

AUDIT REPORT

MUSKOGEE COUNTY RURAL WATER DISTRICT #7
MUSKOGEE COUNTY, OKLAHOMA

DECEMBER 31, 2023

April Adams CPA PLLC

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MUSKOGEE COUNTY RURAL WATER DISTRICT #7
MUSKOGEE COUNTY, OKLAHOMA
DECEMBER 31, 2023

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MUSKOGEE COUNTY RURAL WATER DISTRICT #7
MUSKOGEE COUNTY, OKLAHOMA
DECEMBER 31, 2023

BOARD OF DIRECTORS

<u>NAME</u>	<u>POSITION</u>	<u>TERM EXPIRATION</u>
Jeremy Clinkenbeard	Chairman	March 2024
Doug Dortch	Vice-Chairman	March 2025
Terry Lockhart	Secretary/Treasurer	March 2025
Terry Swanner	Member	March 2026
Scott Wafford	Member	March 2026

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinion

I have audited the accompanying financial statements of Muskogee County Rural Water District #7, Muskogee County, Oklahoma, as of and for the year ended December 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 financial position of the Muskogee County Rural Water District #7 as of December 31, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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 Muskogee County Rural Water District #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.

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.

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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 Muskogee County Rural Water District #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 circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Muskogee County Rural Water District #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 Muskogee County Rural Water District #7's ability to continue as a going concern for a reasonable period of time.

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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.

Required Supplementary Information

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. My opinion on the basic financial statements is not affected by this missing information.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory and the other supplementary information sections 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 February 21, 2024, on my consideration of the Muskogee County Rural Water District #7's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Muskogee County

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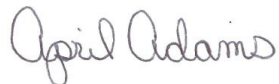
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Rural Water District #7's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Muskogee County Rural Water District #7's internal control over financial reporting and compliance.



April Adams CPA PLLC
Ponca City, Oklahoma

February 21, 2024

**MUSKOGEE COUNTY RURAL WATER DISTRICT #7
MUSKOGEE COUNTY, OKLAHOMA
STATEMENT OF NET POSITION
DECEMBER 31, 2023**

<u>ASSETS</u>	<u>2023</u>
<u>Current Assets:</u>	
Cash and cash equivalents	\$ 1,010,704
Investments	617,018
Accounts Receivable - water	38,682
Inventory	52,094
Prepaid Insurance	9,406
Utility Deposit	100
Total Current Assets	<u>1,728,003</u>
<u>Capital Assets:</u>	
Land and Construction in Progress	45,000
Building	68,101
Water system and lines	2,702,452
Office furniture & equipment	75,360
	<u>2,890,912</u>
Less: Accumulated Depreciation	<u>(1,085,526)</u>
Total Capital Assets	<u>1,805,387</u>
TOTAL ASSETS	<u>\$ 3,533,390</u>
<u>LIABILITIES & NET POSITION</u>	
<u>Current Liabilities:</u>	
Accrued Payroll Taxes	\$ 4,909
Accounts Payable	44,757
Current Portion of Long-Term Debt	-
Total Current Liabilities	<u>49,666</u>
<u>Long-Term Liabilities:</u>	
Note Payable	-
Less: Current Portion of Long-Term Debt	-
Total Long-Term Liabilities	<u>-</u>
TOTAL LIABILITIES	49,666
<u>NET POSITION:</u>	
Net investment in capital assets	1,805,387
Restricted for debt service	-
Unrestricted	<u>1,678,337</u>
TOTAL NET POSITION	<u>3,483,724</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 3,533,390</u>

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

**MUSKOGEE COUNTY RURAL WATER DISTRICT #7
MUSKOGEE COUNTY, OKLAHOMA
STATEMENT OF REVENUES, EXPENSES & CHANGES IN NET POSITION
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2023**

