

**Creek County Rural Water District No. 2  
Jenks, Oklahoma**

Financial Statements and Auditor's Reports

Year Ended November 30, 2023

Audited by

**BLEDSON, HEWETT & GULLEKSON  
CERTIFIED PUBLIC ACCOUNTANTS, PLLLP**

BROKEN ARROW, OK

**Creek County Rural Water District No. 2**  
**Jenks, Oklahoma**  
Board of Directors  
November 30, 2023

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**Creek County Rural Water District No. 2**  
**Jenks, Oklahoma**  
November 30, 2023

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## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Creek County Rural Water District No. 2  
Jenks, Oklahoma

### *Report on the Audit of the Financial Statements*

We have audited the accompanying combined fund type and account group financial statements-regulatory basis of the Creek County Rural Water District No. 2, Jenks, Oklahoma (the District), as of and for the year ended November 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### *Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District as of November 30, 2023, and the respective changes in financial position and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

### *Basis for Opinion*

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 opinion.

### *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.

### ***Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 6-9 be presented to supplement the basic financial statements. Such 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. We have applied certain limited procedures to the required supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our

inquiries, the basic financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The prior year “memorandum only” comparative information and the supplementary information on page 30 are presented for the purposes of additional analysis and are not a required part of the basic financial statements of the District. Such information has not been subjected to the auditing procedures applied in our audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

The accompanying financial statements and other supplementary information and schedule of expenditures of federal awards, as required by Title 2 *U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the fund type and account group financial statements within the combined financial statements-regulatory basis and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the financial statements and other supplementary information and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated January 26, 2024, 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.

***Bledsoe, Hewett & Gullekson***

Bledsoe, Hewett & Gullekson  
Certified Public Accountants, PLLLP

January 26, 2024

## RURAL WATER DISTRICT NO.2, CREEK COUNTY

### MANAGEMENT'S DISCUSSION AND ANALYSIS

NOVEMBER 30, 2023

Our discussion and analysis of the Rural Water District No. 2, Creek County's financial performance provides an overview of the District's financial activities for the fiscal year ended November 30, 2023. Please read it in conjunction with the District's financial statements that begin on page 17.

#### **FINANCIAL HIGHLIGHTS:**

- The District's total operating revenues exceeded total operating expenses by \$928,804.
- The District's net position increased by \$1,934,977 in the current fiscal year.
- The District added \$1,765,879 in capital assets in 2022-23 as it continued waterline improvements and expansion and started the Bixby Zone Project.
- A rate increase was approved and effective in February 2023.
- Membership numbers continued to be strong in 2022-23 with 5,567 total active users at fiscal year-end. Growth of the District is projected to continue.
- The District was approved for a \$15,000,000 loan in 2023 to finance system improvements and a new water tower.

#### **Using This Report**

This report is presented in a format consistent with the presentation requirements of the Governmental Accounting Standards Board (GASB) Statement No. 34, as applicable to the District's basis of accounting.

#### **Basis of Accounting**

The District has elected to present its financial statements in the accrual basis of accounting. According to the accrual basis, revenues are recorded when earned and expenses are recognized when incurred. This policy is in accordance with generally accepted accounting principles.

#### **The Financial Statements**

One of the most important questions asked about the District's finances is, "Is the District as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position, the Statement of Revenues, Expenses and Changes in Net Position, and the Statement of Cash Flows report information about the District and about its activities in a way that helps answer this question.

These three statements report the District’s net position and the changes in them. You can think of the District’s net position – the difference between assets and liabilities – as one way to measure the District’s financial health or financial position. Over time, increases or decreases in the District’s net position are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in water rates paid or charged and the condition of the District’s water system, to assess the overall health of the District.

The District has only one type of fund or activity, which is defined as *Business-type activities*. This is considered a proprietary fund. This means the District charges a fee to customers to help it cover all or most of the cost of certain services it provides.

**Net Position, and Changes in Net Position**

The District’s Net Position was higher in 2022-23 increasing from \$12,466,933 to \$14,401,910. Our analysis below focuses on the Net Position (Table 1) and Changes in Net Position (Table 2) of the District’s business-type activities.

