

Independent Auditor's Report

Rural Water and Sewer District No. 5, Canadian County

Year Ended August 31, 2021

**RURAL WATER AND SEWER DISTRICT NO. 5, CANADIAN COUNTY
EL RENO, OKLAHOMA
August 31, 2021**

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INDEPENDENT AUDITOR'S REPORT

The Honorable Board of Directors
Rural Water and Sewer District No. 5, Canadian County
El Reno, Oklahoma

Report on the Financial Statements

We have audited the accompanying modified cash basis financial statements of the business-type activities of Rural Water and Sewer District No. 5, Canadian County, El Reno, Oklahoma, as of and for the year ended August 31, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for 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 Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

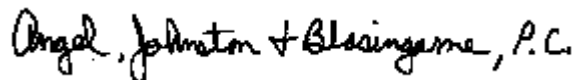
In our opinion, the financial statements referred to above present fairly, in all material respects, the modified cash basis financial position of the business-type activities of the Rural Water and Sewer District No. 5, Canadian County, El Reno, Oklahoma as of August 31, 2021, and the changes in modified cash basis financial position, and cash flows thereof for the year then ended in accordance with the modified cash basis of accounting described in Note 1.

Basis of Accounting

We 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. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 21, 2022, on our consideration of the District's internal control over financial reporting and on our 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 our 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 the District'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 the District's internal control over financial reporting and compliance.



Chickasha, Oklahoma
January 21, 2022

RURAL WATER AND SEWER DISTRICT NO. 5, CANADIAN COUNTY
Statement of Net Position
Modified Cash Basis
August 31, 2021

ASSETS

Current Assets

Cash and cash equivalents	\$	282,010
Restricted cash and cash equivalents		20,985
<i>Total Current Assets</i>		302,995

Non Current Assets

Other capital assets, net of depreciation		1,194,366
<i>Total Non Current Assets</i>		1,194,366
<i>Total Assets</i>		1,497,361

LIABILITIES

Current Liabilities

Current portion of notes payable		25,249
<i>Total Current Liabilities</i>		25,249

Non Current Liabilities

Notes payable		983,735
<i>Total Non Current Liabilities</i>		983,735
<i>Total Liabilities</i>		1,008,984

NET POSITION

Net investment in capital assets		185,382
Restricted		20,985
Unrestricted		282,010
<i>Total Net Position</i>	\$	488,377

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

RURAL WATER AND SEWER DISTRICT NO. 5, CANADIAN COUNTY
Statement of Revenues, Expenses and Changes in Net Position
Modified Cash Basis
For the Year Ended August 31, 2021

Operating Revenues	
Water revenue	\$ 401,948
Membership fees	52,419
Miscellaneous fees	644
<i>Total Operating Revenues</i>	<u>455,011</u>
 Operating Expenses	
Contract Labor	44,907
Parts	18,947
Maintenance and repair	2,464
Automobile allowance	4,939
Salaries	36,000
Payroll taxes	2,389
Water purchases	245,675
Propane	385
Electric	3,979
Telephone	1,486
Box Rent	92
Office supplies	707
Postage	934
Water test fees	1,607
Hydraulic Report	2,250
Miscellaneous	2,048
Insurance	5,646
Legal and professional	263
Maintenance agreement	7,791
Administrative fee	4,987
Depreciation expense	26,918
<i>Total Operating Expenses</i>	<u>414,414</u>
 <i>Operating Income (Loss)</i>	 <u>40,597</u>
 Non-Operating Revenues (Expenses)	
Interest income	129
Interest expense	(19,655)
<i>Total Non-Operating Revenues (Expenses)</i>	<u>(19,526)</u>
 <i>Change in Net Position</i>	 <u>21,071</u>
 <i>Net Position - Beginning of Year</i>	 <u>467,306</u>
 <i>Net Position - End of Year</i>	 <u>\$ 488,377</u>

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

RURAL WATER AND SEWER DISTRICT NO. 5, CANADIAN COUNTY
Statement of Cash Flows
Modified Cash Basis
For the Year Ended August 31, 2021

Cash flows from operating activities

Receipts from customers	\$ 455,011
Payments to employees	(38,389)
Payments to suppliers	(349,107)
<i>Net cash provided by (used for) operating activities</i>	67,515

