

AUDIT REPORT

LEFLORE COUNTY CONSOLIDATED RURAL WATER DISTRICT #12

LEFLORE COUNTY, OKLAHOMA

JUNE 30, 2023

April Adams CPA PLLC

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LEFLORE COUNTY CONSOLIDATED RURAL WATER DISTRICT #12
LEFLORE COUNTY, OKLAHOMA
JUNE 30, 2023

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LEFLORE COUNTY CONSOLIDATED RURAL WATER DISTRICT #12
LEFLORE COUNTY, OKLAHOMA
JUNE 30, 2023

BOARD OF DIRECTORS

<u>NAME</u>	<u>POSITION</u>
PAUL MODE	CHAIRMAN
PADEN EVANS	VICE-CHAIRMAN
WEYLIN GROOM	TREASURER
BRENT THOMPSON	MEMBER
RON DAMERON	MEMBER

STAFF

SETH MCKENZIE	MAINTENANCE OPERATOR
DANIELLE RUTH	OFFICE MANAGER

Unaudited

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Leflore County Consolidated Rural Water District #12
Leflore County, Oklahoma

Report on the Audit of the Financial Statements

Qualified Opinion

I have audited the modified cash-basis financial statements of Leflore County Consolidated Rural Water District #12, 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, except for the possible effects of the matter described in the Basis for Qualified Opinion section my report, the accompanying financial statements referred to above present fairly, in all material respects, the respective modified cash-basis financial position of the Leflore County Consolidated Rural Water District #12 as of June 30, 2023, and the respective changes in modified cash-basis 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 Qualified Opinion

The modified cash basis of accounting requires that items, having substantial support in U.S. generally accepted accounting principles, such as capitalizing assets at historical cost and recording depreciation, be recorded in the financial statements. The District has not maintained accurate capital asset records to support the historical cost of past capital asset purchases and the related depreciation. Documentation supporting historical cost and depreciation was not readily available for my review. I was unable to obtain sufficient appropriate audit evidence about the amounts recorded as capital assets as of June 30, 2023 because documentation was not available. Consequently, I was unable to determine whether any adjustments to these amounts were necessary.

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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 Leflore County Consolidated Rural Water District #12 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.

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.

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*

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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 circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Leflore County Consolidated Rural Water District #12'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 Leflore County Consolidated Rural Water District #12'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.

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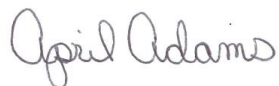
Email: cpa@apriladamscpa.com

Other Information

The introductory information section listed in the accompanying table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements of the District. Such additional information has not been subjected to the auditing procedures applied in my audit of the basic financial statements, and accordingly, I do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated May 14, 2024, on my consideration of the Leflore County Consolidated Rural Water District #12'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 Leflore County Consolidated Rural Water District #12'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 Leflore County Consolidated Rural Water District #12's internal control over financial reporting and compliance.



April Adams CPA PLLC
Ponca City, Oklahoma

May 14, 2024

LEFLORE COUNTY CONSOLIDATED RURAL WATER DISTRICT #12
 LEFLORE COUNTY, OKLAHOMA
 STATEMENT OF NET POSITION - MODIFIED CASH BASIS
 JUNE 30, 2023

<u>ASSETS</u>	<u>Total 2023</u>
<u>Current Assets:</u>	
Operation & Maintenance Account	\$ 132,747
Deposit Account	61,756
Money Market Account	99,549
Investments	202,466
Total Current Assets	<u>496,518</u>
<u>Capital Assets:</u>	
Water System	2,046,295
Water System - Monroe	389,570
Less: Accumulated Depreciation	(494,523)
Total Capital Assets	<u>1,941,342</u>
TOTAL ASSETS	<u>\$ 2,437,859</u>
<u>LIABILITIES</u>	
<u>Current Liabilities:</u>	
Credit Card Payable	\$ 1,500
Refundable Water Deposits	50,269
Current Portion of Long-Term Debt	-
Total Current Liabilities	<u>51,769</u>
<u>Long-Term Liabilities:</u>	
Notes Payable	-
Less: Current Portion of Long-Term Debt	-
Total Long-Term Liabilities	<u>-</u>
TOTAL LIABILITIES	<u>51,769</u>
<u>NET POSITION</u>	
Net investment in capital assets	1,941,342
Restricted	-
Unrestricted	444,748
TOTAL NET POSITION	<u>2,386,090</u>
TOTAL LIABILITIES & NET POSITION	<u>\$ 2,437,859</u>

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

LEFLORE COUNTY CONSOLIDATED RURAL WATER DISTRICT #12
 LEFLORE COUNTY, OKLAHOMA
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
 - MODIFIED CASH BASIS -
 FOR THE FISCAL YEAR ENDED JUNE 30, 2023

