

**RURAL WATER DISTRICT NO. 20  
OKMULGEE COUNTY  
Morris, Oklahoma**

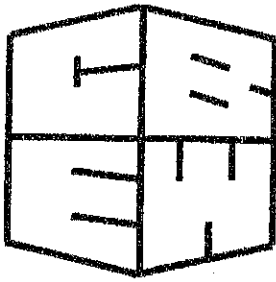
**BASIC FINANCIAL STATEMENTS  
June 30, 2024**

RURAL WATER DISTRICT #20  
OKMULGEE COUNTY  
Morris, Oklahoma

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## **CBEW Professional Group, LLP**

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### **INDEPENDENT AUDITOR'S REPORT**

July 31, 2024

Board of Directors  
Rural Water District No. 20  
Okmulgee County  
Morris, Oklahoma

#### ***Opinions***

We have audited the accompanying financial statements of the business-type activities of Rural Water District No. 20, Okmulgee County, Morris, Oklahoma (the District), as of and for the years ended June 30, 2024 and 2023, and the related notes to the 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 financial position of the business-type activities of the Rural Water District No. 20, Okmulgee County, Morris, Oklahoma as of June 30, 2024 and 2023, and the changes in financial position-modified cash basis and cash flows-modified cash basis, thereof for the years then ended in accordance with the basis of accounting as described in Note 1.

#### ***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 District 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.

#### ***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 that matter.

#### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of these 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 District'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 District'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 District'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.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated July 31, 2024, on our consideration of the Rural Water District No. 20'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 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 Rural Water District No. 20's internal control over financial reporting and compliance.

***CBEW Professional Group, LLP***

CBEW Professional Group, LLP  
Certified Public Accountants

RURAL WATER DISTRICT NO. 20  
OKMULGEE COUNTY  
Morris, Oklahoma

STATEMENT OF NET POSITION  
MODIFIED CASH BASIS  
June 30, 2024 and 2023

	June 30, 2024	June 30, 2023
<b>Current assets:</b>		
Cash and cash equivalents (Note 1)	\$ 344,778	\$ 273,855
Investments	600,064	549,715
Inventory	65,307	49,456
Temporarily restricted:		
Cash and cash equivalents (Note 2)	14,038	14,009
Investments	12,638	12,667
<b>Total current assets</b>	<u>1,036,825</u>	<u>899,702</u>
<b>Capital assets:</b>		
Land	17,443	17,443
Water system, equipment and vehicles net of depreciation (Note 4)	<u>1,353,872</u>	<u>1,346,764</u>
<b>Total capital assets</b>	<u>1,371,315</u>	<u>1,364,207</u>
<b>Other assets:</b>		
Utility deposits	90	90
<b>Total other assets</b>	<u>90</u>	<u>90</u>
<b>Total assets</b>	<u>2,408,230</u>	<u>2,263,999</u>
<b>Current liabilities:</b>		
Current portion of notes payable (Note 3)	<u>56,376</u>	<u>53,941</u>
<b>Total current liabilities</b>	<u>56,376</u>	<u>53,941</u>
<b>Long-term liabilities:</b>		
Notes payable (Note 3)	<u>374,760</u>	<u>431,305</u>
<b>Total long-term liabilities</b>	<u>374,760</u>	<u>431,305</u>
<b>Total liabilities</b>	<u>431,136</u>	<u>485,246</u>
<b>Net position:</b>		
Net investment in capital assets	940,179	878,961
Temporarily restricted (Note 2)	26,676	26,676
Unrestricted	<u>1,010,239</u>	<u>873,116</u>
<b>Total net position</b>	<u>\$ 1,977,094</u>	<u>\$ 1,778,753</u>