Cash flows from capital and related financing activities

Proceeds from loan	76,933
Interest expense	(19,655)
Principal paid on long-term debt	(51,196)
Acquisition/construction of capital assets	(76,933)
<i>Net cash provided by (used for) capital and related financing activities</i>	(70,851)

Cash flows from investing activities

Investment income	129
<i>Net cash provided by (used for) investing activities</i>	129

<i>Net increase (decrease) in cash and cash equivalents</i>	(3,207)
<i>Cash and cash equivalents at beginning of year</i>	306,202
<i>Cash and cash equivalents at end of year</i>	\$ 302,995

Reconciliation of operating income (loss) to net cash provided (used) by operating activities

Operating income (loss)	40,597
Adjustment to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	26,918
<i>Net cash provided by (used for) operating activities</i>	\$ 67,515

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

RURAL WATER AND SEWER DISTRICT NO. 5, CANADIAN COUNTY

Notes to Basic Financial Statements For the Year Ended August 31, 2021

Note 1 – Summary of Significant Accounting Policies

1.A. Reporting Entity

Rural Water and Sewer District No. 5, Canadian County, Oklahoma (the District) was incorporated in 2002 under the laws of the State of Oklahoma in accordance with O.S. Title 82 and is a nonprofit corporation under Section 501(c)(12) of the Internal Revenue Code. The purpose of the District is to provide a water works system including distribution lines, pumping stations and storage facilities to service the members of the District. Prior to 2002, it was known as Heaston Rural Water Corporation.

The District is governed by a Board of Directors that consists of five members elected by the general membership.

1.B. Basis of Presentation

The District's fund is an enterprise fund. Enterprise funds are proprietary funds used to account for business-like activities provided to the general public. All activities of the District are business-type activities. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector.

1.C. Measurement Focus and Basis of Accounting

Measurement focus refers to how transactions are recorded within the various financial statements. Basis of accounting refers to when transactions are recognized and recorded in the financial statements regardless of the measurement focus applied.

The District's financial statements use the economic resources measurement focus and are presented on the modified cash basis of accounting. Revenues are recognized when they are received and expenses are recorded when paid with the following modifications:

- Capital assets and the depreciation of those assets, where applicable.
- Long-term debt is recorded when incurred.

This basis is a basis of accounting other than accounting principles generally accepted in the United States of America. If the District utilized the basis of accounting recognized as generally accepted, the financial statements would use the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred.

RURAL WATER AND SEWER DISTRICT NO. 5, CANADIAN COUNTY

**Notes to Basic Financial Statements
For the Year Ended August 31, 2021**

Note 1 – Summary of Significant Accounting Policies, (continued)

1.D. Assets, Liabilities and Net Position,

Cash & Cash Equivalents - The District considers all cash on hand, demand deposit accounts, interest bearing checking accounts and time deposit accounts including certificates of deposit and U.S. Treasury bills with maturities of three months or less to be cash and cash equivalents.

Restricted Assets – Restricted assets include assets that are legally restricted as to their use. The primary restricted assets are debt restrictions and covenants.

Capital Assets – The Authority’s assets acquired are capitalized and stated at historical cost or estimated historical cost, if actual historical cost is not available. A record of fixed assets has not been maintained by the Authority and have not been reported on the balance sheet in prior years. Therefore, the original cost of all fixed assets was estimated based on the Notes to Basic Financial Statements from the prior 7 years audits located on the Oklahoma State Auditor’s website. The District’s Board reviewed and approved all asset additions to the balance sheet and asset report.

Waterline System	30 to 40 Years
Office Equipment	5 to 10 Years
Other Equipment and Vehicles	5 to 15 Years

Current Liabilities - Current liabilities of the District is comprised of the current portion of long-term debt. (See Note 5).

Non-Current Liabilities – Long-term debt to be repaid from the District’s resources are reported as non-current liabilities in the Statement of Net Position. The long-term debt is presently comprised of one (1) note. See Note 5.

Net Position – Net position is divided into three components:

- a. *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 attributed to the acquisition, construction, or improvements of those assets.
- b. *Restricted net position* – Consists of net assets with constraints placed on the use either by 1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or 2) law through constitutional provisions or enabling legislation.
- c. *Unrestricted net position* – All other net assets that do not meet the definition of “restricted” or “net investment in capital assets.”