	2023
<u>OPERATING REVENUES:</u>	
Water Sales	\$ 637,698
Benefit Unit Sales	52,500
Miscellaneous Income	1,846
TOTAL OPERATING REVENUES	692,044
<u>OPERATING EXPENSES:</u>	
Water Purchased	280,887
Auto Expense	4,009
Contract Labor	40,710
Repairs & Maintenance	10,755
Insurance	12,537
Materials	50,460
Miscellaneous	2,509
Office Supplies & Expenses	5,426
Payroll Tax Expense	7,424
Postage	6,335
Professional Fees	2,775
Telephone	3,307
Utilities	14,087
Wages	90,203
Internet	1,535
Depreciation	72,820
TOTAL OPERATING EXPENSES	605,780
NET OPERATING INCOME (LOSS)	86,264
<u>OTHER REVENUES (EXPENSES):</u>	
Interest Income	25,074
Interest Expense	-
Insurance Proceeds and/or Other Miscellaneous	-
TOTAL OTHER REVENUES (EXPENSES)	25,074
NET INCOME (LOSS) BEFORE CONTRIBUTIONS	111,339
CAPITAL CONTRIBUTIONS	230,500
CHANGE IN NET POSITION	341,839
TOTAL NET POSITION, Beginning of Year	3,141,885
TOTAL NET POSITION, Prior Year Adjustment	-
TOTAL NET POSITION, End of Year	\$ 3,483,724

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

**MUSKOGEE COUNTY RURAL WATER DISTRICT #7
MUSKOGEE COUNTY, OKLAHOMA
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2023**

	2023
<u>Cash Flows from Operating Activities:</u>	
Receipts from Customers	\$ 697,270
Payments to Suppliers & Laborers for Goods & Services	(531,665)
Receipts of Customer Utility Deposits, Net of Refunds	-
Net Cash Provided (Used) by Operating Activities	165,605
<u>Cash Flows from Capital & Related Financing Activities:</u>	
Additions to Capital Assets	(100,485)
Capital Contributions	230,500
Insurance Proceeds and/or Other Income	-
Proceeds from long-term debt	-
Principal paid on long-term debt	-
Interest paid on Debt	-
Net Cash Provided (Used) by Capital & Related Financing Activities	130,015
<u>Cash Flows from Investing Activities:</u>	
(Increase) Decrease in Investments	215,998
Interest Income	25,074
Net Cash Provided (Used) by Investing Activities	241,073
Net Increase (Decrease) in Cash and Cash Equivalents	536,693
Cash & Cash Equivalents, Beginning of Year	474,011
Cash & Cash Equivalents, Prior Year Adjustment	-
Cash & Cash Equivalents, End of Year	\$ 1,010,704
<u>Reconciliation of operating income (loss) to net cash provided</u>	
<u>operating activities:</u>	
Operating Income (Loss)	\$ 86,264
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities	
Depreciation	72,820
(Increase)Decrease in Accounts Receivable	5,226
(Increase)Decrease in Inventory	(4,952)
(Increase)Decrease in Prepaid Insurance	(591)
Increase(Decrease) in Accounts Payable	6,029
Increase(Decrease) in Payroll Taxes Payable	810
Net Cash Provided (Used) by Operating Activities	\$ 165,605

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

MUSKOGEE COUNTY RURAL WATER DISTRICT #7
MUSKOGEE COUNTY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 1 - SUMMARY OF ACCOUNTING POLICIES

Organization & Reporting Entity

Muskogee County Rural Water District #7 is incorporated as a non-profit corporation under the Oklahoma Rural Water, Sewer, Gas and Solid Waste Management District Act (82 Okla. Stat. 1324.1 - 1324.26). At the annual meeting each year the participating members elect a Board of Directors consisting of five members. The Board elects a Chairman, Vice-Chairman, and Secretary and Treasurer from their members. More than one person may hold the offices of Secretary and Treasurer. The Board may employ a manager to manage the day-to-day activities of the District.

Basis of Presentation

The District is accounted for within the framework of enterprise fund accounting. Enterprise funds are used to account for operations that are operated in a manner similar to private business enterprises wherein the intent of the District's Board of Directors is to recover the cost of providing goods and services through user charges.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting. Revenues are recognized when earned and expenses when incurred.