	Total FYE 6/30/2023
<u>Operating Revenues:</u>	
Water Sales	\$ 495,662
Memberships	-
Other Income	1,085
Total Operating Revenues	496,747
<u>Operating Expenses:</u>	
Water Purchased	150,593
Utilities	18,524
Contract Labor	20,539
Payroll Expenses	76,496
Auto Expenses	23,656
Supplies	118,479
Dues and Subscriptions	7,621
Insurance	11,540
Repairs and Maintenance	7,907
Office Expense	15,946
Service Fees	2,334
Professional Fees	23,783
Depreciation Expense	53,723
Other Expenses	5,587
Total Operating Expenses	536,728
Operating Income (Loss)	(39,980)
<u>Non-Operating Revenues (Expenses):</u>	
Interest Income	11,158
Interest Expense	-
Gain on sale of assets	-
Total Non-operating Revenues (Expenses)	11,158
Net Income (Loss) Before Contributions	(28,823)
Capital Contributions - Grants	-
Change in Net Position	(28,823)
Total Net Position - Beginning	2,414,739
Total Net Position - Prior Year Adjustment	173
Total Net Position - Ending	\$ 2,386,090

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

LEFLORE COUNTY CONSOLIDATED RURAL WATER DISTRICT #12
LEFLORE COUNTY, OKLAHOMA
STATEMENT OF CASH FLOWS - MODIFIED CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

	<u>June 30, 2023</u>
<u>Cash Flows from Operating Activities:</u>	
Receipts from Customers	\$ 496,747
Payments to Suppliers & Laborers for Goods & Services	(483,226)
Receipts of Customer Utility Deposits, Net of Refunds	<u>1,077</u>
Net Cash Provided (Used) by Operating Activities	<u>14,599</u>
<u>Cash Flows from Capital & Related Financing Activities:</u>	
Additions to Capital Assets	(174,073)
Grant Income	-
Proceeds from sale of capital assets	-
Principal paid on Debt	-
Interest paid on Debt	<u>-</u>
Net Cash Provided (Used) by Capital & Related Financing Activities	<u>(174,073)</u>
<u>Cash Flows from Capital & Related Investing Activities:</u>	
(Increase)Decrease in Investments	(202,466)
Interest Income	<u>11,158</u>
Net Cash Provided (Used) by Investing Activities	<u>(191,308)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(350,783)
Cash & Cash Equivalents, Beginning of Year	644,661
Cash & Cash Equivalents, Prior Year Adjustment	<u>173</u>
Cash & Cash Equivalents, End of Year	<u><u>\$ 294,052</u></u>
<u>Reconciliation of operating income (loss) to net cash provided</u>	
<u>operating activities:</u>	
Operating Income (Loss)	\$ (39,980)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities	
Depreciation	53,723
Increase(Decrease) in Credit Card Payable	1,500
Increase(Decrease) in Payroll Taxes Payable	(1,722)
Increase(Decrease) in Refundable Deposits	<u>1,077</u>
Net Cash Provided (Used) by Operating Activities	<u><u>\$ 14,599</u></u>

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

LEFLORE COUNTY CONSOLIDATED RURAL WATER DISTRICT #12
LEFLORE COUNTY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

On November 13, 2006, the Board of County Commissioners of Leflore County, Oklahoma ordered that Leflore County Rural Water District #9 and Leflore County Rural Water District #12 were to be consolidated into a single water district under the name of "CONSOLIDATED RURAL WATER DISTRICT #1, LEFLORE COUNTY, OKLAHOMA." The consolidated district shall assume and become legally liable for all of the obligations of the districts consolidated into such single district. On December 7, 2006, Leflore County RWD #9's assets, liabilities and equity were transferred to the new consolidated district.

On October 10, 2022, the "Order Approving Name Change to Leflore County Consolidated Rural Water District No. 12" was approved and the action of the Board on September 19, 2022 was hereby ratified and affirmed. Leflore County Consolidated Rural Water District No. 12 shall have the same boundaries as Consolidated 1, and all assets and liabilities shall be assumed and said Water District hereafter shall be known as Leflore County Consolidated Rural Water District No. 12. This name change was approved to avoid confusion with another District with a similar name.

Leflore County Consolidated Rural Water District #12 (the District), organized as a non-profit organization, adopted a modified cash basis of accounting as reflected in these financial statements. 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

LEFLORE COUNTY CONSOLIDATED RURAL WATER DISTRICT #12
LEFLORE COUNTY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

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

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

LEFLORE COUNTY CONSOLIDATED RURAL WATER DISTRICT #12
LEFLORE COUNTY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

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. Budgetary Data

A budget has not been legally adopted for the District and subsequently a budgetary comparison is not presented.

E. Financial Position

Cash & Cash Equivalents

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.

Capital Assets

The District's modified cash basis of accounting reports capital assets resulting from cash transactions or events and reports depreciation, when appropriate. The only capital assets that are being depreciated are the Monroe Water System and capital assets purchased since FYE 6/30/12. Other previously purchased capital assets have been combined and recorded at cost in the financial statements and are not depreciated. The assets that are being depreciated have useful lives between 3-40 years and are depreciated using the straight-line method of depreciation. A capitalization threshold of \$300.00 is used to report capital assets.

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.