RURAL WATER AND SEWER DISTRICT NO. 5, CANADIAN COUNTY

**Notes to Basic Financial Statements
For the Year Ended August 31, 2021**

Note 1 – Summary of Significant Accounting Policies, (continued)

1.D. Assets, Liabilities and Net Position, (continued)

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

1.E. Revenues and Expenses

Operating and Non-Operating Revenues – Operating revenues are considered those whose cash flows are related to operating activities, while revenue as related to financing, capital and investing activities are reported as non-operating.

Expenses – The District reports expenses relating to the use of economic resources.

1.F. Estimates

Certain estimates are made in the preparation of these modified cash basis financial statements, such as estimated lives for capital assets depreciation. Estimates are based on management’s best judgment and may vary from actual results.

Note 2 - Deposits, Investments, and Collateral

Deposits and Investments - The District does not have a written investment policy at this time.

Custodial Credit Risk - Deposits – Custodial credit risk is the risk that in the event of a bank failure, the District’s deposits may not be returned to it. The District does not have a written policy for custodial credit risk. The Federal Deposit Insurance Corporation (FDIC) insures deposits up to \$250,000 at each institution for all demand deposit accounts and up to \$250,000 at each institution for all time and savings accounts. The National Credit Union Administration (NCUA) insures deposits up to \$250,000 at credit unions. As of August 31, 2021, the District’s funds exceeded the NCUA insurance exposing \$32,010 to custodial credit risk.

Note 3 – Restricted Assets

Restricted assets as of August 31, 2021 were as follows:

<u>Type of Restricted Assets</u>	<u>Restricted Cash and Cash Equivalents</u>
BOK – OWRB Note	\$ 20,985
Total Restricted Assets	\$ 20,985

RURAL WATER AND SEWER DISTRICT NO. 5, CANADIAN COUNTY

**Notes to Basic Financial Statements
For the Year Ended August 31, 2021**

Note 4 - Capital Assets Activity

Capital asset activity for the year ended August 31, 2021 was as follows:

	Restated Beginning Balance	Increases	Decreases	Ending Balance
Non-depreciable assets:				
Construction in Progress	\$ 1,060,647	\$ 76,933	\$1,137,580	\$ 0
Total non-depreciable assets	<u>1,060,647</u>	<u>76,933</u>	<u>1,137,580</u>	<u>0</u>
Depreciable assets:				
Equipment	3,200	-	-	3,200
Office Equipment	1,025	-	-	1,025
Software	1,600	-	-	1,600
Water Line/ Improvements	<u>313,659</u>	<u>1,137,580</u>	-	<u>1,451,239</u>
Total depreciable assets	<u>319,484</u>	<u>1,137,580</u>	<u>-</u>	<u>1,457,064</u>
Less accumulated depreciation:				
Accumulated Depreciation	<u>235,780</u>	<u>26,918</u>	<u>-</u>	<u>262,698</u>
Net depreciable assets	<u>83,704</u>	<u>1,110,662</u>	<u>-</u>	<u>1,194,366</u>
Net Capital Assets	<u>\$ 1,144,351</u>	<u>\$ 1,187,595</u>	<u>\$1,137,580</u>	<u>\$ 1,194,366</u>

Note 5 – Long-term Debt

Changes in long-term obligations for the year ended August 31, 2021, are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Balance Due in 1 year
Business-type Activities:					
Notes from direct borrowings	<u>\$ 983,247</u>	<u>\$ 76,933</u>	<u>\$ 51,196</u>	<u>\$ 1,008,984</u>	<u>\$ 25,249</u>

On June 22, 2018, the District borrowed \$1,161,000 from the Oklahoma Water Resources Board (OWRB) to construct improvement to the drinking water system. The note carries an interest rate of 2.47% plus an administrative fee of 0.5% on the outstanding balance. The District is required to make monthly payments of principal, interest, and administrative fees to the Local Trustee and the Local Trustee shall remit semi-annual payments of \$25,181 to OWRB. The note matures on March 15, 2049. During the year \$76,933 was borrowed and principal payments of \$51,196 were made. The balance of this loan at August 31, 2021 is \$1,008,984.

