

**DELAWARE COUNTY
RURAL WATER DISTRICT NO. 6
GROVE, OKLAHOMA**

FINANCIAL STATEMENTS AND AUDITOR'S REPORT

YEAR ENDED DECEMBER 31, 2021

Audited by

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

BROKEN ARROW, OK

DELAWARE COUNTY RURAL WATER DISTRICT NO. 6
BOARD OF DIRECTORS
DECEMBER 31, 2021

BOARD OF DIRECTORS

Chairman

Mike Blecha

Secretary/Treasurer

Roy Pollan

Member

John Hamilton

BOOKKEEPER

Vivian Fowler

DELAWARE COUNTY RURAL WATER DISTRICT NO. 6
DECEMBER 31, 2021

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Delaware County Rural Water District No. 6
Grove, Oklahoma

Report on Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Delaware County Rural Water District No. 6 (the District), Grove, Oklahoma, as of and for the year ended December 31, 2021, and the related notes to the financial statements which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the District as of December 31, 2021, and the respective changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5-8 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 21 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 14, 2022, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting or on compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Bledsoe, Hewett & Gullekson

Bledsoe, Hewett & Gullekson
Certified Public Accountants, PLLLP

March 14, 2022



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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
Delaware County Rural Water District No. 6
Grove, 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 accompanying financial statements of the Delaware County Rural Water District No. 6 (the District), Grove, Oklahoma, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 14, 2022.

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 in order to determine our auditing procedures that are appropriate for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District'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. We consider the deficiency described in the accompanying schedule of findings and responses as item 21-1, not to be a material weakness.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding 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. However, as described in the accompanying schedule of findings and responses, we identified a certain deficiency in the internal controls that we considered not to be a material weakness.

Compliance

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 grants, 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 that are required to be reported under *Government Auditing Standards*.

District's Response to Findings

The District's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 District'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 District'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

March 14, 2022

DELAWARE COUNTY RURAL WATER DISTRICT NO. 6
DISPOSITION OF PRIOR YEAR'S SIGNIFICANT DEFICIENCIES
DECEMBER 31, 2021

- 20-1 *Finding* – Presently the same individual performs all accounting functions; receives utility service-related payments and is responsible for service billing and adjustments, also makes bank deposits, writes checks and reconciles the monthly bank statements and prepares monthly financial reports. This is considered a lack of segregation of duties.

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

Disposition – This continued to be a finding in the 2021 fiscal year.

DELAWARE COUNTY RURAL WATER DISTRICT NO. 6
SCHEDULE OF AUDIT RESULTS, FINDINGS AND QUESTIONED COSTS
DECEMBER 31, 2021

Section 1 – Summary of Auditor’s Results:

1. An unmodified opinion report was issued on the financial statements.
2. The audit disclosed a significant deficiency in the internal controls, which was not considered a material weakness.
3. The audit disclosed no instances of noncompliance which are material to the financial statements.

Section 2 – Findings relating to the financial statements required to be reported in accordance with GAGAS:

21-1 – Lack of 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 District’s assets and ensure accurate financial reporting.

Condition - Presently the same individual performs all accounting functions; receives utility service-related payments and is responsible for service billing and adjustments, also makes bank deposits, writes checks and reconciles the monthly bank statements and prepares monthly financial reports.

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

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

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

Management Response – Management agrees with this finding, and will provide adequate staffing once annual collections increase enough to justify the extra expense.

DELAWARE COUNTY RURAL WATER DISTRICT NO. 6
STATEMENT OF NET POSITION
DECEMBER 31, 2021

	<u>2021</u>	<u>-Memorandum- -Only- 2020</u>
<u>ASSETS</u>		
Current assets:		
Cash	\$ 0	144,641
Investments	0	198,991
Accounts receivable	0	10,213
Interest receivable	0	695
Prepaid insurance	0	1,348
Total current assets	<u>0</u>	<u>355,888</u>
Noncurrent assets:		
Investment in debt service reserves	0	0
Capital assets:		
Capital assets-property, plant & equipment	1,993,720	1,993,720
Less: Accumulated depreciation	<u>(1,193,720)</u>	<u>(1,144,461)</u>
Total noncurrent assets	<u>800,000</u>	<u>849,259</u>
TOTAL ASSETS	<u>\$ 800,000</u>	<u>1,205,147</u>
<u>LIABILITIES</u>		
Current liabilities:		
Accounts payable and accrued interest payable	0	3,261
Current portion of long-term debt	<u>0</u>	<u>0</u>
Total current liabilities	<u>0</u>	<u>3,261</u>
Noncurrent liabilities:		
Long-term notes payable	<u>0</u>	<u>0</u>
Total Liabilities	<u>0</u>	<u>3,261</u>
<u>NET POSITION</u>		
Net investment in capital assets	800,000	849,259
Restricted for debt service	0	0
Unrestricted	<u>0</u>	<u>352,627</u>
Total Net Position	<u>800,000</u>	<u>1,201,886</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 800,000</u>	<u>1,205,147</u>