LEFLORE COUNTY CONSOLIDATED RURAL WATER DISTRICT #12
LEFLORE COUNTY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

Equity Classification

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

1. *Net investment in capital assets* – Consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets and adjusted for any deferred inflows and outflows of resources attributable to capital assets and related debt.
2. *Restricted* - Consists of restricted assets reduced by liabilities and deferred inflows or resources related to those assets, with restriction constraints placed on the use either by (a) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (b) law through constitutional provisions or enabling legislation.
3. *Unrestricted* – Net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment of capital assets or the restricted component of net position.

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

F. Revenues, expenditures & expenses

Operating revenues and expenses for proprietary funds result from providing services and producing and delivering goods and/or services. They also include all revenues and expenses not related to capital and related financing, noncapital financing, or investing activities. The major source of revenue is from the sale of water. Other revenues are composed primarily of membership fees, late charges, and interest income.

G. Income Taxes

The District is exempt from federal and state income taxes.

LEFLORE COUNTY CONSOLIDATED RURAL WATER DISTRICT #12
LEFLORE COUNTY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 2 - CASH AND INVESTMENTS

Custodial Credit Risk

At June 30, 2023, the District held deposits of approximately \$496,518 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 City 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 investments held at December 31, 2023 are as follows:

LEFLORE COUNTY CONSOLIDATED RURAL WATER DISTRICT #12
LEFLORE COUNTY, OKLAHOMA
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JUNE 30, 2023

Type	Weighted Average Maturity (Months)	Credit Rating	Market Value	Cost
Investments:				
Certificate of deposit	0.50	N/A	\$ 202,466	\$ 202,466
Total Investments			<u>\$ 202,466</u>	<u>\$ 202,466</u>

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 (\$202,466).

NOTE 3 - CAPITAL ASSETS

Capital asset activity, resulting from the modified cash basis transactions, for the fiscal year ended June 30, 2023, was as follows:

	6/30/22 Balance	Additions	Deductions	6/30/23 Balance
Capital assets not being depreciated:				
Construction in Progress	\$ -	\$ -	\$ -	\$ -
Total capital assets not being depreciated	-	-	-	-
Other capital assets:				
Water System	1,900,221	174,073	-	2,074,295
Water System - Monroe	389,570	-	-	389,570
Total other capital assets at historical cost	2,289,791	174,073	-	2,463,865
Less accumulated depreciation for:				
Water System	(284,721)	(45,402)	-	(330,123)
Water System - Monroe	(184,079)	(8,321)	-	(192,400)
Total accumulated depreciation	(468,800)	(53,723)	-	(522,523)
Other capital assets, net	1,820,992	120,350	-	1,941,342
Total capital assets, net	<u>\$ 1,820,992</u>	<u>\$ 120,350</u>	<u>\$ -</u>	<u>\$ 1,941,342</u>

The current year additions included a computer, electrical work on office, meters and other system improvements. There were no current year deductions.

NOTE 4 - LONG-TERM DEBT

The District has no long-term debt.

NOTE 5 - CONTINGENCIES

Litigation

The District currently has no pending litigation.

LEFLORE COUNTY CONSOLIDATED RURAL WATER DISTRICT #12
LEFLORE COUNTY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

Federally Assisted Programs

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

NOTE 6 - RETIREMENT PLAN

The District does not provide a retirement plan to its employees

NOTE 7 - WATER PURCHASES

The District purchases its water from the Poteau Valley Improvement Authority.

NOTE 8 - SUBSEQUENT EVENTS

The District did not have any subsequent events through May 14, 2024, which is the date the financial statements were issued, for events requiring recording or disclosure in the financial statements for the year ending June 30, 2023.

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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

Leflore County Consolidated Rural Water District #12

Leflore County, 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 Leflore County Consolidated Rural Water District #12, 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 May 14, 2024, which was qualified for the improper capital asset recordkeeping.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered the Leflore County Consolidated Rural Water District #12'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 Leflore County Consolidated Rural Water District #12's internal control. Accordingly, I do not express an opinion on the effectiveness of Leflore County Consolidated Rural Water District #12'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. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified. I did identify certain

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deficiencies in internal control described in the accompanying Schedule of Findings listed as Item 2023-01 that I consider to be significant deficiencies.

Compliance and Other Matters

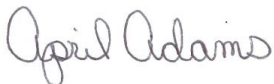
As part of obtaining reasonable assurance about whether the Leflore County Consolidated Rural Water District #12's financial statements are free of material misstatement, I performed tests of compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which 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*.

Leflore County Consolidated Rural Water District #12's Response to Findings

Leflore County Consolidated Rural Water District #12's responses to the findings identified in my audit are described in the accompanying Schedule of Findings. Leflore County Consolidated Rural Water District #12'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 14, 2024

LEFLORE COUNTY CONSOLIDATED RURAL WATER DISTRICT #12
LEFLORE COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS
JUNE 30, 2023

INTERNAL CONTROL FINDINGS:

Item 2023-01: 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.

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

COMPLIANCE FINDINGS:

None reported