RURAL WATER AND SEWER DISTRICT NO. 5, CANADIAN COUNTY
Notes to Basic Financial Statements
For the Year Ended August 31, 2021

Note 5 – Long-term Debt, (continued)

<u>Year Ending August 31,</u>	<u>Business-type Activities</u>	
	<u>Notes from Direct Borrowings</u>	
	<u>Principal</u>	<u>Interest</u>
2022	\$ 25,249	\$ 20,030
2023	25,885	19,522
2024	26,473	19,054
2025	27,205	18,470
2026	27,890	17,923
2027-2031	150,294	80,969
2032-2036	170,178	65,110
2037-2041	192,792	47,074
2042-2046	218,350	26,689
2047-2049	<u>144,668</u>	<u>5,119</u>
	<u>\$ 1,008,984</u>	<u>\$ 319,960</u>

The District's outstanding long-term notes from direct borrowings related to business-type activities of \$1,008,984 is secured by and entitled to the protection of a Loan Agreement for Drinking Water SRF Loan dated as of June 1, 2018, by and between the District and the OWRB (the "Drinking Water SRF Loan Agreement"). The security for the Note includes a pledge and assignment of revenues derived by the District from its operation of the water system of the District (hereinafter, the "System") pursuant to the terms of the Drinking Water SRF Loan Agreement. The Note is further secured by a Security Agreement dated June 1, 2018, by the District to the OWRB (the "Security Agreement"), and the provisions of the Trust Agreement dated as of June 1, 2018, by and between the District and the Local Trustee (referred to herein as the "Indenture"). If the District defaults on any payments, the defaulted amount carries an interest rate of 14%.

Upon the occurrence of an Event of Default, the OWRB, acting by and through the Attorney General of the State of Oklahoma, and the Trustee Bank shall have all the rights and remedies at law or equity as may be allowed by law, or pursuant to the provisions of this Loan Agreement, including but not limited to, suit for specific performance of any or all of the covenants of the Borrower contained in this Loan Agreement or in the Note; appointment of temporary trustees to take over, operate, and maintain the System on a profitable basis and ensure the payment of the principal of and interest and administrative fees on the Note and any other Borrower indebtedness; suit at law or equity to enforce or enjoin the action or inaction of parties under the provisions of this Loan Agreement.

RURAL WATER AND SEWER DISTRICT NO. 5, CANADIAN COUNTY

Notes to Basic Financial Statements For the Year Ended August 31, 2021

Note 6 – Water Purchase Contract

On August 28, 2014, the District entered into a contract with El Reno Municipal Authority and City of El Reno which sets the cost of the water purchased by the District for a period of 20 years. The contract allows the District to purchase a maximum of 5,000,000 gallons per month with the option to request additional gallons from El Reno Municipal Authority on a case by case basis. The current rates are as follows: 1 – 749,999 = \$3.60, 750,000 – 1,499,999 = \$3.78, 1,500,000 – 2,000,000 = \$3.97 and 2,000,000 and up = \$4.17. A change in price per gallon is at the discretion of El Reno Municipal Authority and City of El Reno but will never be greater than the lowest rate charged to any other purchaser from El Reno Municipal Authority. The District will be given a 90 day notice before any rate increase. After the 20 year period, the contract will automatically renew for 10 years unless terminated in advance.

Note 7 - Risk Management

The District is exposed to various risks of loss related torts; theft of, damage to, and destruction of assets; business interruptions; errors and omissions; injuries to employees; employee health; and natural disasters. The District manages these various risks of loss by securing commercial insurance. Management believes such insurance coverage is sufficient to preclude any significant uninsured losses to the District. There have been no significant reductions in insurance coverage from the prior year and settlements have not exceeded coverage in the past three years.

Note 8 - Commitments and Contingencies

Contingencies – As of August 31, 2021, the District did not have any pending litigation or potential non-disclosed liabilities that management believes would have a material effect on the financial statements.

Note 9 - Subsequent Events

Subsequent events were evaluated through the date of the audit report, which is the date the financial statements were available to be issued and it has been determined that no additional information needs to be added to the financial statements.

***REPORT ON INTERNAL CONTROL
AND COMPLIANCE***



CERTIFIED PUBLIC ACCOUNTANTS

**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***

The Honorable Board of Directors
Rural Water and Sewer District No. 5, Canadian County
El Reno, Oklahoma

We 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 business-type activities of the Rural Water and Sewer District No. 5, Canadian County, El Reno, Oklahoma, as of and for the year ended August 31, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated, January 21, 2022. Our report on the financial statements disclosed, that, as described in Note 1 to the financial statements, the District prepares its financial statements 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.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Rural Water and Sewer District No. 5, Canadian County, El Reno, Oklahoma'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 an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District'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 a 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.

