RURAL WATER DISTRICT NO. 6
GARFIELD COUNTY, OKLAHOMA

ANNUAL FINANCIAL STATEMENTS

YEARS ENDED JULY 31, 2021 AND 2020

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GARFIELD COUNTY, OKLAHOMA
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Independent Auditor's Report

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

Opinions

We have audited the accompanying financial statements of Rural Water District No. 6, Garfield County, Oklahoma which comprise the statements of net position as of July 31, 2021 and 2020 and the related statements of revenues and expenses and changes in net position and of cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above, present fairly, in all material respects, the financial position of Rural Water District No. 6, Garfield County, Oklahoma as of July 31, 2021 and 2020 and the changes in net position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis of 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 Rural Water District No. 6, Garfield County, Oklahoma and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the 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 Rural Water District No. 6, Garfield County, Oklahoma'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 opinion. 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 judgement 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 judgement 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 Rural Water District No. 6, Garfield County, Oklahoma'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 judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about Rural Water District No. 6, Garfield County, Oklahoma's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

Rural Water District No. 6, Garfield County, Oklahoma has not presented the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basis financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basis financial statements in an appropriate operational, economic or historical context. Our opinions on the basic financial statements are not affected by this missing information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated April 20, 2022 on our consideration of Rural Water District No. 6, Garfield County, Oklahoma's internal control over financial reporting and on our tests of its compliance with certain laws, regulations, contracts and grants and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the Rural Water District No. 6, Garfield County, Oklahoma'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 Rural Water District No. 6, Garfield County, Oklahoma's internal control over financial reporting and compliance.

Kimberlye R. Mayer, CPA, PC

Kimberlye R. Mayer, CPA, P.C.
Blackwell, Oklahoma
April 20, 2022

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
Rural Water District No. 6, Garfield County, 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 Rural Water District No. 6, Garfield County, Oklahoma which comprise the statement of net position as of July 31, 2021, and the related statements of revenues, expenses and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated April 20, 2022.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Rural Water District No. 6, Garfield County, Oklahoma'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Rural Water District No. 6, Garfield County, Oklahoma's internal control. Accordingly, we do not express an opinion on the effectiveness of the Rural Water District No. 6, Garfield County, Oklahoma'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 combination of control deficiencies, in internal control such that there is 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.

Our consideration of internal control 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. We identified a certain deficiency in internal control, described in the accompanying schedule of findings and responses as item 2021-1 that we consider to be a material weakness.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Rural Water District No. 6, Garfield County, Oklahoma'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 or other matters that are required to be reported under *Government Auditing Standards*.

Rural Water District No. 6, Garfield County, Oklahoma's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Rural Water District No. 6, Garfield County, Oklahoma's response to the findings identified in our audit and described in the accompanying schedule of findings and responses. Rural Water District No. 6, Garfield County, Oklahoma's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

Kimberlye R Mayer CPA, PC

Kimberlye R. Mayer, CPA, P.C.
Blackwell, Oklahoma
April 20, 2022

RURAL WATER DISTRICT NO. 6, GARFIELD COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JULY 31, 2021

2021-1:

Material Weakness Communicated In Prior Year:

Material Weakness in Internal Control Over Financial Reporting: Inadequate Segregation of Duties:

Criteria:
The segregation of duties and responsibilities between different individuals and the 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 is responsible for water service billings and receiving payments; making and recording deposits; and maintaining billing registers. Only limited oversight is provided over this individual in the conduct of their daily functions.

Cause:
The entity's limited size has made it difficult for management to fully segregate the duties.

Effect or Potential Effect:
Without sufficient segregation of duties, the risk significantly increases that errors and/or fraud related to the water billing and collection activities, including misappropriation of assets, could occur and not be detected within a timely basis.

Recommendation:
The board should evaluate the risks associated with the lack of segregation of duties and consider implementing controls that could mitigate these risks.

Board's Response:
The board has concluded that due to the limited number of personnel, an adequate segregation of duties is not achievable and that the cost of correcting the weakness would exceed the benefits that would be derived from it.

