

Bryan County Rural Water & Sewer District #6

Independent Auditors Report

**As of and for the Years Ended
December 31, 2023 and 2022**

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Independent Auditors Report

To the Board of Directors
Bryan County Rural Water & Sewer District #6
Boswell, Oklahoma

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the business-type activities of Bryan County Rural Water & Sewer District #6, as of and for the years ended December 31, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Bryan County Rural Water & Sewer District #6, as of December 31, 2023 and 2022, and the respective changes in financial position, and, where applicable, cash flows thereof for the years then ending in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Bryan County Rural Water & Sewer District #6 and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Bryan County Rural Water & Sewer District #6'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

Our 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 our opinions. 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 generally accepted auditing standards 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 generally accepted auditing standards and *Government Auditing Standards*, we:

- 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 Bryan County Rural Water & Sewer District #6'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 our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Bryan County Rural Water & Sewer District #6's ability to continue as a going concern for a reasonable period of time.

We are 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 we identified during the audit.

Required Supplementary Information

Management has omitted the management's discussion and analysis and budgetary comparison information 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. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated January 3, 2025, on our consideration of the Bryan County Rural Water & Sewer District #6'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 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 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 Bryan County Rural Water & Sewer District #6's internal control over financial reporting and compliance.

Russell + Williams CPAs, P.C.

Oklahoma City, Oklahoma
January 3, 2025

Bryan County Rural Water District #6
Statement of Net Position
December 31, 2023 and 2022

ASSETS	2023	2022
Current Assets		
Cash and Cash Equivalents	\$ 351,627.40	\$ 284,096.00
Restricted Investments	39,356.95	42,175.00
Accounts Receivable, Net	43,345.95	39,031.00
Inventory	10,000.00	10,000.00
Prepaid Insurance	3,745.12	4,344.00
Total Current Assets	<u>448,075.42</u>	<u>379,646.00</u>
Capital Assets, Net	<u>1,468,102.31</u>	<u>1,577,399.00</u>
Deferred Outflow of Resources		
Deferred Amount on Refunding of Debt, Net	<u>7,080.61</u>	<u>7,710.00</u>
Total Deferred Outflows of Resources	<u>7,080.61</u>	<u>7,710.00</u>
 TOTAL ASSETS	 <u>\$ 1,923,258.34</u>	 <u>\$ 1,964,755.00</u>
 LIABILITIES AND NET POSITION		
Current Liabilities		
Accounts Payable	\$ 1,212.88	\$ 2,579.00
Accrued Payroll Liabilities	8,115.70	4,681.00
Accrued Interest Payable	10,455.00	11,205.00
Current portion LTD	<u>52,000.00</u>	<u>50,000.00</u>
Total Current Liabilities	<u>71,783.58</u>	<u>68,465.00</u>
Long-Term Debt	<u>645,000.00</u>	<u>697,000.00</u>
Total Liabilities	<u>716,783.58</u>	<u>765,465.00</u>
NET POSITION		
Net Investment in Capital Assets	771,102.31	830,399.00
Restricted	39,356.95	42,175.00
Unrestricted	<u>396,015.50</u>	<u>326,716.00</u>
Total Net Position	<u>1,206,474.76</u>	<u>1,199,290.00</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 1,923,258.34</u>	<u>\$ 1,964,755.00</u>

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

Bryan County Rural Water District #6
Statement of Revenues Over Expenses and
Changes in Net Position
For the Year Ended December 31, 2023 and 2022

	2023	2022
OPERATING REVENUES		
Water sales	\$ 400,775.38	\$ 384,923.00
Membership and Other Revenues	-	40,699.00
TOTAL OPERATING REVENUES	<u>400,775.38</u>	<u>425,622.00</u>
OPERATING EXPENSES		
Bad Debt Expense	4,209.48	25,946.00
Bank Fees	5,789.38	6,033.00
Contract labor	5,457.88	2,666.00
Depreciation	109,296.69	109,761.00
Dues & Fees	1,881.83	8,339.00
Insurance	12,638.81	13,737.00
Licenses & Permits	1,796.08	961.00
Materials & Supplies	11,967.11	5,037.00
Mileage Expense	2,491.66	490.00
Miscellaneous Expenses	3,301.24	2,398.00
Operating Supplies	23,383.17	29,429.00
Postage & Shipping	3,355.36	2,826.00
Professional Fees	22,370.32	29,934.00
Repairs & Maintenance	-	2,000.00
Salaries & Benefits	110,270.43	117,622.00
Payroll Taxes	9,315.62	9,868.00
Utilities	21,390.45	16,453.00
Water Purchased	10,662.00	1,567.00
Water Testing Fees	14,359.06	-
TOTAL OPERATING EXPENSES	<u>373,936.57</u>	<u>385,067.00</u>
OPERATING INCOME (LOSS)	<u>26,838.81</u>	<u>40,555.00</u>
NON-OPERATING REVENUES (EXPENSES)		
Interest revenue	2,787.19	512.00
Interest expense	(22,441.24)	(23,399.00)
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>(19,654.05)</u>	<u>(22,887.00)</u>
NET CHANGE IN NET POSITION	7,184.76	17,668.00
Beginning net position	<u>1,199,290.00</u>	<u>1,181,622.00</u>
Ending net position	<u>\$ 1,206,474.76</u>	<u>\$ 1,199,290.00</u>