Our 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 have not been identified. We did identify certain deficiencies in

internal control, described in the accompanying schedule of findings and responses that we consider to be material weaknesses. 2021-001

Compliance and Other Matters

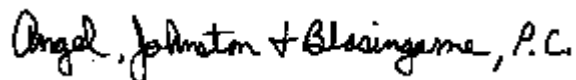
As part of obtaining reasonable assurance about whether Rural Water and Sewer District No. 5, Canadian County, El Reno, Oklahoma's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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 our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2021-002.

Rural Water and Sewer District No. 5, Canadian County, El Reno, Oklahoma's, Response to Findings

Rural Water and Sewer District No. 5, Canadian County, El Reno, Oklahoma's response to the findings identified in our audit is described in the attached corrective action plan. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our 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.



Chickasha, Oklahoma
January 21, 2022

RURAL WATER AND SEWER DISTRICT NO. 5, CANADIAN COUNTY
Schedule of Findings and Responses
For the Year Ended August 31, 2021

2021-001 *Criteria* – The segregation of duties and responsibilities between different individuals for custody of assets, record keeping for those assets, and reconciliation of those asset accounts is an important control activity needed to adequately protect the District’s assets and ensure accurate financial reporting.

Condition – Presently the same individual performs all accounting functions; receives cash payments, makes bank deposits, writes checks and reconciles the monthly bank statements and prepares monthly financial summaries.

Cause– The District’s limited size and staffing resources have made it difficult for management to provide sufficient staffing to fully segregate incompatible duties in a cost-effective manner.

Effect or Potential Effect - Without sufficient segregation of duties, the risk significantly increases that errors and fraud related to the accounting functions, including misappropriation of assets, could occur and not be detected within a timely basis.

Recommendation – While it may not be cost effective to hire the additional administrative staff that would be necessary in order to adequately segregate the responsibilities, the Board should consider a formal evaluation of their risks associated with this lack of segregation of duties. In response to the identified risks, consideration should be given to identifying and implementing controls that could help mitigate the risks associated with lack of segregation of duties.

Management Response – See Corrective Action Plan.

2021-002 *Criteria* – Deposits that exceed NCUA insurance should have pledged collateral to secure the District’s deposits in the event of a credit union failure.

Condition – The District did not have adequate collateral pledged to cover deposits held at El Reno RIL Credit Union. As of August 31, 2021, \$32,010 was not insured by NCUA or collateralized.

Cause – Oversight of management.

Effect or Potential Effect – Without sufficient collateral pledged, uncollateralized and uninsured deposits are at risk in the event of a credit union failure.

Recommendation – Recommend management request a collateral agreement and monitor credit union balances to ensure adequate collateral pledged to minimize deposit risk in the event of a credit union failure, or deposit monies exceeding NCUA insurance in a different bank or credit union.

Management Response – See Corrective Action Plan.

RURAL WATER AND SEWER DISTRICT NO. 5, CANADIAN COUNTY
Schedule of Prior Year Audit Findings
For the Year Ended August 31, 2021

2020-001 *Condition* – Presently the same individual performs all accounting functions; receives cash payments, makes bank deposits, and reconciles the monthly bank statements and prepares monthly financial summaries.

Current Status – Condition still exists.

2020-002 *Condition* – The District did not have adequate collateral pledged to cover deposits held at El Reno RIL Credit Union. As of August 31, 2020, \$56,202 was not insured by NCUA or collateralized.

Current Status – Condition still exists.

AUTHORITY'S CORRECTIVE ACTION PLAN



CANADIAN COUNTY RW&SD #5
HEASTON RURAL WATER DISTRICT
PO BOX 1304
EL RENO OK 73036
405.262.1329
heastonwater@yahoo.com

AUDIT FINDINGS CORRECTIVE ACTION PLAN AUDIT YEAR: 2021


AUDIT FINDING REFERENCE NUMBER: 2020-001

MANAGEMENT RESPONSE: Due to districts limited resources, the district is unable to hire additional staff to segregate duties. The districts Chairman will continue to monitor its accounts on a monthly basis.

AUDIT FINDING REFERENCE NUMBER: 2020-002

MANAGEMENT RESPONSE: Because RI Credit Union would not provide the district a collateral pledge for the uninsured monies in their operating account, the district moved the necessary funds to Great Plains Bank.


Board Chairman


Date