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

**RURAL WATER DISTRICT NO. 20  
OKMULGEE COUNTY  
Morris, Oklahoma**

**STATEMENT OF ACTIVITIES  
MODIFIED CASH BASIS  
For the Years Ended June 30, 2024 and 2023**

	<u>June 30, 2024</u>	<u>June 30, 2023</u>
<b>Revenues:</b>		
Water sales	\$ 991,914	\$ 990,643
Membership income	73,000	64,000
Capital contributions	-	-
Other income	24,199	38,736
<b>Total revenues</b>	<u>1,089,113</u>	<u>1,093,379</u>
<b>Expenses:</b>		
Advertising	-	-
Accounting and legal	5,100	5,100
Auto expense	4,077	13,262
Bad debt	-	105
Bank service charges	66	351
Contract services	13,650	24,010
Depreciation	74,932	71,902
Dues and subscriptions	495	7,349
Insurance	56,511	55,808
Lab tests	7,650	5,875
Miscellaneous	33,778	20,830
Office supplies and postage	9,357	13,079
Payroll taxes	12,624	8,626
Pension	5,714	4,079
Repair and maintenance	46,884	32,022
Salaries	229,624	211,167
Supplies	37,130	44,592
Travel	-	-
Uniforms	-	2,399
Utilities	15,049	16,286
Water purchases	410,763	406,055
<b>Total expenses</b>	<u>963,404</u>	<u>942,897</u>
<b>Operating income</b>	<u>125,709</u>	<u>150,482</u>
<b>Other income and expense:</b>		
Grant income	73,632	-
Interest income	23,623	7,781
Interest expense	(24,623)	(24,075)
<b>Total other income and expense</b>	<u>72,632</u>	<u>(16,294)</u>
<b>Change in net position - net income (loss)</b>	198,341	134,188
<b>Net position - beginning of year</b>	<u>1,778,753</u>	<u>1,644,565</u>
<b>Net position - end of year</b>	<u>\$ 1,977,094</u>	<u>\$ 1,778,753</u>

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

RURAL WATER DISTRICT NO. 20  
OKMULGEE COUNTY  
Morris, Oklahoma

STATEMENT OF CHANGES IN NET POSITION  
MODIFIED CASH BASIS  
For the Years Ended June 30, 2024 and 2023

	Net Position (Unrestricted)	Net Position (Temporarily Restricted)	Total Net Position
<b>Balance - beginning of year 6-30-23</b>	\$ 1,752,077	\$ 26,676	\$ 1,778,753
Change in net position	<u>198,341</u>	<u>-</u>	<u>198,341</u>
<b>Balance - end of year 6-30-24</b>	<u>\$ 1,950,418</u>	<u>\$ 26,676</u>	<u>\$ 1,977,094</u>
<b>Balance - beginning of year 6-30-22</b>	\$ 1,617,889	\$ 26,676	\$ 1,644,565
Change in net position	<u>134,188</u>	<u>-</u>	<u>134,188</u>
<b>Balance - end of year 6-30-23</b>	<u>\$ 1,752,077</u>	<u>\$ 26,676</u>	<u>\$ 1,778,753</u>

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

RURAL WATER DISTRICT NO. 20  
OKMULGEE COUNTY  
Morris, Oklahoma

STATEMENT OF CASH FLOWS  
MODIFIED CASH BASIS  
For the Years Ended June 30, 2024 and 2023