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

Bryan County Rural Water District #6
Statement of Cash Flows
For the Year Ending December 31, 2023 and 2022

	2023	2022
Cash flows from operating activities		
Receipts from customers	\$ 396,460.43	\$ 417,955.00
Payments to suppliers	(146,571.07)	(155,962.00)
Payments to employees	(116,151.35)	(117,622.00)
Net cash provided by operating activities	<u>133,738.01</u>	<u>144,371.00</u>
Cash flows from capital and related financing activities		
Purchase of Fixed Assets	-	(6,400.00)
Interest Paid on Debt	(21,811.85)	(23,489.00)
Principal Paid on Debt	(50,000.00)	(48,000.00)
Net cash flows from capital and related financing activities	<u>(71,811.85)</u>	<u>(77,889.00)</u>
Cash flows from investing activities		
Net Investment Activity	2,818.05	(445.00)
Interest Received on Cash	2,787.19	512.00
Net cash flows from capital and related financing activities	<u>5,605.24</u>	<u>67.00</u>
Net Increase (Decrease) in Cash	67,531.40	66,549.00
Cash, Beginning of the Year	<u>284,096.00</u>	<u>217,547.00</u>
Cash, End of the Year	<u><u>\$ 351,627.40</u></u>	<u><u>\$ 284,096.00</u></u>
<i>Reconciliation of change in net assets to net cash provided by operations:</i>		
Income (Loss) from Operations	26,838.81	40,555.00
Adjustments to reconcile change in net position to net cash provided by operating activities:		
Depreciation	109,296.69	109,761.00
Changes in Assets and Liabilities:		
(Increase) Decrease in Accounts Receivable	(4,314.95)	(7,667.00)
(Increase) Decrease in Prepaid Expenses	598.88	(519.00)
Increase (Decrease) in Accounts Payable	(2,116.12)	1,298.00
Increase (Decrease) in Accrued Payroll Liabilities	3,434.70	943.00
Net cash provided by operating activities	<u><u>\$ 133,738.01</u></u>	<u><u>\$ 144,371.00</u></u>

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

BRYAN COUNTY RURAL WATER, SEWER AND SOLID WASTE DISTRICT NO. 6
Notes to Basic Financial Statements
December 31, 2023 and 2022

Note 1: Summary of Significant Accounting Policies

Financial Reporting Entity

Rural Water and Sewer District No. 6, Bryan County, Oklahoma (the District) was organized for the purpose of providing water to the rural residents and businesses located in the northern portion of Bryan County, Oklahoma. The water district uses the accrual basis of accounting; consequently, all revenue is included when earned, and all expenses are recognized when the obligation is incurred.

Basis of Presentation, Measurement Focus, and Basis of Accounting

The District's financial statements are prepared in conformity with principles generally accepted in the United States of America. The Governmental Accounting Standards District (GASB) is the acknowledged standard setting body for establishing accounting and financial reporting standards followed by governmental entities.

The District accounts for its operations as an enterprise fund. An enterprise fund is a proprietary type fund used to account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

Financial Reporting

The accompanying financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting and reflect transactions on behalf of the District. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Cash and Equivalents

For the purpose of the Statement of Net Assets, "cash" includes all demand, savings accounts, and certificates of deposits of the District. For the purpose of the proprietary fund Statement of Cash Flows, "cash and equivalents" includes all demand and savings accounts, and certificates of deposit with an original maturity of three months or less.

Deposits are classified into the following three categories: (1) Insurance or collateralized with securities held by the entity or by its agent or in the entity's name (Category 1); (2) Collateralized with securities held by the pledging financial institutions trust department or agent In the entity's name (Category 2); and (3) Uncollateralized, including any bank balance that is collateralized with securities held by the pledging institution, or by its trust department or agent but not in the entity's name (Category 3).