FINANCIAL STATEMENTS

AND

NOTES

RURAL WATER DISTRICT NO. 6
GARFIELD COUNTY, OKLAHOMA
STATEMENTS OF NET POSITION
JULY 31, 2021 AND 2020

ASSETS

	2021	2020
Current Assets:		
Operating accounts	$ 538,853	$ 426,791
Certificates of deposit	59,249	58,702
Total Cash and Cash Equivalents	598,102	485,493
Accounts receivable	40,031	39,220
Prepaid insurance	9,574	10,312
Inventory	27,652	26,109
Total Current Assets	675,359	561,134
Non-current Assets:		
Property and equipment (net of accumulated depreciation) (Note 3)	1,070,189	1,118,278
Construction in progress	91,863	75,540
Total Assets	$ 1,837,411	$ 1,754,952

LIABILITIES AND NET POSITION

	2021	2020
Current Liabilities:		
Accounts payable	$ 10,348	$ 16,476
Payroll taxes due	3,411	3,239
Notes payable, current portion (Note 6)		25,900
Total Current Liabilities	13,759	45,615
Notes payable, noncurrent portion (Note 6)		
Total Liabilities	13,759	45,615
Net Position:		
Net investment in capital assets	1,162,052	1,193,818
Unrestricted	661,600	515,519
Total Net Position	1,823,652	1,709,337
Total Liabilities and Net Position	$ 1,837,411	$ 1,754,952

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

RURAL WATER DISTRICT NO. 6
GARFIELD COUNTY, OKLAHOMA
STATEMENTS OF REVENUES AND EXPENSES AND CHANGES IN NET POSITION
YEARS ENDED JULY 31, 2021 AND 2020

	2021	2020
Operating Revenue:		
Water service	$ 467,202	$ 473,076
Late fees	10,702	10,767
Management fees	8,101	8,669
Other revenues	2,837	13,222
Total Operating Revenue	488,842	505,734
Operating Expense:		
Payroll	133,004	124,485
Payroll taxes	10,467	10,095
Employee benefits	30,624	26,265
Water costs	63,546	57,983
Contract services	1,672	459
Chemicals	7,459	8,944
Vehicle costs	9,386	5,019
Repairs, maintenance and supplies	49,660	40,755
Insurance	10,918	15,230
Dues, memberships and lab fees	2,406	5,383
Professional fees	2,145	10,158
Office supplies and postage	4,539	9,124
Board expenses	2,589	5,515
Utilities and telephone	25,094	23,416
Other expenses	5,167	5,003
Depreciation	71,802	71,252
Total Operating Expense	430,478	419,086
Income (Loss) From Operations	58,364	86,648
Non-operating Revenue (Expense):		
PPP grant funds	52,116	
Interest income	546	1,026
Membership fees	3,192	2,000
ODOT reimbursements	8,167	
Line extension fees	1,820	
ODOT relocation expenses	(9,890)	
Total Non-operating Revenue (Expense)	55,951	3,026
Change in Net Position	114,315	89,674
Net Position, beginning of year	1,709,337	1,619,663
Net Position, end of year	$ 1,823,652	$ 1,709,337

RURAL WATER DISTRICT NO. 6
GARFIELD COUNTY, OKLAHOMA
STATEMENTS OF CASH FLOWS
YEARS ENDED JULY 31, 2021 AND 2020

	2021	2020
Cash Flows From Operating Activities:		
Cash received from customers	$ 488,031	$ 505,717
Other operating cash receipts		
Cash payments to suppliers for goods and services	(258,333)	(225,620)
Cash payments to employees for services	(133,004)	(124,485)
Net cash provided (used) by operating activities	96,694	155,612
Cash flows from non-capital financing activities:		
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	(40,036)	(49,870)
PPP funds received	52,116	25,900
System development fees	5,012	2,000
ODOT costs in excess of reimbursements	(1,723)	
Net cash provided (used) by financing activities	15,369	(21,970)
Cash flows from investing activities:		
Interest on cash and investments	546	1,026
(Increase) decrease in restricted accounts		
Net cash provided (used) by investing activities	546	1,026
Net increase (decrease) in cash and cash equivalents	112,609	134,668
Beginning cash and cash equivalents	485,493	350,825
Ending cash and cash equivalents	$ 598,102	$ 485,493
Reconciliation of income (loss) from operations to net cash provided (used) by operating activities:		
Income (Loss) from operations	$ 58,364	$ 86,648
Adjustments to reconcile income (loss) from operations to net cash provided (used) by operating activities:		
Depreciation	71,802	71,252
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	(811)	(17)
(Increase) decrease in prepaids	738	129
(Increase) decrease in inventory	(1,543)	(1,281)
Increase (decrease) in payables	(31,856)	(1,119)
Net cash provided (used) by operating activities	$ 96,694	$ 155,612

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

RURAL WATER DISTRICT NO. 6,
GARFIELD COUNTY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JULY 31, 2021 AND 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Nature of Organization

The Rural Water District No. 6, Garfield County, Oklahoma was created on January 9, 2012 under the provisions of Title 82 of the Oklahoma Statues, Section 1324.1 – 1324.35 and the laws of the State of Oklahoma. On February 9, 2012, the Garfield County Rural Water District No. 6 and the Kay County Rural Water District No. 6 agreed to merge into a single district as the Garfield County Rural Water District No. 6. All assets and liabilities of the Kay County Rural Water District No. 6 were transferred to the new district.