	June 30, 2024	June 30, 2023
<b>Cash flows from operating activities:</b>		
Cash received from customers	\$ 1,089,113	\$ 1,093,379
Cash payments to suppliers for goods and contractors and other services	(904,323)	(891,496)
<b>Net cash provided by operating activities</b>	<u>184,790</u>	<u>201,883</u>
<b>Cash flows from capital and related financing activities:</b>		
Acquisition & construction of capital assets	(82,040)	(23,805)
Principal paid on debt	(136,150)	(51,905)
Grant income	73,632	-
Proceeds received from notes	82,040	-
Interest paid on debt	(24,623)	(24,075)
<b>Net cash used in capital and related financing activities</b>	<u>(87,141)</u>	<u>(99,785)</u>
<b>Cash flows from investing activities:</b>		
(Purchase) liquidation of investments	(50,320)	(399,840)
Interest income	23,623	7,781
<b>Net cash provided by investing activities</b>	<u>(26,697)</u>	<u>(392,059)</u>
<b>Net increase (decrease) in cash</b>	70,952	(289,961)
<b>Cash and cash equivalents at beginning of year</b>	<u>287,864</u>	<u>577,825</u>
<b>Cash and cash equivalents at end of year</b>	<u>\$ 358,816</u>	<u>\$ 287,864</u>
<b>Reconciliation of operation income to net cash provided by operating activities:</b>		
Operating income (loss)	\$ 125,709	\$ 150,482
<b>Adjustments to reconcile net income to net cash provided by operating activities:</b>		
Depreciation	74,932	71,902
Changes in assets and liabilities:		
(Increase) decrease in inventory	(15,851)	(20,501)
<b>Total adjustments</b>	<u>59,081</u>	<u>51,401</u>
<b>Net cash provided by operating activities</b>	<u>\$ 184,790</u>	<u>\$ 201,883</u>

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



**RURAL WATER DISTRICT NO. 20**  
**OKMULGEE COUNTY**  
**Morris, Oklahoma**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2024 and 2023**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Rural Water District No. 20, Okmulgee County, Oklahoma (the District), was created under the provisions of Title 82, O.S. 1981, Sections 1324.1-1324.26 inclusive, for the purpose of providing water to the members it serves. Membership in the water district consists of water users who have paid the required membership and connection fees. The District is exempt from federal and state income taxes.

The membership consists of approximately 1,112 users, each entitled to one vote. The Board of Directors consists of 5 members serving 3-year terms. The vacant Board seats are elected at the annual meeting in July, and following, the Board of Directors meet and elect a chairman, vice-chairman, and secretary-treasurer. All Board members serve without pay.

The more significant of the government's accounting policies are described below.

**A. Reporting Entity**

Rural Water District No. 20 is an independent, self-contained reporting entity with no associated component units. It is operated in a manner similar to a private business enterprise where the cost (expenses, including depreciation) of providing water services is financed through user charges. The District purchases most of its water from the City of Okmulgee.

**B. Measurement Focus, Basis of Accounting and Basis of Presentation – Fund Accounting**

The accompanying financial statements have been 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. The accounting and financial reporting treatment is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operation are included on the statement of net position. The operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets. Depreciation expense is provided for capital assets based upon estimated useful lives. Financial activity is accounted for on the flow of economic resources measurement focus using the modified cash basis of accounting. Under this method, revenues are recorded when received and expenditures are recorded when paid.

**C. Assets, Liabilities and Equity**

**1. Deposits and Investments**

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

Bank deposits are held at multiple financial institutions and are carried at cost. For purposes of statements of cash flows, the District considers cash and all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

*Custodial Credit Risk*

At June 30, 2024 and 2023, the District held deposits of approximately \$971,318 and \$850,246 at financial institutions. The District's cash deposits, including interest-bearing certificates of deposit, are entirely covered by Federal Depositary 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.

RURAL WATER DISTRICT NO. 20  
OKMULGEE COUNTY  
Morris, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2024 and 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities and Equity (Continued)

1. Deposits and Investments (Continued)

*Investment Interest Rate Risk*

The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

*Investment Credit Risk*

The District has no policy that limits its investment choices other than the limitation of state law as follows:

- a. Direct obligations of the U.S. Government, its agencies and instrumentalities to which the full faith and credit of the U.S. Government is pledged, or obligations to the payment of which the full faith and credit of the State is pledged.
- b. Certificates of deposits or savings accounts that are either insured or secured with acceptable collateral with in-state financial institutions, and fully insured certificates of deposit or savings accounts in out-of-state financial institutions.
- c. With certain limitation, negotiable certificates of deposit, prime bankers' acceptances, prime commercial paper and repurchase agreements with certain limitations.
- d. County, municipal or school district tax supported debt obligations, bond or revenue anticipation notes, money judgments, or bond or revenue anticipation notes of public trusts whose beneficiary is a county, municipality or school district.
- e. Notes or bonds secured by mortgage or trust deed insured by the Federal Housing Administrator and debentures issued by the Federal Housing Administrator, and in obligations of the National Mortgage Association.
- f. Money market funds regulated by the SEC and in which investments consist of the investments mentioned in the previous paragraphs (a.-d.).