All of the District's cash accounts are considered Category 1. The accounts are covered by FDIC insurance up to \$250,000. At December 31, 2023 all accounts were covered by either the federal depository insurance or other collateral.

BRYAN COUNTY RURAL WATER, SEWER AND SOLID WASTE DISTRICT NO. 6
Notes to Basic Financial Statements
December 31, 2023 and 2022

Investments

Investments are presented at fair value. Restricted investments, consist of government money market accounts containing bond proceeds for construction and funds designated to service semi-annual bond payments.

Accounts Receivable

Accounts receivable consists of water fees and surcharges billed to residential and commercial/ industrial customers based on consumption. The District extends unsecured credit for services provided to customers for a limited period of time. The District does not charge interest on overdue accounts but does charge a 10% late fee for late payments. Uncollectible amounts are charged directly against earnings when they are determined to be uncollectible. Use of this method does not result in a material difference from the valuation method required by generally accepted accounting principles.

Inventory

Inventory consists of supplies and repair parts for the operation and maintenance of plant and equipment and is stated at the lower of cost or market using the first-in, first-out method. The cost of inventory is recognized as an expense when used (consumption method).

Prepaid Expenses

Payments made to vendors for services that will benefit future periods are recorded as prepaid expenses using the consumption method by recording a current asset for the prepaid amount at the time of purchase and reflecting the expense in the year which services are consumed.

Right-of-Use Lease Assets/Liabilities

The District determines if an arrangement contains a lease at the inception of a contract. Right-of-use assets represent the District's right to use an underlying asset for the lease term and lease liabilities represent the District's obligation to make lease payments arising from the lease during the lease term. Right-of-use assets and lease liabilities are recognized at the commencement date based on the present value of the remaining future minimum lease payments during the lease term. The District uses its incremental borrowing rate to discount the lease payments. Right-to-use lease assets are amortized straight-line over the lease term. Lease liabilities are reduced by the principal portion as the payments are made.

Variable lease payment amounts that cannot be determined at the commencement of the lease such as increases in payments based on changes in index rates or usage, are not included in the right-of-use assets or lease liabilities. These are expensed as incurred.

Leases with a term or twelve months or less are not reflected on the Statement of Net Position. Rental payments are recognized on a straight-line basis over the lease term.

The District monitors changes in circumstances that would require a remeasurement of its lease, and will remeasure the right-to-use lease asset and lease liability if certain changes occur that are

BRYAN COUNTY RURAL WATER, SEWER AND SOLID WASTE DISTRICT NO. 6
Notes to Basic Financial Statements
December 31, 2023 and 2022

expected to significantly affect the amount of the right-to-use lease asset and/or lease liability.

Capital Assets and Depreciation

Capital assets of the District are recorded at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Expenditures for maintenance, repairs and renewals of relatively minor items are charged to expense as incurred. The estimated useful lives of the assets are as follows:

	<u>Life</u>
Buildings and improvements	10-40 years
Water distribution system and improvements	10-40 years
Machinery and equipment	5-10 years

It is the District's policy to capitalize assets purchased for \$500 or more and to expense assets purchased for less than \$500.

Deferred Outflows of Resources

In addition to assets, the Statement of Net Position has a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until that time. A deferred loss on refunding results from the difference in the carrying value of the refunded debt and the reacquisition price.

Compensated Absences

Employees of the District do not accrue vacation or sick leave since it is the District's policy not to do so. Therefore, no provision has been made for such.

Net Position

Net position of the District are classified in three components - net investment in capital assets, restricted, and unrestricted. These classifications are defined as follows:

Net investment in capital assets - This component of net position 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 improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.

Restricted - This component of net position consists of constraints placed on net position use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

BRYAN COUNTY RURAL WATER, SEWER AND SOLID WASTE DISTRICT NO. 6
Notes to Basic Financial Statements
December 31, 2023 and 2022

Unrestricted - This component of net position consists of net position that does not meet the definition of "restricted" or "net invested in capital assets".

The District does not have a policy addressing whether it considers restricted or unrestricted to have been spent when expenditures are incurred for purposes when both are available. District personnel decide which resources to use at the time the expenditures are incurred. For classification of net position amounts, restricted amounts would be reduced first, followed by unrestricted. The District's restricted net position are those resources necessary to comply with various covenants of bond financing agreements.

Operating Revenues and Expenses

Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the District's principal ongoing operations. The principal operating revenues of the District consist of water sales, and fees for miscellaneous services. Operating expenses include the cost of these goods and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

New Accounting Pronouncements

The Governmental Accounting Standards Board (GASB) issued the following new accounting standards which became effective or portions thereof became effective during the District's fiscal year.

