

**Quinlan Community Rural Water District No. 1
Mooreland, Oklahoma**

**Annual Financial Statements and
Accompanying Independent Auditor's Report**

Year Ended October 31, 2024



Quinlan Community Rural Water District No. 1, Mooreland, Oklahoma
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For the Year Ended October 31, 2024

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Quinlan Community Rural Water District No. 1
Mooreland, Oklahoma

Opinions

We have audited the accompanying modified cash basis financial statements of the business-type activities of Quinlan Community Rural Water District No. 1 Mooreland, Oklahoma, as of and for the year ended October 31, 2024, and the related notes to the financial statements, which collectively comprise the Quinlan Community Rural Water District No. 1 Mooreland, Oklahoma's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the business-type activities of the Quinlan Community Rural Water District No. 1 Mooreland, Oklahoma, as of October 31, 2024, and the respective changes in modified cash basis financial position, and where applicable, cash flows thereof for the year then ended in accordance with the modified cash basis of accounting described in Note 1.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Quinlan Community Rural Water District No. 1 Mooreland, Oklahoma, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter—Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 1, and for determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. 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 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.

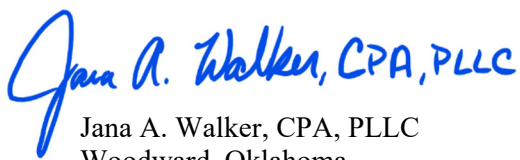
In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- 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 Quinlan Community Rural Water District No. 1 Mooreland, 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 judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Quinlan Community Rural Water District No. 1 Mooreland, 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 17, 2025, on our consideration of the Quinlan Community Rural Water District No. 1 Mooreland, Oklahoma'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 Quinlan Community Rural Water District No. 1 Mooreland, 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 Quinlan Community Rural Water District No. 1 Mooreland, Oklahoma's internal control over financial reporting and compliance.



Jana A. Walker, CPA, PLLC
Woodward, Oklahoma
February 17, 2025

Quinlan Community Rural Water District No. 1
Statement of Assets, Liabilities, and Net Position-Modified Cash Basis
October 31, 2024

ASSETS

Current Assets:

Operating Accounts	\$ 86,101	
Saving Accounts	-	
Cash & Cash Equivalents		86,101
Certificates of deposit		165,614
ORWAAG Certificates		3,000
Total current assets		254,715

Property and Equipment

Land	3,100	
Waterline and Building	1,000,552	
Office Equipment	1,109	
Machinery and Equipment	62,015	
Accumulated Depreciation	(563,296)	
Construction in Progress	10,000	
Total Property and Equipment		513,480

Total Assets	\$ 768,195
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LIABILITIES AND NET POSITION

Current Liabilities:

Notes payable, current portion	\$ -
Total Current Liabilities	-
Total Liabilities	-

Net Position

Net investment in capital assets	513,480
Unrestricted	254,715
Total Net Position	768,195
Total Liabilities and Net Position	\$ 768,195

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

Quinlan Community Rural Water District No. 1
Statement of Revenues, Expenses and Changes in Net Position-Modified Cash Basis
For the Year Ended October 31, 2024

Revenues:

Water sales	\$ 115,650
Rental Income	425
Membership Fees	1,250
Other Income	6,922
Total Operating Revenue	<u>124,247</u>

Expenses:

Utilities	6,321
Bookkeeper Fees	7,800
Operator Fees	38,400
Repair, Maintenance, Fuel and Supplies	12,804
Office Supplies and Postage	230
Membership Dues and Fees	1,066
DEQ, water samples and fees	2,400
Insurance	4,441
Professional Fees	7,030
Property Tax	-
Meeting, mileage and travel	777
Rental Expense	289
Engineering Fees	-
Depreciation	24,615
Miscellaneous Expenses	1,317
Total Operating Expense	<u>107,490</u>

Income (Loss) from Operations	16,757
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Non-Operating Revenues (Expenses)

Interest income	2,105
Interest Expense	-
Gain/(Loss) on Sale of Assets	-
Total non-operating revenue (expense)	<u>2,105</u>