**Table 1 – Net Position:**

	<u>2022-23</u>	<u>2021-22</u>	<u>Variances</u>
Current and other assets	\$ 8,024,087	7,444,171	579,916
Capital assets, net	<u>14,920,364</u>	<u>13,779,373</u>	<u>1,140,991</u>
Total Assets	<u>\$ 22,944,451</u>	<u>21,223,544</u>	<u>1,720,907</u>
Current liabilities	\$ 628,421	526,757	(101,664)
Long-term liabilities	<u>7,914,120</u>	<u>8,229,854</u>	<u>315,734</u>
Total Liabilities	<u>\$ 8,542,541</u>	<u>8,756,611</u>	<u>214,070</u>
Net Invest. In Cap. Assets	\$ 6,690,510	5,241,976	1,448,534
Restricted	543,977	548,724	(4,747)
Unrestricted	<u>7,167,423</u>	<u>6,676,233</u>	<u>491,190</u>
Total Net Position	<u>\$ 14,401,910</u>	<u>12,466,933</u>	<u>1,934,977</u>

Net Position of the District increased by 15.5 percent (\$14,401,910 compared to \$12,466,933). Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – increased from \$6,676,233 to \$7,167,123.



**Table 2 – Changes in Net Position:**

	<u>2022-23</u>	<u>2021-22</u>	<u>Variances</u>
<b>Revenues:</b>			
Charges for services	\$ 5,659,697	5,630,613	29,084
Other sources	1,142,490	412,600	729,890
Interest	99,641	19,533	80,108
<b>Total Revenues</b>	<b><u>\$ 6,901,828</u></b>	<b><u>6,062,746</u></b>	<b><u>839,082</u></b>
<b>Expenses:</b>			
Salaries, taxes and benefits	\$ 1,007,890	918,386	(89,504)
Water purchases	2,144,880	2,188,143	43,263
Maintenance and repairs	625,679	547,832	(77,847)
Insurance	54,475	58,805	4,330
Other expenses	255,535	320,475	64,940
Depreciation/amortization	642,434	575,975	(66,459)
Interest on debt	235,958	252,915	16,957
<b>Total Expenses</b>	<b><u>\$ 4,966,851</u></b>	<b><u>4,862,531</u></b>	<b><u>(104,320)</u></b>
<b>Changes in Net Position</b>	<b>1,934,977</b>	<b>1,200,215</b>	<b>734,762</b>
<b>Net Position, Beginning</b>	<b><u>12,466,933</u></b>	<b><u>11,266,718</u></b>	<b><u>1,200,215</u></b>
<b>Net Position, Ending</b>	<b><u>\$ 14,401,910</u></b>	<b><u>12,466,933</u></b>	<b><u>1,934,977</u></b>

The District's total revenues increased by 13.8 percent (\$839,082), mostly due to grant proceeds. The total cost of all goods and services increased by 2.1 percent (\$104,320).

### **Capital Assets**

At November 30, 2023 the District had \$14,920,364 invested in capital assets, net of depreciation, including land, the water system, vehicles and equipment. In 2022-23, the District continued to add water line additions and improvements, began the Bixby Zone Project and added more space to the District office.

### **Long-Term Debt**

The 2002 OWRB note and Rural Development loan 91-02 were paid off in 2019-20 with a Utility System Revenue Note, Series 2019, in the amount of \$3,380,000. The original issue date is December 2, 2019, and the maturity date is December 1, 2034, with a fixed interest rate of 2.75%. The monthly payments for 2022-23 are projected to be \$22,835. The outstanding principal balance at November 30, 2023 is \$2,710,000.

Loan 91-03 with the Office of Rural Development was approved in 2016. The note is for \$6,409,000, and will be paid back in monthly payments over 40 years. The monthly payments of principal and interest are \$22,496, and the interest rate is 2.875%. The loan balance at November 30, 2023 was \$5,519,854.

The District was approved for a \$15,000,000 State Revolving Fund loan through Oklahoma Water Resources Board for water system additions and improvements in the Bixby area. No loan proceeds had been received as of November 30, 2023. However, \$1,000,000 of this loan has been forgiven and converted into Safe Drinking Water State Revolving Fund grant money. In the 2022-23 year, \$865,605 of these grant funds were expended and received by the District.

### **Economic Factors and Next Year's Budget and Rates**

For the upcoming fiscal year ending November 30, 2024, the District's budget is fairly consistent with the prior fiscal year. The normal cost of operation continues to increase for all areas of the economy, and rural water is not exempt from these increases.