The investments held at June 30, 2024 are as follows:

Type	(Months)	Rating	Value	Cost
Investments				
Money Market	N/A	AAAm	\$ 358,616	\$ 358,616
Investments			\$ 250,169	\$ 250,169
Certificate of deposit	3.00	N/A	362,533	362,533
Total investments			<u>\$ 971,318</u>	<u>\$ 971,318</u>

*Concentration of Investment Credit Risk*

The District places no limit on the amount it may invest in any one issuer. The District has the following of credit risk: 37% in Certificates of deposit (\$362,533), 26% in investments (\$250,169) and 37% in Money Market funds (\$358,616).

**RURAL WATER DISTRICT NO. 20  
OKMULGEE COUNTY  
Morris, Oklahoma**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2024 and 2023**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**C. Assets, Liabilities and Equity (Continued)**

**2. Fair Value of Financial Instruments**

The District's financial instruments include cash and cash equivalents, accounts receivable, accounts payable and notes payable. The District's estimate of the fair value of all financial instruments does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying statement of net position. The carrying amount of these financial instruments approximates fair value because of the short maturity of these instruments.

**3. Estimates**

The preparation of financial statements on the modified cash basis of accounting requires management to make estimates and assumptions that affect certain reported amounts 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. Accordingly, actual results could differ from those estimates.

**4. Inventories**

Inventories consist primarily of water line supplies for the addition of new water lines and repair of old water lines. Inventory is valued at cost, principally on a first-in, first-out basis, but not in excess of market.

**5. Capital Assets**

Additions to the water storage delivery system and other equipment are recorded at cost or, if contributed property, at their estimated acquisition value at time of contribution. Repairs and maintenance are recorded as expenses; renewals and betterments are capitalized. Non-cash contributions relate to both existing and new members of the District. If installation of water lines is required to a member's property, the District performs this service for the member at cost. The member's payment for such installation is recorded as a capital asset contribution. The District maintains a capitalization threshold of \$500 and an estimated useful life in excess of two (2) years.

The District reviews its investment in real estate for impairment whenever events or changes in circumstances indicate that the carrying value of such property may not be recoverable. Recoverability is measured by a comparison of the carrying amount of the real estate to the future net undiscounted cash flow expected to be generated by the property and any estimated proceeds from the eventual disposition of the real estate. If the real estate is considered to be impaired, the implement to be recognized is measured at the amount by which the carrying amount of the real estate exceeds the fair value of such property. There were no impairment losses recognized in 2024 and 2023.

Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

Water system	10-50 years
Buildings	10-25 years
Equipment	7-10 years
Office equipment	5-10 years
Vehicles	5 years

**RURAL WATER DISTRICT NO. 20  
OKMULGEE COUNTY  
Morris, Oklahoma**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2024 and 2023**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**C. Assets, Liabilities and Equity (Continued)**

**6. Compensated Absences**

It is the District's policy to permit employees to accumulate earned but unused sick time. Full-time employees are granted vacation and sick leave benefits in varying amounts to specified maximums depending on tenure. The District has not accrued compensated absences because the amount, if any, would not be material to the financial statements.

**7. Net Position**

In the basic financial statements, net position represents the difference between assets and liabilities. Net investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvement of those assets.

**8. Resource Use Policy**

It is in the District's policy for all funds that when an expenditure/expense is incurred for purposes for which both restricted and unrestricted resources, including net positions, are available, the District considers unrestricted amounts to be spent first before any restricted amounts are used.