Budgetary Data

In accordance with Article 9 of the District's By-Laws, the District prepares an annual budget for internal bookkeeping purposes.

Assets, Liabilities, & Equity

Deposits and Investments

Oklahoma Statutes authorize the District to invest in certificate of deposit, repurchase agreements, passbooks, bankers' acceptances, and other available bank investments provided that all deposits are fully covered by approved securities pledged to secure those funds. In addition, the District can invest in direct debt securities of the United States unless such an investment is expressly prohibited by law.

MUSKOGEE COUNTY RURAL WATER DISTRICT #7
MUSKOGEE COUNTY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

For financial statement presentation and for purposes of statements of cash flows, the District's cash and cash equivalents are considered to be cash on hand, demand deposits and certificates of deposit with a maturity date of three months or less.

Allowance for Uncollectible Accounts

No provision for an allowance for uncollectible accounts has been made as all accounts deemed uncollectible are written off against revenues upon Board approval.

Inventory

Inventory is valued using the lesser of cost or market. Obsolete inventory is written off at the time it is determined to be obsolete.

Capital Assets

Capital assets are stated at the cost and depreciation has been computed using the straight-line method based on the estimated useful lives of the assets as follows:

Water district facilities	40 to 50 years
Water district equipment	5 to 10 years
Office equipment	3 to 5 years

The dollar threshold for capitalization has been set at \$500.00.

Long-Term Debt

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

Equity Classification

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

1. Net investment in capital assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding

MUSKOGEE COUNTY RURAL WATER DISTRICT #7
MUSKOGEE COUNTY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

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.

Governmental Accounting Standards Board Statement No. 34

In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments. Certain of the significant changes in the Statement include the following:

1. For the first time the financial statement should include:
 - a. A Management Discussion and Analysis (MD&A) section providing analysis of the District's overall financial position and results of operations. However, the District has chosen not to present the required MD&A for the current year.

MUSKOGEE COUNTY RURAL WATER DISTRICT #7
MUSKOGEE COUNTY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

- b. Financial statements prepared using full accrual accounting for all of the District's activities, except for including the General capital assets or infrastructure (lines, pump stations, etc.).
2. A change in the fund financial statements to focus on major funds.

These and other changes are reflected in the accompanying financial statements (including the notes to the financial statements). The District has elected to implement the general provisions of the Statement and report infrastructure acquired after December 31, 2003 as provided by GASB standards.

Income Taxes

As a political subdivision of the State of Oklahoma, the District is exempt from income taxes.

Compensated Absences

The District had no vacation and sick leave policy during the current year.

Use of Estimates

The District made estimates and assumptions required in the preparation of its financial statements on the basis of accounting described above that affect certain reported amounts and disclosures accordingly; actual results could differ from those estimates.

NOTE 2 - CASH AND INVESTMENTS

Custodial Credit Risk

At December 31, 2023, the District held deposits of approximately \$1,627,722 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.

MUSKOGEE COUNTY RURAL WATER DISTRICT #7
MUSKOGEE COUNTY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

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 District has the following credit risk: 100% in Certificates of Deposit (\$617,018).

NOTE 3 - RESTRICTED ASSETS

The District has no restricted assets.

MUSKOGEE COUNTY RURAL WATER DISTRICT #7
MUSKOGEE COUNTY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 4 - CAPITAL ASSETS

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

	12/31/22 Balance	Additions	Deductions	12/31/23 Balance
Capital assets not being depreciated:				
Land	\$ 12,500	\$ -	\$ -	\$ 12,500
Construction in Progress	32,500	-	-	32,500
Total capital assets not being depreciated	45,000	-	-	45,000
Other capital assets:				
Water Distribution Facilities	2,601,967	100,485	-	2,702,452
Office Furniture & Equipment	75,360	-	-	75,360
Buildings	68,101	-	-	68,101
Total other capital assets at historical cost	2,745,427	100,485	-	2,845,912
Less accumulated depreciation for:				
Water Distribution Facilities	(951,959)	(59,678)	-	(1,011,637)
Office Furniture & Equipment	(23,880)	(11,440)	-	(35,320)
Buildings	(36,867)	(1,703)	-	(38,570)
Total accumulated depreciation	(1,012,705)	(72,820)	-	(1,085,526)
Other capital assets, net	1,732,722	27,665	-	1,760,387
Total Capital Assets, net	\$ 1,777,722	\$ 27,665	\$ -	\$ 1,805,387

The asset additions included the 5-mile extension project. The additions to depreciation include \$72,820.42 for current year depreciation expense.