The District is a governed entity administered by a Board of Directors that acts as the authoritative and legislative body of the entity. The Board is comprised of five elected board members.

Basis of Accounting

The accounting policies of Rural Water District No. 6, Garfield County, Oklahoma conform to the basic principles of governmental accounting and financial reporting set forth by the Governmental Accounting Standards Board.

The District is classified as an Enterprise Fund. The costs of providing the water services to the public are financed mainly through user charges. The financial statements of the District have been prepared using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

Inventory

Inventory consists of pipe, valves, meters, and various other supplies needed to maintain and repair the water system. Inventory is recorded at cost.

Net Position

Net position presents the difference between assets and liabilities in the statement of net position. Net investment in capital assets is reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are legal limitations imposed on their use by District legislation or external restrictions by creditors, grantors, laws, or regulations of other governments.

NOTE 2 – CASH AND CASH EQUIVALENTS:

The District considers all checking, savings and deposits with a maturity of three months or less (except restricted accounts) to be cash equivalents.

NOTE 3 - PROPERTY AND EQUIPMENT:

Depreciable assets are recorded at cost when purchased or constructed. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not. Depreciation is calculated on a straight-line basis over the estimated useful lives of the depreciable assets. Total depreciation for the years ended July 31, 2021 and 2020 was $71,802 and $71,252 respectively. The following is a summary by category of changes in property and equipment:

Category	7/31/20	Additions	Deletions	7/31/21
Land	$ 59,696	$	$	$ 59,696
Vehicles	54,404			54,404
Buildings and improvements	73,909	3,155		77,064
Waterline system	1,196,510	3,208		1,199,718
Self Read meters	158,703			158,703
Furniture and equipment	168,248	17,350		185,598
Salt Fork River Crossing	20,000			20,000
Accumulated depreciation	(613,192)	(71,802)		(684,994)
Net	$ 1,118,278	$ (48,089)	$	$ 1,070,189

NOTE 4 - ACCOUNTS RECEIVABLE:

The accounts receivable at July 31, 2021 consisted of amounts due from customers for water services. The District uses the charge off method for recording bad debts.

NOTE 5 - RETIREMENT PLAN:

The District maintains a retirement plan for its qualified employees. The District contributes 3% of the employees' gross wages to this plan. The amount contributed by the District during the years ended July 31, 2021 and 2020 was $2,922 and $2,419 respectively.

NOTE 6 – NOTES PAYABLE:

The District received a Payroll Protection Loan offered by the Small Business Loan Administration in response to the pandemic caused by COVID-19 in early 2020 in the amount of $25,900. The terms of the loan were that if the proceeds were used for qualifying payroll, rent and utilities for the specified time, the loan would be forgiven. The loan was forgiven on October 28, 2020. A second loan was received in the amount of $26,216. This loan was forgiven on June 14, 2021.

NOTE 7 – FAIR VALUE OF FINANCIAL INSTRUMENTS:

The definition of fair value for financial reporting, establishes a framework for measuring fair value, and requires additional disclosure about the use of fair value measurements in an effort to make the measurement of fair value more consistent and comparable.

Level 1: Quoted prices in active markets for identical securities.

Level 2: Other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment spread and credit risk).

Level 3: Significant unobservable inputs (including the District's own assumptions in determining the fair value of investments).

The District's financial instruments include cash and cash equivalents, certificates of deposit, inventory, accounts receivable, accounts and notes payable. The District's estimate of the fair value of all financial instruments does not differ materially from the aggregate carrying value 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.

NOTE 8 – CASH AND DEPOSITS:

Cash is maintained in financial institutions, which provide coverage to depositors through the Federal Deposit Insurance Corporation.

The State of Oklahoma allows government entities to invest in the following: direct obligations of the United States Government, its agencies or instrumentalities; collateralized or insured certificates of deposit; insured savings accounts or savings certificates; or county, municipal or school district direct debt.

NOTE 9 – RISK MANAGEMENT:

The District is exposed to various risks of losses related to torts; thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District manages this risk through the purchase of commercial insurance policies. Claims are recognized when it is probable that a loss has occurred, and the amounts of the loss can be reasonably estimated. In determining claims, events that might create claims, but for which none have been reported, are considered. There were no claims during the year ended July 31, 2021.

NOTE 10 – ESTIMATES:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Accordingly, actual results could differ from those estimates.

NOTE 11 – CONTINGENCIES:

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

NOTE 12 – EVALUATION OF SUBSEQUENT EVENTS:

The District has evaluated subsequent events through April 20, 2022, the date which the financial statements were available to be issued.