### **Contacting the District's Management**

This report is designed to provide our customers and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District Office at 2425 W 121<sup>st</sup> St. South, Jenks, OK 74037 or call (918)299-4448.



**BLEDSON, HEWETT & GULLEKSON**  
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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**

Board of Directors  
Creek County Rural Water District No. 2  
Jenks, Oklahoma

We have audited 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, the financial statements of the Creek County Rural Water District No. 2, Jenks, Oklahoma (the "District"), as of and for the year ended November 30, 2023, 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 26, 2024.

**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 District's internal control. Accordingly, we do not express an opinion on the effectiveness of 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that were not identified.

## **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, non-compliance 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted an immaterial instance of noncompliance that we have noted on a separate letter to management dated January 26, 2024.

## **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.

*Bledsoe, Hewett & Gullekson*

Bledsoe, Hewett & Gullekson  
Certified Public Accountants, PLLLP

January 26, 2024



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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH  
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE  
REQUIRED BY THE UNIFORM GUIDANCE**

Board of Directors  
Creek County Rural Water District No. 2  
Jenks, Oklahoma

**Report on Compliance for Each Major Federal Program**

***Opinion on Each Major Federal Program***

We have audited the Creek County Rural Water District No. 2, Jenks, Oklahoma's (the District) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended November 30, 2023. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended November 30, 2023.

***Basis for Opinion on Each Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the "Auditor's Responsibilities for the Audit of Compliance" section of our report.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

### ***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the District's federal programs.

### ***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material non-compliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### **Report on Internal Control over Compliance**

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

Our consideration of internal control over compliance was for the limited purpose described in the “Auditor’s Responsibilities for the Audit of Compliance” section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed. The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Bledsoe, Hewett & Gullekson*

Bledsoe, Hewett & Gullekson  
Certified Public Accountants, PLLLP

January 26, 2024

**CREEK COUNTY RURAL DISTRICT NO. 2**  
**Disposition of Prior Year's Significant Deficiencies**  
**November 30, 2023**

There were no prior year significant deficiencies.



**CREEK COUNTY RURAL WATER DISTRICT NO. 2**  
**Schedule of Audit Results**  
**November 30, 2023**

**Section 1 – Summary of Auditor’s Results:**

1. An unmodified opinion report was issued on the financial statements.
2. The audit reported no material weaknesses and did not report on any significant deficiencies not considered to be material weaknesses in the internal controls over financial reporting.
3. The audit disclosed no instances of noncompliance which are material to the financial statements.
4. The audit did not identify any material weaknesses and did not report any significant deficiencies not considered to be material weaknesses in the internal controls over major programs.
5. An unmodified opinion report was issued on the compliance of major programs.
6. The audit disclosed no audit findings which are required to be reported under the Uniform Guidance.
7. The federal program determined to be major was the Safe Drinking Water State Revolving Fund (66.468), which was not clustered in determination.
8. The dollar threshold used to determine between Type A and Type B programs was \$750,000.
9. The auditee was determined not to be a low-risk auditee.

**Section 2** – Findings relating to the financial statements required to be reported in accordance with Generally Accepted Government Auditing Standards:

NONE

**Section 3** – Findings and questioned costs for federal awards:

NONE

**CREEK COUNTY RURAL WATER DISTRICT NO. 2**  
**Statement of Net Position**  
**November 30, 2023**

	2023	-Memorandum- -Only- 2022
<b><u>ASSETS:</u></b>		
Current Assets:		
Cash and cash equivalents	\$ 1,095,741	\$ 1,005,023
Investments	1,153,975	1,154,000
Accounts receivable	367,581	448,498
Inventory	563,049	394,787
Prepaid assets	11,696	10,014
Total current assets	3,192,042	3,012,322
Restricted Assets:		
Reserve accounts	4,443,033	4,267,311
Project trust funds	23,196	23,196
Total restricted assets	4,466,229	4,290,507
Capital Assets:		
Land	39,645	39,645
Buildings and grounds	649,681	467,076
Plant and water systems	23,192,311	21,646,070
Vehicles and equipment	933,477	896,444
Total capital assets	24,815,114	23,049,235
Less: accumulated depreciation	(9,894,750)	(9,269,862)
Total capital assets, net of depreciation	14,920,364	13,779,373
Other Assets:		
Loan costs, net of amortization	365,816	141,342
<b>TOTAL ASSETS</b>	<b>\$ 22,944,451</b>	<b>\$ 21,223,544</b>
 <b><u>LIABILITIES:</u></b>		
Current Liabilities:		
Accounts payable	\$ 264,705	\$ 165,617
Accrued liabilities	47,982	53,597
Current portion of long-term debt	315,734	307,543
Total current liabilities	628,421	526,757
Long-term Liabilities:		
Long-term debt, less current maturities	7,914,120	8,229,854
Total Liabilities	8,542,541	8,756,611
 <b><u>NET POSITION:</u></b>		
Net investment in capital assets	6,690,510	5,241,976
Restricted for debt service	543,977	548,724
Unrestricted assets	7,167,423	6,676,233
Total Net Position	14,401,910	12,466,933
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$ 22,944,451</b>	<b>\$ 21,223,544</b>

The accompanying notes to the financial statements are an integral part of this statement

**CREEK COUNTY RURAL WATER DISTRICT NO. 2**  
**Statement of Revenues, Expenses and Changes in Net Position**  
**For The Year Ended November 30, 2023**

	<u>2022-23</u>	<u>-Memorandum- -Only- 2021-22</u>
<b>Operating Revenues:</b>		
Water sales	\$ 5,517,893	\$ 5,467,099
Fees and fines	97,307	87,207
Leases and reimbursements	44,497	76,307
Total revenue from operations	<u>5,659,697</u>	<u>5,630,613</u>
<b>Operating Expenses:</b>		
Water purchases	2,144,880	2,188,143
Salaries and benefits	1,007,890	918,386
Repairs and maintenance	590,301	494,736
Vehicle expense	56,599	54,062
Insurance	54,475	58,805
Supplies and materials	35,378	53,096
Office expense and postage	57,305	57,314
Depreciation	624,888	566,496
Amortization	17,546	9,479
Engineering fees	36,801	66,346
Professional fees	16,861	57,734
Utilities	85,194	81,926
Other	2,775	3,093
Total expenses from operations	<u>4,730,893</u>	<u>4,609,616</u>
Operating Income (Loss)	928,804	1,020,997
<b>Non-Operating Revenues (Expenses):</b>		
Interest income	99,641	19,533
Capital contributions-		
Memberships	17,100	32,850
Tap fees	252,785	379,750
OWRB grant proceeds	865,605	0
Sale/disposal of assets	7,000	0
Interest paid on long-term debt	<u>(235,958)</u>	<u>(252,915)</u>
Total non-operating revenues (expenses)	<u>1,006,173</u>	<u>179,218</u>
Change in Net Position	1,934,977	1,200,215
Total Net Position, beginning of period	<u>12,466,933</u>	<u>11,266,718</u>
Total Net Position, end of period	<u>\$ 14,401,910</u>	<u>\$ 12,466,933</u>

The accompanying notes to the financial statements are an integral part of this statement

**CREEK COUNTY RURAL WATER DISTRICT NO. 2**  
**Statement of Cash Flows**  
**For the Year Ended November 30, 2023**

	<b>2022-23</b>	<b>-Memorandum- -Only- 2021-22</b>
<b>Cash Flows from Operating Activities:</b>		
Receipts from customers	\$ 5,618,301	\$ 5,549,778
Payments to employees	(1,007,890)	(913,107)
Payments to vendors	(3,034,727)	(3,415,588)
Net Cash Provided by Operating Activities	1,575,684	1,221,083
<b>Cash Flows from Capital and Related Financing Activities:</b>		
Sale (purchase) of capital assets	(1,758,879)	(712,246)
Capital contributions - Memberships	17,100	32,850
Capital contributions - Tap fees	252,785	379,750
Grant proceeds (loan forgiveness)	865,605	0
Loan costs	(242,020)	0
Principal paid on long-term debt	(307,543)	(297,751)
Interest paid on long-term debt	(235,958)	(250,916)
Net Cash Provided by (used in) Capital and Related Financing Activities	(1,408,910)	(848,313)
<b>Cash Flows from Investing Activities:</b>		
Investments (purchased) liquidated	25	0
Interest earnings	99,641	19,533
Net Cash Provided by (used in) Investing Activities	99,666	19,533
Net Increase (Decrease) in Cash	266,440	392,303
Cash and cash equivalents, beginning of period	5,272,334	4,880,031
Cash and cash equivalents, end of period	\$ 5,538,774	\$ 5,272,334
<b>Reconciliation of operating income (loss) to net cash provided by operating activities:</b>		
Operating Income	\$ 928,804	\$ 1,020,997
Adjustments to reconcile net income to net cash provided (used) by operating activities:		
Depreciation Expense	624,888	566,496
Amortization Expense	17,546	9,479
Change in assets and liabilities:		
(Increase) decrease in accounts receivable	80,917	(136,996)
(Increase) decrease in prepaid insurance	(1,682)	(1,592)
(Increase) decrease in inventory	(168,262)	(256,386)
Increase (decrease) in accounts payable	99,088	28,005
Increase (decrease) in accruals	(5,615)	(8,920)
Net cash provided by operating activities	\$ 1,575,684	\$ 1,221,083

