

*Independent Auditor's Report*

***Rural Water District No. 6, Garvin County***

*Year Ended December 31, 2023*

**RURAL WATER DISTRICT NO. 6, GARVIN COUNTY  
WYNNEWOOD, OKLAHOMA  
December 31, 2023**

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## INDEPENDENT AUDITOR'S REPORT

The Honorable Board of Directors  
Rural Water District No. 6, Garvin County  
Wynnewood, Oklahoma

### Report on the Audit of the Financial Statements

#### *Opinion*

We have audited the accompanying modified cash basis financial statements of the business-type activities of Rural Water District No. 6, Garvin County, Wynnewood, Oklahoma, as of and for the year ended December 31, 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.

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 Rural Water District No. 6, Garvin County, Wynnewood, Oklahoma, as of December 31, 2023, and the respective changes in modified cash basis financial position, and cash flows thereof for the year then ended in accordance with the modified cash basis of accounting described in Note 1.

#### *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 Rural Water District No. 6, Garvin County, Wynnewood, 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 opinion.

#### *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 opinion is 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.

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 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:

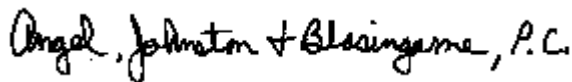
- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatements of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include 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 judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated July 11, 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.



Chickasha, Oklahoma  
July 11, 2024

**RURAL WATER DISTRICT NO. 6, GARVIN COUNTY**

**Statement of Net Position**

**Modified Cash Basis**

**December 31, 2023**

**ASSETS**

**Current Assets**

Cash and cash equivalents	\$	811,685
Restricted cash and cash equivalents		501
Investments		96,874
<i>Total Current Assets</i>		<u>909,060</u>

**Non Current Assets**

Land and other non-depreciable assets		1,392,950
Other capital assets, net of depreciation		3,284,450
<i>Total Non Current Assets</i>		<u>4,677,400</u>
<i>Total Assets</i>		<u><u>5,586,460</u></u>

**LIABILITIES**

**Current Liabilities**

Current portion of notes payable		51,341
Contingent payroll liability		6,381
Payroll liability		500
<i>Total Current Liabilities</i>		<u>58,222</u>

**Non Current Liabilities**

Notes payable		1,314,216
<i>Total Non Current Liabilities</i>		<u>1,314,216</u>
<i>Total Liabilities</i>		<u><u>1,372,438</u></u>

**NET POSITION**

Net investment in capital assets		3,311,843
Unrestricted		902,179
<i>Total Net Position</i>	\$	<u><u>4,214,022</u></u>

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

**RURAL WATER DISTRICT NO. 6, GARVIN COUNTY**  
**Statement of Revenues, Expenses and Changes in Net Position**  
**Modified Cash Basis**  
**For the Year Ended December 31, 2023**

**Operating Revenues**

Water revenue	\$ 1,311,753
Benefit units	52,800
Returned check charges	725
Reconnect fees	4,100
Transfer fees	7,578
Installation charges	29,609
Late Charges	16,643
Engineering Fees	5,400
<i>Total Operating Revenues</i>	<u>1,428,608</u>

**Operating Expenses**

Cost of water	166,730
Chemicals	3,153
Consulting	18,490
Capital Improvements	65,404
Accounting fees	6,300
Dues, fees and licenses	23,076
Lab testing	5,849
Training expense	1,675
Insurance expense	70,379
EDP and field supplies	8,781
Office expense	18,945
Maintenance and repair	49,726
Water systems	201,612
Salaries	340,429
Payroll taxes	27,986
Employee travel and entertainment	5,706
Emergency medical	350
Utilities	12,854
Depreciation expense	139,386
<i>Total Operating Expenses</i>	<u>1,166,831</u>

<i>Operating Income (Loss)</i>	<u>261,777</u>
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**Non-Operating Revenues (Expenses)**

Interest income	8,633
Lease income	8,000
Other income	16,724
Interest expense	(68,237)
Gain (loss) on sale of assets	300
<i>Total Non-Operating Revenues (Expenses)</i>	<u>(34,580)</u>

<i>Change in Net Position</i>	<u>227,197</u>
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<i>Net Position - Beginning of Year</i>	<u>3,986,825</u>
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<i>Net Position - End of Year</i>	<u><u>\$ 4,214,022</u></u>
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The accompanying notes are an integral part of the financial statements.