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

DELAWARE COUNTY RURAL WATER DISTRICT NO. 6
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2021

	<u>2021</u>	<u>-Memorandum- -Only- 2020</u>
Operating Revenues:		
Water sales	\$ 234,996	353,818
Meter income	9,050	9,050
Rental income	600	600
Reconnect and transfer fees	2,293	6,855
Reimbursements	0	1,039
Total Operating Revenue	<u>246,939</u>	<u>371,362</u>
Operating Expenses:		
Water purchases	153,760	237,828
Contract labor	10,950	10,175
Dues and fees	3,337	494
Insurance	2,382	2,154
Testing	3,062	3,054
Professional fees	8,851	4,101
Rent	5,850	7,800
Office and postage	665	1,630
Telephone	1,374	1,851
Utilities	650	1,286
Miscellaneous expense	0	842
Gas expense	382	0
Depreciation expense	49,259	49,321
Total Operating Expenses	<u>240,522</u>	<u>320,536</u>
Operating income (loss)	6,417	50,826
Other Revenues (Expenses):		
Interest income	5,584	5,131
Liquidated CD proceeds	0	24,148
Transfer of funds to GMSA	(413,887)	0
Interest expense	0	(7,512)
Total Other Revenues (Expenses)	<u>(408,303)</u>	<u>21,767</u>
Changes in Net Position	(401,886)	72,593
Net Position, Beginning of Year	<u>1,201,886</u>	<u>1,129,293</u>
Net Position, End of Year	<u><u>\$ 800,000</u></u>	<u><u>1,201,886</u></u>

DELAWARE COUNTY RURAL WATER DISTRICT NO. 6
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2021

	<u>2021</u>	<u>-Memorandum- -Only- 2020</u>
Cash Flows from Operating Activities:		
Receipts from customers	\$ 246,939	370,953
Payments to suppliers	<u>(182,268)</u>	<u>(269,581)</u>
Net Cash Provided (Used) by Operating Activities	<u>64,671</u>	<u>101,372</u>
Cash Flows from Investing Activities:		
Interest and dividends	<u>5,584</u>	<u>5,131</u>
Net Cash Provided (Used) by Investment Activities	<u>5,584</u>	<u>5,131</u>
Cash Flows from Capital and Related Financing Activities:		
Payments on long-term notes - principal	0	(230,374)
Interest paid	0	(7,512)
Liquidated CD	0	24,148
Transfer to GMSA	<u>413,887</u>	<u>0</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>413,887</u>	<u>(213,738)</u>
 Net Increase (Decrease) in Cash	 484,142	 (107,235)
Cash and cash equivalents, beginning of year	<u>343,632</u>	<u>450,867</u>
Cash and cash equivalents, end of year	<u>\$ 0</u>	<u>343,632</u>
 Reconciliation of operating income (loss) to net cash provided by operating activities:		
Operating income (loss)	\$ 6,417	50,826
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation	49,259	49,321
Change in Assets and Liabilities:		
Accounts receivable	10,213	(409)
Interest receivable	695	0
Prepaid insurance	1,348	0
Accounts payable and accrued interest payable	<u>(3,261)</u>	<u>1,634</u>
Net cash provided by operating activities	<u>\$ 64,671</u>	<u>101,372</u>

The accompanying notes are an integral part of these financial statements

DELAWARE COUNTY RURAL WATER DISTRICT NO. 6
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021

Note A – Summary of Significant Accounting Policies

Business Activity

Delaware County Rural Water District No. 6 (the District) was formed under the provisions of Title 82, O.S. 1981, Sections 1324.1-1324.26 inclusive. The District operates as a nontaxable government agency to service residents of the Delaware County Rural Water District No. 6. The District's primary income is from the sale of water to its members in an area north and east of Grove, Oklahoma. During the 2021 fiscal year, the District dissolved and all assets were transferred to the Grove Municipal Services Authority.

Basis of Accounting

The financial statements are prepared on an accrual basis of accounting, which is in compliance with accounting principles generally accepted in the United States of America (GAAP), and which recognizes revenues when earned and expenses as incurred. Interest earnings on certificates of deposit are recorded when such interest is actually received by the District. Generally accepted accounting principles include all relevant Government Accounting Standards Board (GASB) pronouncements.

Financial Statement Presentation

In the financial statements, Financial Accounting Standards Board (FASB), (APB) opinions issued on or before November 30, 1989, have been applied, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails.