**D. Revenues, Expenses and Other Changes in Net Position**

**1. Operating Revenues and Expenses**

Operating revenues and expenses are principally from water sales and connection fees charged to new system subscribers. Customer water consumption is determined by monthly meter readings taken by an auto-read system. The water sales from subscriber water consumption billed and paid at the District's year-end are recognized as revenue in the current year. Operating expense consist of those costs necessary to operate and maintain the water distribution system and for general administration of the District.

**2. Non-Operating Revenue and Expenses**

Non-operating revenues and expenses consist of investment earnings, interest expense incurred on the District's notes payable and gains and losses on sales or the abandonment of long-lived assets.

**2. TEMPORARILY RESTRICTED ASSETS**

Under the terms of the note indenture with Rural Development, the District is required to make monthly contributions into a reserve account until a minimum balance of \$26,676 has been reached for Rural Development Loan # 99-01. The funds are temporarily restricted and are to be used for repairing or replacing damaged assets caused by unforeseen catastrophes. With prior written approval from Rural Development, the reserve funds can also be used for making improvements to the water system or for debt service. The balance at the end of the year for Loan #99-01 is \$26,676 with a total balance of \$26,676.

**RURAL WATER DISTRICT NO. 20  
OKMULGEE COUNTY  
Morris, Oklahoma**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2024 and 2023**

**3. LONG-TERM DEBT**

Long-term debt consists of two notes, one with the Mabry Bank and one with the United States Department of Agriculture, Rural Development (RD). The notes are secured by the water works system including distribution lines, pump stations, reservoirs and vehicles.

These notes are listed as follows:

Mabrey Bank Loan # 491306 – Payable in annual installments of \$49,304 at 4.31% interest with an original stated maturity of June 2029.

Mabrey Bank Loan # 631116 – Payable in one annual installment of \$84,809 at 6.75% interest. This loan was paid off in the current year.

RD Loan # 99-01 – Original amount of \$477,000, issued May of 1999, payable in monthly installments of \$2,223 for 40 years at 4.75% interest, maturing in June of 2040

The following is a summary of long-term debt transactions during the year:

	Balance June 30, 2023	Additions	Reductions	Balance June 30, 2024	Current Portion
Mabrey Bank	\$ 202,874	\$ -	\$ 40,385	\$ 162,489	\$ 42,161
Mabrey Bank	-	82,040	82,040	-	-
USDA Rural Dev. - 99-01	282,372	-	13,574	268,798	14,215
Total	<u>\$ 485,246</u>	<u>\$ 82,040</u>	<u>\$ 135,999</u>	<u>\$ 431,287</u>	<u>\$ 56,376</u>

Annual cash requirements to amortize these notes are as follows:

Year Ending June 30,	Payments Due
2025	\$ 75,980
2026	75,980
2027	75,980
2028	58,376
2029	26,676
2030-2034	133,380
2035-2038	99,730
Total	546,102
Less interest	(114,815)
Note balance	<u>\$ 431,287</u>

The District's debt service coverage ratios for June 30, 2024 and 2023 are 360% and 289% respectively.

**4. SIMPLE IRA**

The District has a Simple IRA plan covering all full-time employees. Participants can contribute up to 15% of their salary. The District matches the participants' contribution up to a maximum of 3% of participants' wages. The District's contributions to the plan were \$5,317 and \$4,079 for 2024 and 2023, respectively.

**RURAL WATER DISTRICT NO. 20**  
**OKMULGEE COUNTY**  
**Morris, Oklahoma**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2024 and 2023**

**5. CAPTIAL ASSETS**

The following is a summary of changes in property, plant and equipment.