NOTE 5 - LONG-TERM DEBT

The District currently has no long-term debt.

Changes in Long-Term Debt

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

	Balance at December 31, 2022	Additions	Deductions	Balance at December 31, 2023
Notes Payable	\$ -	\$ -	\$ -	\$ -
Total Long-Term Debt	\$ -	\$ -	\$ -	\$ -

Debt Services Requirements to Maturity

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

MUSKOGEE COUNTY RURAL WATER DISTRICT #7
MUSKOGEE COUNTY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

Year Ending December 31,	Principal	Interest	Annual Payment
2024	\$ -	\$ -	\$ -
2025	-	-	-
2026	-	-	-
2027	-	-	-
2028	-	-	-
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

NOTE 6 - RETIREMENT PLAN

The District does not provide a retirement plan to its employees.

NOTE 7 - 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 8 - WATER PURCHASES

The District purchases its water from the Fort Gibson Utility Authority.

NOTE 9 - RELATED PARTY TRANSACTIONS

The maintenance contract laborer and a member of the Board of Directors are relatives.

MUSKOGEE COUNTY RURAL WATER DISTRICT #7
MUSKOGEE COUNTY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 10 - SUBSEQUENT EVENTS

The District did not have any subsequent events through February 21, 2024, which is the date the financial statements were issued, for events requiring recording or disclosure in the financial statements for the year ending December 31, 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
Muskogee County Rural Water District #7
Muskogee 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 financial statements of the Muskogee County Rural Water District #7, as of and for the year ended December 31, 2023, and the related notes to the financial statements, and have issued my report thereon dated February 21, 2024. The District did not present the Management's Discussion and Analysis required by the Governmental Accounting Standards Board.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered the Muskogee County Rural Water District #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 Muskogee County Rural Water District #7's internal control. Accordingly, I do not express an opinion on the effectiveness of Muskogee County Rural Water District #7's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material 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 Items 2023-01 and 2023-02 that I consider to be significant deficiencies.

Compliance and Other Matters

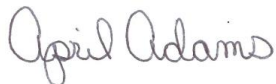
As part of obtaining reasonable assurance about whether the Muskogee County Rural Water District #7's financial statements are free of material misstatement, I performed tests of compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

Muskogee County Rural Water District #7's response to the findings identified in my audit is described in the accompanying Schedule of Findings. Muskogee County Rural Water District #7's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



April Adams CPA PLLC
Ponca City, Oklahoma

February 21, 2024

MUSKOGEE COUNTY RURAL WATER DISTRICT #7
MUSKOGEE COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS
DECEMBER 31, 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 Manager, who is responsible for all phases of the accounting functions. Because of this lack of division of responsibility, internal control is determined to be weak.

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: 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.

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

COMPLIANCE FINDINGS:

There were no compliance findings during the current year.

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SCHEDULE OF WATER RATES AND CUSTOMERS
DECEMBER 31, 2023

Water Rates

0 - 1,500 gallons	=	\$20.86 Minimum Bill
Next 7,000 gallons	=	\$ 8.06 per 1,000 gallons
Next 15,000 gallons	=	\$ 8.29 per 1,000 gallons
Over 23,500 gallons	=	\$ 8.54 per 1,000 gallons

Total Gallons Pumped 77,382,600

Total Gallons Sold 64,037,700

Percentage of Loss 17.23%

Customers

The Muskogee County Rural Water District #7 had 979 customers at the close of this fiscal year.

Current membership/tap fee \$2,500 per meter sign-up.

Unaudited