

AUDIT REPORT

WASHINGTON COUNTY RURAL WATER DISTRICT #7
COPAN, OKLAHOMA

DECEMBER 31, 2023

April Adams CPA PLLC
PO Box 1355
Ponca City, Oklahoma 74602
Phone: (580) 762-1040
Fax: (580) 762-1047

WASHINGTON COUNTY RURAL WATER DISTRICT #7
COPAN, OKLAHOMA
DECEMBER 31, 2023

Table of Contents

	<u>Page</u>
Independent Auditor's Report.....	3-5
Basic Financial Statements:	
Exhibit A - Statement of Net Position - Modified Cash Basis.....	6
Exhibit B - Statement of Revenues, Expenses, and Changes in Net Position - Modified Cash Basis.....	7
Exhibit C - Statement of Cash Flows - Modified Cash Basis.....	8
Notes to the Financial Statements.....	9-15
Report Required by <i>Government Auditing Standards</i> :	
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 <i>Government Auditing Standards</i>	16-17
Schedule of Findings.....	18

April Adams CPA PLLC
PO Box 1355
Ponca City, Oklahoma 74602
Phone: (580) 762-1040
Fax: (580) 762-1047
Email: cpa@apriladamscpa.com

INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinion

I have audited the modified cash-basis financial statements of Washington County Rural Water District #7, 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 accompanying financial statements referred to above present fairly, in all material respects, the respective modified cash-basis financial position of the Washington County Rural Water District #7 as of December 31, 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 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 Washington 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.

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.

April Adams CPA PLLC

PO Box 1355

Ponca City, Oklahoma 74602

Phone: (580) 762-1040

Fax: (580) 762-1047

Email: cpa@apriladamscpa.com

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 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 Washington 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.

April Adams CPA PLLC

PO Box 1355

Ponca City, Oklahoma 74602

Phone: (580) 762-1040

Fax: (580) 762-1047

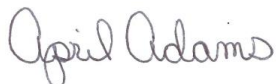
Email: cpa@apriladamscpa.com

- Conclude whether, in my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Washington County Rural Water District #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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated May 9, 2024, on my consideration of the Washington 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 Washington County 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 Washington County Rural Water District #7's internal control over financial reporting and compliance.



April Adams CPA PLLC
Ponca City, Oklahoma

May 9, 2024

WASHINGTON COUNTY RURAL WATER DISTRICT #7
COPAN, OKLAHOMA
STATEMENT OF NET POSITION - MODIFIED CASH BASIS
DECEMBER 31, 2023

	Total 2023
<u>ASSETS</u>	
<u>Current Assets:</u>	
Cash and Cash Equivalents	\$ 261,839
Total Current Assets	261,839
<u>Capital Assets:</u>	
Other Capital Assets	1,024,444
Less: Accumulated Depreciation	(328,150)
Total Capital Assets	696,294
<u>Other Assets:</u>	
Utility Deposit	450
Total Current Assets	450
TOTAL ASSETS	\$ 958,584
<u>LIABILITIES</u>	
<u>Current Liabilities:</u>	
Current Portion of Long-Term Debt	\$ -
Total Current Liabilities	-
<u>Long-Term Liabilities:</u>	
Notes Payable	-
Less: Current Portion of Long-Term Debt	-
Total Long-Term Liabilities	-
TOTAL LIABILITIES	-
<u>NET POSITION</u>	
Net investment in capital assets	696,294
Restricted for debt service	-
Unrestricted	262,289
TOTAL NET POSITION	958,584
TOTAL LIABILITIES & NET POSITION	\$ 958,584

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

WASHINGTON COUNTY RURAL WATER DISTRICT #7
COPAN, OKLAHOMA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
- MODIFIED CASH BASIS -
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2023