Change in Net Position	18,862
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Net Position, beginning of year	<u>749,333</u>
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Net Position, end of year	<u><u>\$ 768,195</u></u>
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The accompanying report and notes are an integral part of these financial statements

Quinlan Community Rural Water District No. 1
Statement of Cash Flows-Modified Cash Basis
For Year Ended October 31, 2024

Cash flows provided (Used) by operating activities:

Cash received from customers	116,900
Cash received for other income	7,347
Cash payments to suppliers for goods and services	(82,875)
Net Cash Provided (Used) by Operating Activities	<u>41,372</u>

Cash flows from non-capital financing activities:

-

Cash flows from capital and related financing activities:

Principle payments	-
Net Cash Provided (Used) by Investing Activities	<u>-</u>

Cash flows from investing activities:

Purchase of Fixed Assets	(25,619)
(Increase)/Decrease in CD	(8,943)
Interest Income	2,105
Interest Expense	-
Net cash provided (used) by investing activities	<u>(32,457)</u>

Net increase (decrease) in cash and cash equivalents	8,915
Beginning Cash and Cash Equivalent Balance	77,186
Ending Cash and Cash Equivalent Balance	<u><u>\$ 86,101</u></u>

**Reconciliation of operating income (loss) to
net cash provided (used) by operating activities:**

Operating income (loss)	16,757
Depreciation	<u>24,615</u>
Net cash provided (used) by operating activities	<u><u>\$ 41,372</u></u>

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Nature of Organization

Quinlan Community Rural Water District No. 1 (the District), Mooreland, Oklahoma was incorporated in January 2006. The District was created under the Rural Water, Sewer, Gas, and Solid Waste Management District Act, as amended, Title 82, Section 1324.1-1324.35 of the Oklahoma State Statutes. The purpose of the District is to acquire water and water rights; to build and acquire pipelines and other facilities; and to operate the same for the purpose of furnishing water to serve the needs of owner and occupants of land located within the District, and others as authorized by the by-laws.

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

Basis of Accounting

The accounting policies of the District is to 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 are reported on a modified cash basis of accounting. This basis is a basis of accounting other than accounting principles generally accepted in the United States of America. The modified cash basis of accounting is based on the recording of cash and cash equivalents and changes therein, and only recognizes revenues, expenses, assets and liabilities resulting from cash transactions adjusted for certain modifications that have substantial support in generally accepted accounting principles. The District has chosen to include adjustments for the following balances arising from cash transactions:

- Capital assets and the depreciation of those assets, where applicable
- Donated capital assets

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected, and accrued revenue and receivables) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

As a result of the District's use of the modified cash basis of accounting, accrued liabilities related to compensated absences (vacation and sick leave) and compensatory time earned but unpaid at year-end, and any employer-related costs earned and unpaid, are not reflected in the financial statements as liabilities, but are normally reported as a commitment disclosure.

Cash and Deposits

Cash and deposits are 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 State 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.

Inventory

The Authority does not place a value on any of its inventory for financial statement purposes; consequently, materials, supplies, and replacement parts are not included as assets, and the cost of these items has been charged against income as repairs and maintenance expense at the time of purchase. Expenditures for major renewals and betterments which extend the useful lives of property and equipment are capitalized.

Income Tax

As provided in Title 82, Oklahoma Statutes, the Authority tax-exempt; consequently, no provision has been made for income taxes.

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.

Capital Assets

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the Statement of Revenues and Expenses and Changes in Net Position, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Machinery and Equipment	5-7 years
Vehicles	5 years
Water System	15-40 years
Buildings	20 years

Quinlan Community Rural Water District No. 1
Notes to Financial Statements
Year Ended October 31, 2024

NOTE 2 – CASH AND CASH EQUIVALENTS:

For the purpose of the Statement of Cash Flows, the District considers all highly liquid investments (excluding the reserve accounts) with a maturity of three months or less to be cash equivalents.