Inventories

The District does not carry a significant inventory of materials and supplies. The cost of such items is recorded as an expense when purchased.

Income Taxes

The District is recognized as a tax-exempt organization under the Internal Revenue Code. Because the District is exempt from federal income tax, no provision for taxes has been made in the financial statements.

DELAWARE COUNTY RURAL WATER DISTRICT NO. 6
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021

Note B – Cash and Investments

Cash

The District's accounts are with Grand Savings Bank, Grove, Oklahoma, and Cornerstone Bank, Southwest City, Missouri, and are detailed as follows:

	December 31,	
	2021	2020
Revenue account, Grand Savings Bank	\$ 0	122,638

The District has the opportunity to obtain additional pledged collateral from the banks where they have funds. Such collateral provides additional security for the District's funds in excess of the \$250,000 Federal Deposit Insurance Corporation insurance limits at each institution. At December 31, 2021, no District funds at any bank exceeded the \$250,000 FDIC maximum coverage amount.

Investments

The District had no outstanding investments at December 31, 2021.

DELAWARE COUNTY RURAL WATER DISTRICT NO. 6
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021

Note B – Cash and Investments – cont'd

Restricted Asset – Investment Reserves

In compliance with Rural Economic and Community Development regulations, cash reserves have been established to collect up to one year's payment on the notes payable at which time deposits in the reserve can be suspended. When necessary, these funds may be utilized with proper approval of the Rural Economic and Community Development. The reserve account funds have been deposited in an interest-bearing certificate of deposit at Grand Savings Bank, Grove, Oklahoma, which is insured by the federal government and a super-now checking account at Cornerstone Bank, Southwest City, Missouri. As of December 31, 2021, both accounts were closed, and balances were transferred to the Grove Municipal Services Authority.

Cash and Cash Equivalents

For the purposes of the statement of cash flows, the District considers all cash on hand, demand deposits, interest bearing checking accounts, time deposit accounts and highly liquid investments, with an original maturity of three months or less when purchased, to be cash and cash equivalents.

Note C – Accounts Receivable

Due to the dissolution of the District, receivables from water consumers at December 31, 2021 were \$0.00. These amounts consist primarily of charges for water services. No allowance for doubtful accounts or a related charge for bad debts has been recorded in these financial statements.

Note D – Memorandum Totals

The "Memorandum Only" captions above the total columns mean that amounts are presented for overview information purposes only.

DELAWARE COUNTY RURAL WATER DISTRICT NO. 6
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021

Note E – Property, Plant, and Equipment

Any items purchased or constructed in excess of \$1,000 and a useful life of over two years is considered a capital (fixed) asset by the District, and will be depreciated over a specific time. Fixed assets are carried at cost with depreciation being provided using the straight-line method.

The following schedule summarizes the estimated useful lives of the various capital asset categories and acquisitions for the year ended December 31, 2021.

	Balance December 31, 2020	Acquired	(Disposed)	Balance December 31, 2021
Land	\$ 21,030	0	0	21,030
Water Lines - 40 yrs	1,965,162	0	0	1,965,162
Equipment - 7 yrs	7,528	0	0	7,528
Sub-Total	1,993,720	0	0	1,993,720
Less: Accum. Depr.	(1,144,461)	(49,259)	0	(1,193,720)
Total	<u>\$ 849,259</u>	<u>(49,259)</u>	<u>0</u>	<u>800,000</u>

Note F – Long-Term Debt

The District had no Long-Term debt as of December 31, 2021.

DELAWARE COUNTY RURAL WATER DISTRICT NO. 6
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021

Note G – Commitments

Historically, the District contracted with the Grove Municipal Service Authority (GMSA) to provide water to the District, perform all maintenance of the District's water distribution system and provide installation of new services. The District's members pay the GMSA for the monthly water service. Included in the monthly billing is the District's base fee of \$21.80 per member, which is collected and remitted to the District by GMSA. The agreement is for five years and contains options for seven consecutive terms of five year contracts. During the 2021 fiscal year, the District dissolved and transferred all assets to the Grove Municipal Services Authority.

Note H -Insurance and Surety Bond Coverage

At December 31, 2021, the District had appropriate coverage against all major perils.

DELAWARE COUNTY RURAL DISTRICT NO. 6
Schedule of Water Rates and Customers
-Unaudited Information-
December 31, 2021

Water Rates

0 – 1,000 gallons	=	\$44.30 minimum bill
Over 1,000 gallons	=	\$4.65 per 1,000 gallons

Customers

The District maintained a customer base of around 450 members before the dissolution of the District into the Grove Municipal Services Authority.

Membership/tap fee during the fiscal year was \$1,000 per meter sign up.