	Total 2023
<u>Operating Revenues:</u>	
Water Sales	\$ 107,261
Penalties	1,115
Memberships	2,500
Miscellaneous Income	6,558
Total Operating Revenues	117,435
<u>Operating Expenses:</u>	
Water Purchases	46,378
Bookkeeping	6,601
Insurance	1,576
Repairs and Maintenance	8,084
Management fees	-
Memberships	707
Licenses and fees	-
Office Expense	2,394
Professional fees	1,100
Sample Testing	5,730
Other	8
Supplies	6,358
Telephone and utilities	1,702
Bad Debt	-
Depreciation	18,868
Total Operating Expenses	99,506
Operating Income (Loss)	17,929
<u>Non-Operating Revenues (Expenses):</u>	
Interest Income	3,569
Interest Expense	-
Total Non-operating Revenues (Expenses)	3,569
Change in Net Position	21,498
Total Net Position - Beginning	937,086
Total Net Position - Prior Year Adjustment	-
Total Net Position - Ending	\$ 958,584

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

**WASHINGTON COUNTY RURAL WATER DISTRICT #7
COPAN, OKLAHOMA
STATEMENT OF CASH FLOWS - MODIFIED CASH BASIS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2023**

	2023
<u>Cash Flows from Operating Activities:</u>	
Cash Receipts from Customers	\$ 117,435
Payments to Suppliers for Goods & Services	(80,638)
Net Cash Provided (Used) by Operating Activities	36,797
<u>Cash Flows from Capital & Related Financing Activities:</u>	
Additions to Capital Assets	(35,813)
Proceeds from sale of Capital Assets	-
Principal paid on Debt	-
Interest paid on Debt	-
Net Cash Provided (Used) by Capital & Related Financing Activities	(35,813)
<u>Cash Flows from Investing Activities:</u>	
Interest Income	3,569
Net Cash Provided (Used) by Investing Activities	3,569
Net Increase (Decrease) in Cash and Cash Equivalents	4,553
Cash & Cash Equivalents, Beginning of Year	257,286
Cash & Cash Equivalents, Prior Year Adjustment	-
Cash & Cash Equivalents, End of Year	\$ 261,839
<u>Reconciliation of operating income (loss) to net cash provided operating activities:</u>	
Operating Income (Loss)	\$ 17,929
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities	
Depreciation	18,868
(Increase)Decrease in Other Assets	-
Net Cash Provided (Used) by Operating Activities	\$ 36,797

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

WASHINGTON COUNTY RURAL WATER DISTRICT #7
COPAN, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 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. Organization & Reporting Entity

Rural Water District No. 7 (the "District") was created May 20, 1996 by the Board of County Commissioners of Washington County, Oklahoma under the provisions of the Rural Water District Act (Title 82 Oklahoma Statutes 1961, Sections 1301 to 1321). The District is managed by a five member Board of Directors. Members of the board are elected by the membership of the District at its annual meeting. Membership in the District is attained by paying membership dues and receiving services from the District. The activities of the District constitute the entire reporting entity. There are not other component or oversight units. The District is a political subdivision of the state of Oklahoma. The District had water sales beginning in the 2004 fiscal year.

B. Basis of Presentation

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

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

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 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

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

statements for proprietary fund types would use the accrual basis of accounting.

D. 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 property, plant, equipment and infrastructure with useful lives of more than one year are stated at historical cost or at estimated historical cost for those items not previously recorded. The District maintains infrastructure assets records consistent with all other capital assets. Donated assets are stated at fair value on the date donated. Capital assets are depreciated using the straight-line method with one-half year depreciation in the year acquired and one-half in the year of disposal. When capital assets are disposed, the cost and applicable accumulated depreciation are moved from the respective accounts, and the resulting gain or loss is recorded in operations.

Estimated useful lives, in years, for depreciable assets are as follows:

Buildings	5-60
Improvements, other than buildings	2-50
Mobile equipment	3-40
Furniture, machinery and equipment	3-30
Utility system	5-60

Capitalization Policy - Purchases of capital items in excess of \$2,500.00 that increase the capacity or operation efficiency or extend the useful life of any asset are capitalized. Repairs and maintenance are expensed as incurred.

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

Long-Term Debt

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

Equity Classification

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

1. *Net investment in capital assets*—Consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets and adjusted for any deferred inflows and outflows of resources attributable to capital assets and related debt.
2. *Restricted*—Consists of restricted assets reduced by liabilities and deferred inflows or resources related to those assets, with 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.

E. 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.

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

F. 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 (such as estimated useful lives in determining depreciation expense); 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 \$261,839 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

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

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.).