The accompanying notes to the financial statements are an integral part of this statement

**CREEK COUNTY RURAL WATER DISTRICT NO. 2**  
**Jenks, Oklahoma**  
Notes to the Financial Statements  
November 30, 2023

**Note A – Significant Accounting Policies**

Nature of Organization

The Creek County Rural Water District No. 2 (the District) was created under the provisions of Title 82 of Oklahoma Statutes, Sections 1324.1 – 1324.26 and the Laws of the State of Oklahoma. The purpose of this District is to provide water services to users. The District is considered a subdivision of the State of Oklahoma. The District is exempt from federal and state income taxes. The membership consists of over 5,500 members. The Board of Directors consists of seven members, listed on page 1. All Board members serve three-year terms.

Reporting Entity

The District 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 its water from the City of Tulsa, the City of Sapulpa and Creek County Rural Water District No. 1.

Measurement Focus, Basis of Accounting and Basis of Presentation – Fund Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with Generally Accepted Accounting Principles (GAAP) promulgated 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 accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

## CREEK COUNTY RURAL WATER DISTRICT NO. 2

### Jenks, Oklahoma

#### Notes to the Financial Statements

November 30, 2023

#### **Note A – Significant Accounting Policies – cont'd**

##### 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 several 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 November 30, 2023, the District held deposits of approximately \$6,715,945 at financial institutions. The District's cash deposits, including interest-bearing certificates of deposit, are entirely covered by Federal Depository Insurance (FDIC) or direct obligation of the U.S. Government insured or collateralized with securities held by the District or by its agent in the District's name.

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

**Investment Credit Risk** – The District has no policy that limits its investment choices other than the limitations 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.

**CREEK COUNTY RURAL WATER DISTRICT NO. 2**  
**Jenks, Oklahoma**  
Notes to the Financial Statements  
November 30, 2023

**Note A – Significant Accounting Policies – cont’d**

- 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 November 30, 2023 are as follows:

	<u>Wtd. Avg Maturity</u>	<u>Credit Rating</u>	<u>Cost/ Market</u>
Money market/checking	N/A	AAAm	\$ 5,075,171
Trust accounts	N/A	AAAm	23,196
Certificates of deposit	3.0 Yrs	N/A	<u>1,617,578</u>
<b>Total Deposits</b>			<u>\$ 6,715,945</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: 24.1% in Certificates of Deposit (\$1,617,578), .4% in Trust Accounts (\$23,196) and 75.5% in Money Market funds (\$5,075,171).

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 values because of the short maturity of these instruments.

Restricted Assets

The District has the following accounts that are reserved for the current loans, future capital improvements and other specific purposes. These amounts are earmarked for these purposes and placed in separate bank accounts by formal action of the Board. The loan reserve amounts are considered “restricted” and are regulated by creditors or grantors. The other items are considered “committed” by the District and cannot be used for any other purpose unless the District removes or changes the limitation by taking action similar to that which imposed the commitment.

