Prior Year Adjustment</b>	<u><b>-</b></u>
<b>Cash &amp; Cash Equivalents, End of Year</b>	<u><u><b>\$ 98,289</b></u></u>
<b><u>Reconciliation of operating income (loss) to net cash provided</u></b>	
<b><u>operating activities:</u></b>	
Operating Income (Loss)	\$ (19,066)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities	
Depreciation	16,279
Increase(Decrease) in Meter Deposits	<u>(50)</u>
<b>Net Cash Provided (Used) by Operating Activities</b>	<u><u><b>\$ (2,837)</b></u></u>

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

DELAWARE COUNTY RURAL WATER, SEWER, GAS  
AND SOLID WASTE MANAGEMENT DISTRICT NO. 7  
NOTES TO FINANCIAL STATEMENTS  
AUGUST 31, 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. Organization & Reporting Entity

The Delaware County Rural, Water, Sewer, Gas and Solid Waste Management District No. 7 was created August 20, 1990, for the establishment and operation of a water distribution system for an area located northeast of Ketchum, Oklahoma. The activities of the District constitute the entire reporting entity. There are no component or oversight units. The District is a political subdivision of the state of 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 assets, 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

DELAWARE COUNTY RURAL WATER, SEWER, GAS  
AND SOLID WASTE MANAGEMENT DISTRICT NO. 7  
NOTES TO FINANCIAL STATEMENTS  
AUGUST 31, 2023

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 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.

#### D. Financial Position

##### Cash & Cash Equivalents

DELAWARE COUNTY RURAL WATER, SEWER, GAS  
AND SOLID WASTE MANAGEMENT DISTRICT NO. 7  
NOTES TO FINANCIAL STATEMENTS  
AUGUST 31, 2023

For the purpose of financial reporting, "cash & 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.

Investments

Investments classified in the financial statements consist entirely of certificates of deposit whose original maturity term exceeds three months. Investments are carried at cost, which approximates fair value.

Capital Assets

The District's capital assets are stated at cost. Depreciation is computed using the straight-line method over the estimated useful life of the assets. Expenditures for major renewals and betterments which extend the useful lives of the fixed assets are capitalized. Expenditures for maintenance and repairs are expensed as incurred. All construction period interest and financing cost were capitalized as part of the construction costs.

<u>Class of Asset</u>	<u>Estimated Useful Life</u>
Water Distribution Systems	40 years
Buildings	40 years
Equipment	7 years

Capitalization Policy

Purchases of capital items in excess of \$150.00 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:

DELAWARE COUNTY RURAL WATER, SEWER, GAS  
AND SOLID WASTE MANAGEMENT DISTRICT NO. 7  
NOTES TO FINANCIAL STATEMENTS  
AUGUST 31, 2023

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

Budgetary Data

In accordance with the By-laws of the District, an annual budget is prepared for internal bookkeeping purposes.

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.

DELAWARE COUNTY RURAL WATER, SEWER, GAS  
AND SOLID WASTE MANAGEMENT DISTRICT NO. 7  
NOTES TO FINANCIAL STATEMENTS  
AUGUST 31, 2023

NOTE 2 - DEPOSITS AND INVESTMENTS

Custodial Credit Risk

At August 31, 2023, the District held deposits of approximately \$424,373 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.).

DELAWARE COUNTY RURAL WATER, SEWER, GAS  
AND SOLID WASTE MANAGEMENT DISTRICT NO. 7  
NOTES TO FINANCIAL STATEMENTS  
AUGUST 31, 2023

Concentration of Investment Credit Risk

The District places no limit on the amount it may invest in any one issuer. The District has the following credit risk: 100% in Certificates of Deposit (\$326,084).

NOTE 3 - CAPITAL ASSETS

Capital asset activity, for the fiscal year ended August 31, 2023, was as follows:

	8/31/22 Balance	Additions	Deductions	8/31/23 Balance
Capital assets not being depreciated:				
Land	\$ -	\$ -	\$ -	\$ -
Construction in Progress	17,000	-	(17,000)	-
Total capital assets not being depreciated	17,000	-	(17,000)	-
Other capital assets:				
Water System	452,143	281,745	-	733,888
Equipment	15,508	-	-	15,508
Building	5,448	-	-	5,448
Total other capital assets at historical cost	473,099	281,745	-	754,844
Less accumulated depreciation for:				
Water Distribution Facilities	(273,392)	(16,045)	-	(289,437)
Office Furniture & Equipment	(15,360)	(98)	-	(15,459)
Buildings	(3,632)	(136)	-	(3,768)
Total accumulated depreciation	(292,385)	(16,279)	-	(308,664)
Other capital assets, net	180,714	265,466	-	446,179
Total Capital Assets, net	\$ 197,714	\$ 265,466	\$ (17,000)	\$ 446,179

NOTE 4 - LONG-TERM DEBT

The District has a note payable to Oklahoma Rural Development Finance Corporation (ORDFC) through the Oklahoma Rural Water Association in the original amount of \$150,000.00. The note was issued on November 17, 2021 with a maturity of December 1, 2027, interest 5.00%. A payment of \$2,415.74 is due on the first of each month. The note is secured by a pledge of system revenue.