NOTE 3 - CAPITAL ASSETS

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

	12/31/22			12/31/23
	Balance	Additions	Deductions	Balance
Non-depreciable assets:				
Construction in Progress	\$ -	\$ -	\$ -	\$ -
Total non-depreciable assets	-	-	-	-
Depreciable assets:				
Water Distribution System	988,631	35,813	-	1,024,444
Total depreciable assets	988,631	35,813	-	1,024,444
Less accumulated depreciation for:				
Water Distribution System	(309,282)	(18,868)	-	(328,150)
Total accumulated depreciation	(309,282)	(18,868)	-	(328,150)
Net depreciable assets	679,350	16,945	-	696,294
Total net capital assets	\$ 679,350	\$ 16,945	\$ -	\$ 696,294

NOTE 4 - LONG-TERM DEBT

The District has no long-term debt.

NOTE 5 - CONTINGENCIES

Litigation

According to management there were no known contingent liabilities at December 31, 2023, which would have a material effect on the financial statements.

Grant Program Involvement

In the normal course of operations, the District participates in various federal or state/loan programs from year to year. The

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

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 AND DEFERRED COMPENSATION PLAN

The District does not have 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; and natural disasters. The District carries commercial insurance for risk of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal year.

NOTE 8 - CONTRACTS

The District purchases water for resale from Copan Public Works Authority, Copan, Oklahoma, under the terms of a Water Purchase Agreement dated August 26, 2003. The contract extends for an initial term of one year and thereafter is to be reviewed annually for successive one year terms until terminated. The price paid by the District is determined based on costs incurred by the Authority in producing the water purchased. The contract contains terms defining the costs to be considered.

NOTE 9 - SUBSEQUENT EVENTS

The District did not have any subsequent events through May 9, 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.

April Adams CPA PLLC

PO Box 1355

Ponca City, Oklahoma 74602

Phone: (580) 762-1040

Fax: (580) 762-1047

Email: cpa@apriladamscpa.com

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
Washington County Rural Water District #7
Copan, 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 Washington County Rural Water District #7, as of and for the year ended December 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 9, 2024.

Internal Control Over Financial Reporting

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

April Adams CPA PLLC

PO Box 1355

Ponca City, Oklahoma 74602

Phone: (580) 762-1040

Fax: (580) 762-1047

Email: cpa@apriladamscpa.com

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.

Compliance and Other Matters


As part of obtaining reasonable assurance about whether the Washington 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 one instance of noncompliance that is required to be reported under *Government Auditing Standards*, which is included in the Schedule of Findings as Item 2023-01. The results of my tests disclosed no instances of other matters that are required to be reported under *Government Auditing Standards*.

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

Washington County Rural Water District #7's responses to the findings identified in my audit are described in the accompanying Schedule of Findings. Washington 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
May 9, 2024

WASHINGTON COUNTY RURAL WATER DISTRICT #7
COPAN, OKLAHOMA
SCHEDULE OF FINDINGS
DECEMBER 31, 2023

INTERNAL CONTROL FINDINGS:

None

COMPLIANCE FINDINGS:

Item 2023-01: Uninsured & Uncollateralized Deposits

Criteria: To protect public monies from potential loss, Oklahoma Statutes require that local governments, such as the District, before depositing in excess of the federally insured amount (FDIC coverage of \$250,000.00), secure collateral pledges to cover the amount of the deposits. Further, U.S. generally accepted accounting principles (GAAP) requires the District to disclose the amount of its bank balance that is uninsured and uncollateralized at the end of the period.

Condition: During the fiscal year, the District's deposits with Arvest Bank continued to grow. As a result, \$11,839.26 of the District's bank balance was uninsured and uncollateralized at December 31, 2023.

Cause/Effect: Collateral was not pledged by the servicing bank. Cash deposits exceeding the Federal Deposit Insurance Corporation coverage of \$250,000 are at risk of being lost if the bank becomes insolvent. No loss of public monies resulted from these uninsured and uncollateralized deposits.

Recommendation: To help protect public monies from potential loss and to comply with state statutes, the District must ensure that all deposits not covered by federal depository insurance are collateralized in accordance Oklahoma Statutes.

Response: The District was working with the bank to get the excess amounts covered. The bank was to set up a new asset management account to correct the issue. The new account has not yet been opened.