	Balance June 30, 2023	Additions	Deletions	Balance June 30, 2024
Land	\$ 17,443	\$ -	\$ -	\$ 17,443
Buildings	59,027	-	-	59,027
Water System	2,897,249	82,040	-	2,979,289
Equipment	122,662	-	-	122,662
Office equipment	18,419	-	-	18,419
Vehicles	75,391	-	-	75,391
Total	3,190,191	82,040	-	3,272,231
Less accumulated depreciation	1,825,984	74,932	-	1,900,916
Net	<u>\$ 1,364,207</u>	<u>\$ 7,108</u>	<u>\$ -</u>	<u>\$ 1,371,315</u>

	Balance June 30, 2022	Additions	Deletions	Balance June 30, 2023
Land	\$ 17,443	\$ -	\$ -	\$ 17,443
Buildings	59,027	-	-	59,027
Water System	2,897,249	-	-	2,897,249
Equipment	122,662	-	-	122,662
Office equipment	18,419	-	-	18,419
Vehicles	51,586	23,805	-	75,391
Total	3,166,386	23,805	-	3,190,191
Less accumulated depreciation	1,754,082	71,902	-	1,825,984
Net	<u>\$ 1,412,304</u>	<u>\$ (48,097)</u>	<u>\$ -</u>	<u>\$ 1,364,207</u>

**6. RISK MANAGEMENT**

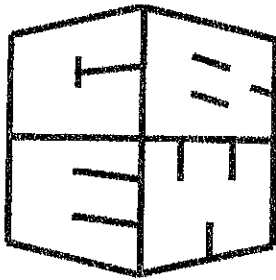
Rural Water District No. 20 is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District continues to carry commercial insurance for these risks, including general and auto liability, property damage, and public officials' liability. Settled claims resulting from these risks have not exceeded the commercial insurance coverage in any of the past three fiscal years.

**7. RESTATEMENT OF NET POSITION**

Due to the change from GAAP to modified-cash basis, the 2023 beginning net position was decreased by \$12,869 for changes to prepaid insurance, accounts receivable, allowance for uncollectable, accrued compensated absences, accounts payable and payroll taxes payable.

**RURAL WATER DISTRICT NO. 20  
OKMULGEE COUNTY  
Morris, Oklahoma**

**REPORT REQUIRED BY GOVERNMENT AUDITING STANDARDS  
June 30, 2024**



## **CBEW Professional Group, LLP**

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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**

July 31, 2024

Board of Directors  
Rural Water District No. 20  
Okmulgee County  
Morris, 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 financial statements of the business-type activities of the Rural Water District No. 20, Okmulgee County, Morris, Oklahoma (the District), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated July 31, 2024.

#### ***Report on Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the District'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 our opinions 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 and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2024-001 to be material weaknesses.



***Report on Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the District's financial statements are free of 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 District's response to the findings identified in our audit and described in the accompanying schedule of findings and responses. The District'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.

***CBEW Professional Group, LLP***

CBEW Professional Group, LLP  
Certified Public Accountants

**RURAL WATER DISTRICT NO. 20  
OKMULGEE COUNTY  
Morris, Oklahoma**

**SCHEDULE OF FINDINGS AND RESPONSES  
For the Year Ended June 30, 2024**

2024-001. Internal Control – Segregation of Duties

**Criteria:** The segregation of duties and responsibilities between different individuals for custody of assets, recordkeeping for those assets and reconciliation of those asset accounts is an important control activity needed to adequately protect the entity's assets and ensure accurate financial reporting.

**Condition:** Presently the same individual that receives utility service-related cash payments is also responsible for service billing and adjustment, also balances the daily cash drawer, posts payments to subsidiary accounts receivable ledger and reconciles the monthly bank statements. In addition, only limited oversight is provided over this individual in the conduct of their daily functions. This finding was also noted in 2023.

**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 utility billing and collection activities, including misappropriation of assets, could occur and not be detected within a timely basis.

**Recommendation:** We recommend that management and the board should consider a formal evaluation of their risks associated with this lack of duties segregation over utility cash and receivables. 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, such as providing increased management oversight and an independent reconciliation of accounts. For example, the entity might consider soliciting the assistance of independent volunteer labor to perform certain functions including to act as compensating procedures where applicable.

**Responsible Official's Response:** The district concurs with the recommendation, although, the cost to correct this condition might exceed the benefit, the district has made certain changes in procedures that will improve the overall lack of segregation of duties and has implemented compensating procedures as appropriate.