GASB Statement No. 87, *Leases*. This statement establishes a single model for lease accounting based on the foundational principle that leases are financings of a right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources thereby enhancing the relevance and consistency of information about governments' leasing activities.

GASB Statement No. 91, *Conduit Debt Obligations*. The objectives of this statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice.

GASB Statement No. 92, *Omnibus 2020*. The purpose of this statement is to enhance comparability in accounting and financial reporting to improve consistency of authoritative literature by addressing practice issues that have been identified during implementation and

BRYAN COUNTY RURAL WATER, SEWER AND SOLID WASTE DISTRICT NO. 6
Notes to Basic Financial Statements
December 31, 2023 and 2022

application of certain GASB Statements.

GASB Statement No. 93, *Replacement of Interbank Offered Rates*. The objective of this statement is to address accounting and financial reporting implications that result from the replacement of an interbank offered rate (IBOR).

GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans - an amendment of GASB Statements No. 14 and No. 84, and supersession of GASB Statement No. 32*. The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain pension and other post employment retirement plans as fiduciary component units in fiduciary fund financial statements ; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code Section 457 deferred compensation plans.

GASB Statement No. 98, *the Annual Comprehensive Financial Report*. The purpose of this statement is to establish the term annual comprehensive financial report and its acronym ACFR to replace the term comprehensive annual financial report and its acronym in generally accepted accounting principles for state and local governments.

GASB Statement No. 99, *Omnibus 2022*. The objectives of this Statement are to enhance comparability in accounting and financial and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees.

Aside from Statement No. 87, Leases (see Note 2), these statements did not have any impact on the District's financial statements.

Note 2: Leases

In January 2020 and December 2021, the District signed separate twelve month lease agreements for office equipment. Under both agreements, the District pays \$144 monthly plus additional variable amounts for overage on usage. Because the leases are short-term, the right-of-use lease asset and corresponding lease liability are not recorded on the Statement of Net Position, rather the payments are expensed as incurred. Equipment lease rental expense, including variable usage, was \$1,728 and \$1,750 for the years ended December 31, 2023 and 2022, respectively.

Note 3: Concentrations of Credit Risk

Financial instruments that potentially subject the District to credit risk consist primarily of accounts receivable. The receivables are from individuals located within the same geographic region.

BRYAN COUNTY RURAL WATER, SEWER AND SOLID WASTE DISTRICT NO. 6
Notes to Basic Financial Statements
December 31, 2023 and 2022

Note 4: Capital Assets

Capital assets used in the District's operations are stated at cost less accumulated depreciation. Depreciation is provided on the straight-line method at various rates based on the estimated useful lives of the assets. Generally, estimated useful lives of five years for trucks and tractors, ten years for furniture, fixtures and equipment, and thirty years for the building and water system are used. Maintenance and repairs as well as renewals and betterments of small amounts are charged against Income as incurred whereas major renewals or betterments which extend the life or increase the value of property are capitalized.

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

	Beginning Balance	Additions	Reductions	Ending Balance
Water System	2,983,613	-	-	2,983,613
Land	31,430	-	-	31,430
Buildings and Improvements	71,914	-	-	71,914
Machinery and Equipment	134,120	-	-	134,120
Total	3,221,077	-	-	3,221,077
Less: Accumulated Depreciation	(1,643,678)	(109,297)	-	(1,752,975)
Net Capital Assets	<u>\$ 1,577,399</u>			<u>\$ 1,468,102</u>

Capital asset activity for the year ended December 31, 2022 is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Water System	2,977,213	6,400	-	2,983,613
Land	31,430	-	-	31,430
Buildings and Improvements	71,914	-	-	71,914
Machinery and Equipment	134,120	-	-	134,120
Total	3,214,677	6,400	-	3,221,077
Less: Accumulated Depreciation	(1,533,917)	(109,761)	-	(1,643,678)
Net Capital Assets	<u>\$ 1,680,760</u>			<u>\$ 1,577,399</u>

Note 5: Long-Term Debt

On January 1, 2020, the District issued Bryan County Rural Water, Sewer and Solid Waste Management District #6 Utility System Revenue Note in the amount of \$865,000. The note was issued to refund the District's 2007 Refunding Revenue Bonds and finance capital improvements to the District's water system. This bond calls for bi-annual payments adjusted annually. The Bond matures on March 1, 2035. The bond note carries a fixed rate of interest of 3%. The Bond is secured by a pledge and assignment of revenues and receipts derived by the District from its water system and other revenue producing utility systems. It is also secured by a mortgage and security agreement on the system.