**CREEK COUNTY RURAL WATER DISTRICT NO. 2**  
**Jenks, Oklahoma**  
Notes to the Financial Statements  
November 30, 2023

**Note A – Significant Accounting Policies – cont’d**

American Heritage Bank-	
Construction Loan account	\$ 299
Capital Investment	2,335,115
Short Lived Assets	752,213
Rural Development Reserve account	5,737
Rural Dev. Short Lived Assets account	5,248
Tower Maintenance account	655,264
Water Loss Protection account	114,703
ORWB 2023 Loan Prepayments	110,850
Vast Bank-	
Certificate of Deposit	165,306
Certificate of Deposit (restricted)	48,273
Edward Jones-	
Certificate of Deposit (restricted)	250,025
BancFirst-	
2019 Note Trust account	<u>23,196</u>
Total Temporarily Restricted Assets	<u>\$ 4,466,229</u>

Inventories

Inventories consist primarily of materials and supplies for repairs and improvements of existing water lines, meters and all other capital assets. Inventory is valued at cost, principally on a first-in, first-out basis, but not in excess of market.

Accounts Receivable

Billings for accounts receivable at November 30, 2023 were \$381,734. An allowance for doubtful accounts was computed at \$14,153.

Prior Year ‘Memorandum Only’ Information

Prior year financial statement information is included for comparative purposes only.



**CREEK COUNTY RURAL WATER DISTRICT NO. 2**  
**Jenks, Oklahoma**  
Notes to the Financial Statements  
November 30, 2023

**Note A – Significant Accounting Policies – cont'd**

Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District carries commercial insurance, including workers compensation, for risk of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Capital Assets

Capital assets are valued at cost, depreciation is computed by use of the straight-line method, and includes any items in excess of \$5,000 and a useful life of two years or longer. The estimated useful lives of these assets are as follows:

Land	N/A
Office furniture & fixtures	5-10 years
Equipment & tools	5-10 years
Transportation equipment	5 years
Water system	40 years
Buildings	30 years
Radio read meters	20 years
Computer equipment	5 years

The capital asset information for the District is shown below:

	12/1/2022			11/30/2023
	Amount	Additions	Deletions	Amount
Land	\$ 39,645	-	-	39,645
Water dist. system	21,646,070	1,546,241	-	23,192,311
Vehicles and equip.	896,444	37,033	-	933,477
Buildings and furn.	467,076	182,605	-	649,681
<b>Total Capital Assets</b>	<b>23,049,235</b>	<b>1,765,879</b>	<b>-</b>	<b>24,815,114</b>
Less: Accumulated Depreciation	(9,269,862)	(624,888)	-	(9,894,750)
<b>Total</b>	<b>\$ 13,779,373</b>	<b>1,140,991</b>	<b>-</b>	<b>14,920,364</b>

**CREEK COUNTY RURAL WATER DISTRICT NO. 2**  
**Jenks, Oklahoma**  
Notes to the Financial Statements  
November 30, 2023

**Note B – Long-Term Debt**

Long-Term Debt consists of two notes:

In 2016, the District was approved for a \$6,409,000 loan with the USDA - Office of Rural Development for continued improvements on their water system. The interest rate is 2.875%, and the District is required to make monthly payments of principal and interest of \$22,496. The water system and future water revenues are used as security for this note.

In 2019, the District was approved for a \$3,380,000 Utility System Revenue Note with Branch Banking and Trust Company, with BancFirst as trustee, to refinance two existing loans with higher interest rates. The interest rate is 2.75%, and the District is required to make monthly payments of principal and interest to a trustee account, and the trustee makes semi-annual payments on the note.

	November 30,	
	2023	2022
USDA/RD note payable 91-03, issued for \$6,409,000, at 2.875% interest, payable in monthly payments of \$22,496, until paid (2054)	\$ 5,519,854	5,629,397
Utility System Revenue Note, issued for \$3,380,000, at 2.75% interest, payable in monthly trustee payments of approximately \$23,000, and due in semi-annual installments, until paid (2034)	<u>2,710,000</u>	<u>2,908,000</u>
Long-Term Debt Outstanding	8,229,854	8,537,397
Less: Current maturities of long-term debt	<u>(315,734)</u>	<u>(307,543)</u>
Total Long-Term Debt, Net	<u>\$ 7,914,120</u>	<u>8,229,854</u>

**CREEK COUNTY RURAL WATER DISTRICT NO. 2**  
**Jenks, Oklahoma**  
Notes to the Financial Statements  
November 30, 2023

**Note B – Long-Term Debt – cont’d**

The scheduled maturities for the next five years, and in total thereafter, are detailed as follows:

Year	Total	RD 91-03	Util Syst Rev
2024	\$ 315,734	112,734	203,000
2025	325,018	116,018	209,000
2026	334,398	119,398	215,000
2027	343,876	122,876	221,000
2028	353,456	126,456	227,000
2029-33	1,921,732	689,732	1,232,000
2034-38	1,199,224	796,224	403,000
2039-43	919,159	919,159	-
2044-48	1,061,074	1,061,074	-
2049+	1,456,183	1,456,183	-
Total	<u>\$ 8,229,854</u>	<u>5,519,854</u>	<u>2,710,000</u>

**Note C – Schedule of Expenditures of Federal Awards**

In 2023, the District was approved for a State Revolving Fund loan through Oklahoma Water Resources Board in the amount of \$15,000,000 to finance the improvements of a new 750,000-gallon elevated water storage tank, duplex booster pump station and waterline replacement. As of November 30, 2023, no loan proceeds have been received or spent. However, \$1,000,000 of this loan was approved as loan forgiveness, and administered through the Safe Drinking Water State Revolving Fund, which is considered federal grant funds (CFDA 66.468). As of November 30, 2023, \$865,605 of these funds were expended and received by the District through this fund in 2022-23. A Schedule of Expenditures of Federal Awards is included with this audit report.

**Note D – Employee Retirement Plan**

The District has adopted a simplified employee pension (SEP) plan. The District contributes 3% of the employee gross pay of each qualifying employee, and employees are free to contribute more than 3%. For the 2022-23 fiscal year, the District made payments to Edward Jones of \$38,874 for employee/employer contributions.

## **CREEK COUNTY RURAL WATER DISTRICT NO. 2**

### **Jenks, Oklahoma**

Notes to the Financial Statements

November 30, 2023

#### **Note E – Lease Income**

The District has an ongoing lease agreement (no. 10008555) with AT&T. The annual rental payment is \$7,590.

#### **Note F – Glenpool Settlement Agreement**

Creek County Rural Water District No. 2 (Creek-2) entered into a settlement agreement with the City of Glenpool and the Glenpool Utility Services Authority (“Glenpool”) to resolve pending litigation between these parties in U.S. District Court for the Northern District of Oklahoma, Case No. 11 CV-441-JHP-FHM. Creek-2 filed suit against Glenpool claiming Glenpool had breached the parties’ 1992 settlement contract and that Glenpool had violated 7 U.S.C. § 1926(b) and 42 U.S.C. § 1983 (federal statutes which protect Creek-2). The principal terms of the settlement were:

1. Glenpool paid Creek-2 the sum of \$500,000 (which has been paid) plus four (4) additional annual payments of \$125,000 each. The final annual payment of \$125,000 was received in May 2019.
2. Creek-2 granted permission for Glenpool to provide water service within a portion of the Creek-2 Territory (called the Permissive Area), in exchange for Glenpool paying fees and monthly royalties to Creek-2 during the 37 year term/life of the settlement, based on the number of water customers connected/served by Glenpool within the Permissive Area. Fees and royalties will be adjusted upward annually based on the U.S. Labor Department’s Consumer Price Index. Glenpool has provided a letter of credit to insure that its payments will be made during the term/life of the settlement. Creek-2 retains a non-exclusive right to also provide water service within the Permissive Area.
3. Creek-2 granted permission for Glenpool to provide water service within a different portion of the Creek-2 Territory (called the Released Area) royalty free. Creek-2 will retain all its existing and future customers it serves in the Released Area into perpetuity.
4. The parties exchanged mutual releases of all past claims and agreed that the federal suit would be dismissed.

The settlement agreement and its associated exhibits are very lengthy and complex. The foregoing mentions only the more important financial aspects of the settlement. A complete copy of the settlement agreement is available at the Creek-2 office for inspection.

**CREEK COUNTY RURAL WATER DISTRICT NO. 2**  
**Jenks, Oklahoma**  
Notes to the Financial Statements  
November 30, 2023

**Note G – Pending Litigation**

District officials are not aware of any pending or threatened litigation, claims or assessments or un-asserted claims or assessments against the District.

**Note H – Subsequent Events**

Management has evaluated subsequent events through January 25, 2024, which is the date the financial statements were available to be issued and have determined that no additional information needs to be added to the financial statements.