Changes in Long-Term Debt

The following is a summary of changes in long-term debt for the year ended August 31, 2023:



DELAWARE COUNTY RURAL WATER, SEWER, GAS  
AND SOLID WASTE MANAGEMENT DISTRICT NO. 7  
NOTES TO FINANCIAL STATEMENTS  
AUGUST 31, 2023

	Balance at August 31, 2022	Additions	Deductions	Balance at August 31, 2023
Note Payable - ORDFC	\$ 133,612	\$ -	\$ (22,827)	\$ 110,785
Total Long-Term Debt	<u>\$ 133,612</u>	<u>\$ -</u>	<u>\$ (22,827)</u>	<u>\$ 110,785</u>

Debt Services Requirements to Maturity

The annual debt service requirements to maturity, including principal and interest, for long-term debt, as of August 31, 2023, are as follows:

Year Ending August 31,	Principal	Interest	Annual Payment
2024	\$ 23,995	\$ 4,994	28,989
2025	25,222	3,767	28,989
2026	26,513	2,476	28,989
2027	27,869	1,120	28,989
2028	7,187	60	7,247
Total	<u>\$ 110,785</u>	<u>\$ 12,417</u>	<u>\$ 123,203</u>

NOTE 5 - RISK MANAGEMENT

The District 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, property damage, and public officials liability. Settled claims resulting from these risks have not exceeded the commercial insurance coverage in any of the past three fiscal years.

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 6 - WATER PURCHASES

The District purchases its water from the Ketchum Public Water Authority.

DELAWARE COUNTY RURAL WATER, SEWER, GAS  
AND SOLID WASTE MANAGEMENT DISTRICT NO. 7  
NOTES TO FINANCIAL STATEMENTS  
AUGUST 31, 2023

NOTE 7 - SUBSEQUENT EVENTS

The District did not have any subsequent events through May 8, 2024, which is the date the financial statements were issued, for events requiring recording or disclosure in the financial statements for the year ending August 31, 2023.

NOTE 8 - PRIOR YEAR ADJUSTMENT

A prior year adjustment of \$13,992 was made to equity to remove accruals from the financial statements. The District maintains its financial statements on a modified cash-basis of accounting.

# April Adams CPA PLLC

PO Box 1355

Ponca City, Oklahoma 74602

Phone: (580) 762-1040

Fax: (580) 762-1047

Email: cpa@apriladamscpa.com

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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  
Delaware County Rural Water, Sewer, Gas  
and Solid Waste Management District No. 7

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 Delaware County Rural Water, Sewer and Solid Waste Management District No. 7, as of and for the year ended August 31, 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 May 8, 2024.

### Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered the Delaware County Rural Water, Sewer and Solid Waste Management District No. 7's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Delaware County Rural Water, Sewer and Solid Waste Management District No. 7's internal control. Accordingly, I do not express an opinion on the effectiveness of Delaware County Rural Water, Sewer and Solid Waste Management District No. 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

# April Adams CPA PLLC

PO Box 1355

Ponca City, Oklahoma 74602

Phone: (580) 762-1040

Fax: (580) 762-1047

Email: cpa@apriladamscpa.com

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deficiencies in internal control that might be material weaknesses or significant deficiencies. 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 listed as Items 2023-01 & 2023-02 that I consider to be significant deficiencies.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Delaware County Rural Water, Sewer and Solid Waste Management District No. 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*.

## Delaware County Rural Water, Sewer and Solid Waste Management District No. 7's Response to Findings

Delaware County Rural Water, Sewer and Solid Waste Management District No. 7's response to the findings identified in my audit is described in the accompanying Schedule of Findings. Delaware County Rural Water, Sewer and Solid Waste Management District No. 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 8, 2024

DELAWARE COUNTY RURAL WATER, SEWER, GAS  
AND SOLID WASTE MANAGEMENT DISTRICT NO. 7  
SCHEDULE OF FINDINGS  
AUGUST 31, 2023

INTERNAL CONTROL FINDINGS:

Item 2023-01: Meter Deposits

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

Condition: The Meter Deposit Control Account 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.

Item 2023-02: Internal Control over Financial Reporting

Criteria: Per government auditing and accounting standards management must designate an individual or individuals that possess skill, knowledge and experience to the extent they can perform year-end closing adjustments and evaluate any non-attest services or audit adjustments performed by the independent auditor.

Condition: Material adjusting journal entries were required to arrive at the final adjusted trial balance.

Cause/Effect: The District relied on the auditor to propose entries after audit procedures. The District was not able to report accurate financial information without the required adjustments.

Recommendation: The District should consider making required yearend adjusting entries without auditor assistance when preparing the financial statements.

DELAWARE COUNTY RURAL WATER, SEWER, GAS  
AND SOLID WASTE MANAGEMENT DISTRICT NO. 7  
SCHEDULE OF FINDINGS  
AUGUST 31, 2023

Response: Management will take into consideration the Auditor's recommendation and will work to improve performance in this area.

COMPLIANCE FINDINGS:

None reported