NOTE 3 – PROPERTY AND EQUIPMENT:

Depreciable assets are recorded at cost when purchased, constructed or donated. 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 year ended October 31, 2024 was \$ 24,615. The following is a summary by category of changes in property and equipment:

Category	10/31/2023	Additions	Deletions	10/31/2024
Land	\$ 3,100	\$ -	\$ -	\$ 3,100
Construction in Progress	-	10,000	-	10,000
Total Non Depreciated Assets	\$ 3,100	\$ 10,000	\$ -	\$ 13,100
Waterline and Building	992,678	7,874	-	1,000,552
Office Equipment	1,109	-	-	1,109
Machinery and Equipment	54,270	7,745	-	62,015
Total Other Fixed Assets	\$ 1,048,057	\$ 15,619	\$ -	\$ 1,063,676
	-	-	-	-
Accumulated Depreciation	(538,681)	(24,615)	-	(563,296)
	<u>\$ 512,228</u>	<u>\$ 1,004</u>	<u>\$ -</u>	<u>\$ 513,480</u>

NOTE 4 - ESTIMATES:

The preparation of financial statements in conformity with the modified cash basis of accounting requires the use of management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

NOTE 5 – 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 certificates of deposit. 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 6– 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 amount of the loss can be reasonably estimated. In determining claims, events that might create claims, but for which none have been reported, are considered.

NOTE 7 – CONTINGENCIES:

As of October 31, 2024 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 8 – EVALUATION OF SUBSEQUENT EVENTS:

The District has evaluated subsequent events through February 17, 2025, the date which the financial statements were available to be issued.

OTHER SUPPLEMENTARY INFORMATION

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors
Quinlan Community Rural Water District No. 1, Mooreland, Oklahoma

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of Quinlan Community Rural Water District No. 1, Mooreland, Oklahoma, as of and for the year ended October 31, 2024, and the related notes to the financial statements, which collectively comprise Quinlan Community Rural Water District No. 1, Mooreland, Oklahoma's basic financial statements and have issued our report thereon dated February 17, 2025.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Quinlan Community Rural Water District No. 1, Mooreland, 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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Quinlan Community Rural Water District No. 1, Mooreland, Oklahoma's internal control. Accordingly, we do not express an opinion on the effectiveness of Quinlan Community Rural Water District No. 1, Mooreland, 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 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2024-001 that we consider to be significant deficiencies.

Report on Compliance and Other Matters

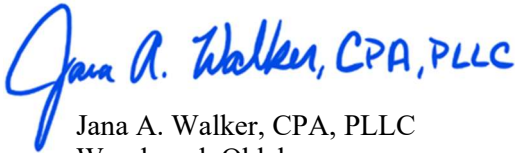
As part of obtaining reasonable assurance about whether Quinlan Community Rural Water District No. 1, Mooreland, Oklahoma's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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*.

Quinlan Community Rural Water District No. 1, Mooreland, Oklahoma's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Quinlan Community Rural Water District No. 1, Mooreland, Oklahoma's response to the findings identified in our audit and described in the accompanying schedule of findings and responses. The Quinlan Community Rural Water District No. 1, Mooreland, Oklahoma's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Jana A. Walker, CPA, PLLC
Woodward, Oklahoma
February 17, 2025

Quinlan Community Rural Water District No. 1
Mooreland, Oklahoma
Schedule of Findings & Responses
October 31, 2024

2024-001 Internal Controls over Financial Reporting

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

Condition: Presently a limited number of individuals have responsibility for all functions of financial statement reporting. These individuals have oversight responsibilities for billing and adjustments, posting of payments to subsidiary ledgers and reconciling the monthly bank statements. In addition, only limited oversight is provided over these individuals in the conduct of their daily functions.

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

Recommendation: Management and the board should consider a formal evaluation of their risks associated with this lack of duties segregation over assets. In response to the identified risks, consideration should be given to identifying and implementing compensation duties to act as controls that could help mitigate the risks associated with lack of segregation of duties, such as management performing review procedures for the reconciliation of accounts.

Responsible Official'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.