CREEK COUNTY RURAL WATER DISTRICT NO. 2  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 FOR THE YEAR ENDED NOVEMBER 30, 2023

<u>Federal Grantor / Pass Through Grantor / Program Title</u>	<u>Federal CFDA Number</u>	<u>Program or Award Amount</u>	<u>Balance at 12/1/22</u>	<u>Revenue Collected</u>	<u>Total Expenditures</u>	<u>Balance at 11/30/23</u>
<u>Environmental Protection Agency</u>						
Oklahoma Water Resources Board Loan: Safe Drinking Water State Revolving Fund	66.468	<u>\$ 1,000,000</u>	<u>0</u>	<u>865,605</u>	<u>865,605</u>	<u>134,395</u>

**CREEK COUNTY RURAL WATER DISTRICT NO. 2**  
**Schedule of Water Rates and Customers**  
**-Unaudited Information-**  
**November 30, 2023**

**2022-23 Water Rates:**

0 – 1,000 gallons	=	\$33.50
1,000 – 50,000 gallons	=	\$6.15 per thousand
Over 50,000 gallons	=	\$6.65 per thousand

The base rate was increased in 2023 from \$28.50 to \$33.50, effective on the August 2023 billing.

**Water Loss:**

	<u>2022-23</u>	<u>2021-22</u>
Total gallons purchased	657,027,000	685,499,000
Total gallons sold to District customers	<u>(545,830,229)</u>	<u>(602,358,386)</u>
Net Water loss	111,196,771	83,140,614
Less: water used for maintenance	<u>(68,811,488)</u>	<u>(55,564,447)</u>
Total unaccounted water loss	<u>42,385,283</u>	<u>27,576,167</u>
Percentage of water loss	<u>6.45%</u>	<u>4.02%</u>

Source – Monthly Water and Field Reports

**Customers:**

The District had 5,567 active accounts at the close of the fiscal year.

Water membership fee, with installation of 3/4” meter is \$2,100.



**BLEDSON, HEWETT & GULLEKSON**  
CERTIFIED PUBLIC ACCOUNTANTS, PLLLP

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January 26, 2024

Board of Directors  
Creek County Rural Water District No. 2  
Jenks, Oklahoma

Dear Board of Directors:

The following section contains the observations and recommendations relayed to management that are immaterial compliance findings, which we feel need to be communicated to you so that appropriate action may be taken to correct these deficiencies. These items are not included, but are referred to, in your audit report, as they are not considered material in nature, but are findings worthy of being mentioned.

Competitive Bids – Office Addition and Remodel

The District approved a written quote from a contractor in the amount of \$145,275 for an office addition and remodel project. Because this construction project exceeded \$100,000 the project was required to follow the Public Competitive Bidding Act.

As a general reminder of the laws regarding the Competitive Bidding Act, listed below is text from Oklahoma State Statute Title 61 Section 103 regarding what projects need to be competitively bid, bid, or negotiated with a qualified contractor (61 OK Stat § 103 - 2022).

*“Unless otherwise provided by law, all public construction contracts exceeding One Hundred Thousand Dollars (\$100,000.00) or construction management trade contracts or subcontracts exceeding Fifty Thousand Dollars (\$50,000.00) shall be let and awarded to the lowest responsible bidder, by open competitive bidding after solicitation for sealed bids, in accordance with the provisions of the Public Competitive Bidding Act of 1974.”*

*“Except as provided in subsection E of this section, other construction contracts for the purpose of making any public improvements or constructing any public building or making repairs to the same for One Hundred Thousand Dollars (\$100,000.00) or less shall be let and awarded to the lowest responsible bidder by receipt of written bids or awarded on the basis of competitive quotes to the lowest responsible qualified contractor.”*

*“Other construction contracts for less than Twenty-five Thousand Dollars (\$25,000.00) may be negotiated with a qualified contractor.”*



We recommend that all construction projects in excess of \$100,000 be properly advertised and the Public Competitive Bidding Act requirements be followed.

It was noted that The District took competitive bids on several projects in 2023. Apart from this office addition and remodel project, all requirements of the Public Competitive Bidding Act were followed on the other construction projects.

We take this opportunity to thank you and your professional staff for the outstanding cooperation and invaluable assistance you gave us during our recent onsite audit work.

Sincerely,

A handwritten signature in black ink, appearing to read "Eric M. Bledsoe", with a long horizontal flourish extending to the right.

Eric M. Bledsoe