BRYAN COUNTY RURAL WATER, SEWER AND SOLID WASTE DISTRICT NO. 6
Notes to Basic Financial Statements
December 31, 2023 and 2022

Requirements to amortize the mortgage payable at December 31, 2023 are as follows:

Year Ended	Principal	Interest	Totals
2024	52,000	19,740	71,740
2025	53,000	18,165	71,165
2026	55,000	16,530	71,530
2027	56,000	14,850	70,850
2028	58,000	13,125	71,125
2029-2034	318,000	37,740	355,740
2034-2035	105,000	1,605	106,605
	<u>\$ 697,000</u>	<u>\$ 121,755</u>	<u>\$ 818,755</u>

Note 6: Deferred Loss on Refunding

The deferred loss on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. The balance of \$7,081 and \$7,710 at December 31, 2023 and 2022, respectively, is shown as deferred outflows on the Statement of Net Position and is amortized over the life of the old or new debt, whichever is shorter, which is 15 years. Amortization of the deferred loss total \$629 for both years ended December 31, 2023 and 2022, and is included with interest expense in the Statement of Activities.

Note 7: Bond Covenants

The Series 2020 Bryan County Rural Water, Sewer and Solid Waste Management District #6 Revenue Bonds require the District to maintain user rates sufficient to generate net earnings, as defined by the agreement to 125% of the debt service requirements. The revenue bonds contain specific requirements for annual debt service and various covenants which require the District to maintain various restricted investment accounts and to meet various other general requirements. The District is in compliance with all such financial covenants and restrictions at December 31, 2023.

Note 8: Risk Management

The District is exposed to various risks of loss related to theft of and damage to assets, errors and omissions, injuries to employees, and natural disasters. The District purchases commercial insurance to cover these possible liabilities.

There has been no significant reduction in the District's insurance coverage from the previous year. In addition there have been no settlements in excess of the District's coverage in any of the prior three fiscal years.

Note 9: Subsequent Events

Subsequent events have been evaluated through January 3, 2025 which is the date the financial statements were issued.

Russell & Williams CPA's, P.C.

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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
Bryan County Rural Water & Sewer District #6
Boswell, 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 accompanying financial statements of the business-type activities of the Bryan County Rural Water & Sewer District #6, as of and for the years ended December 31, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the Bryan County Rural Water & Sewer District #6's basic financial statements, and have issued our report thereon dated January 3, 2025.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Bryan County Rural Water & Sewer District #6's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Bryan County Rural Water & Sewer District #6's internal control. Accordingly, we do not express an opinion on the effectiveness of the Bryan County Rural Water & Sewer District #6'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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2023-1 that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Bryan County Rural Water & Sewer District #6'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 determination of financial statement amounts. 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 no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

District's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Bryan County Rural Water & Sewer District #6's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The Bryan County Rural Water & Sewer District #6's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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.

Russell + Williams CPAs, P.C.

Oklahoma City, Oklahoma
January 3, 2025

Schedule of Findings and Responses

2023-1 Utility Billing Collections (Lack of Segregation of Duties)

CONDITION: The utility billing clerk collects the payments from customers and also maintains the customer ledgers. The billings clerk also accepts cash payments. The billings clerk also posts the payments to the utility billing software. The daily collections and reports are currently not being reviewed by someone other than the billings clerk on a daily basis.

CRITERIA: There should be more separation of duties for record keeping and utility billings collections.

CAUSE OF CONDITION: Limited Staff and inadequate internal controls.

EFFECT OF CONDITION: The District is vulnerable to having utility billing receipts lost or stolen.

RECOMMENDATION: The District should implement a policy of not accepting cash payments. The District could also implement more internal controls by having more separation of duties. This could be done by having personnel write receipts for all payments made regardless of type and then recording these payments on the daily payment ledger. All payments, receipts, and a copy of the daily payment ledger should be given directly to a designated board member or sent to the District Bookkeeper at the end of the day. The Utility Billings clerk should then take the original daily payment ledger to record the payments in the system. Once all payments have been recorded in the system, the billings clerk should print off a payment listing from the system as well as a daily adjustment history to ensure that no unnecessary adjustments have been paid. These reports along with the original daily payment ledger should be given to the designated board member or District Bookkeeper who should then compare the total payments and receipts written to the daily payment ledger, daily payment listing from system, and daily adjustment history. Once this person has performed a comparison, they should then prepare a deposit slip to be taken to the bank. Once the bank deposits have been made, all documents as well as a carbon copy of the deposit slip should be stapled together and filed. At least monthly a designated board member or the District Bookkeeper should reconcile all of the documents to what was entered into the software and the actual bank statement.

MANAGEMENT RESPONSE: The above referenced procedures are acceptable to the District and will be implemented in some form..