**RURAL WATER DISTRICT NO. 6, GARVIN COUNTY**

**Statement of Cash Flows**

**Modified Cash Basis**

**For the Year Ended December 31, 2023**

**Cash flows from operating activities**

Receipts from customers	\$ 1,428,608
Payments to employees	(340,429)
Payments to suppliers	(687,016)
Other receipts (payments)	6,381
<i>Net cash provided by (used for) operating activities</i>	<u>407,544</u>

**Cash flows from noncapital financing activities**

Other income	16,724
<i>Net cash provided by (used for) noncapital financing activities</i>	<u>16,724</u>

**Cash flows from capital and related financing activities**

Interest expense	(68,237)
Principal paid on long-term debt	(92,687)
Acquisition/construction of capital assets	(494,121)
<i>Net cash provided by (used for) capital and related financing activities</i>	<u>(655,045)</u>

**Cash flows from investing activities**

(Increase) decrease in investments	(48)
Investment income	8,633
Gain on sale of asset	300
Lease income	8,000
<i>Net cash provided by (used for) investing activities</i>	<u>16,885</u>

<i>Net increase (decrease) in cash and cash equivalents</i>	(213,892)
<i>Cash and cash equivalents at beginning of year</i>	1,026,078
<i>Cash and cash equivalents at end of year</i>	<u>\$ 812,186</u>

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

Operating income (loss)	261,777
Adjustment to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	139,386
Changes in assets and liabilities:	
Change in current liability	6,381
<i>Net cash provided by (used for) operating activities</i>	<u>\$ 407,544</u>

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



# **RURAL WATER DISTRICT NO. 6, GARVIN COUNTY**

## **Notes to Basic Financial Statements For the Year Ended December 31, 2023**

### **Note 1 – Summary of Significant Accounting Policies**

#### **1.A. Reporting Entity**

Rural Water District No. 6, Garvin County, Oklahoma (the District) was established pursuant to the provisions of Title 82 of the Oklahoma Statutes, Section 1324.1 – 1324.26 as amended, for the purpose of providing a water works system including distribution lines, pumping stations and storage facilities to service the members of the District. The District's boundaries include eastern, southeastern and southern Garvin County, north and northeastern Murray County and southeastern McClain County.

The District is governed by a Board of Directors that consists of five members elected by the general membership.

#### **1.B. Basis of Presentation**

The District's fund is an enterprise fund. Enterprise funds are proprietary funds used to account for business-like activities provided to the general public. All activities of the District are business-type activities. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector.

#### **1.C. Measurement Focus and Basis of Accounting**

Measurement focus refers to how transactions are recorded within the various financial statements. Basis of accounting refers to when transactions are recognized and recorded in the financial statements regardless of the measurement focus applied.

The District's financial statements use the economic resources measurement focus and are presented on the modified cash basis of accounting. Revenues are recognized when they are received and expenses are recorded when paid with the following modifications:

- Capital assets and the depreciation of those assets, where applicable.
- Long-term debt is recorded when incurred.
- Payroll liabilities.

This basis is a basis of accounting other than accounting principles generally accepted in the United States of America. If the District utilized the basis of accounting recognized as generally accepted, the financial statements would use the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred.

**RURAL WATER DISTRICT NO. 6, GARVIN COUNTY**  
**Notes to Basic Financial Statements**  
**For the Year Ended December 31, 2023**

**Note 1 – Summary of Significant Accounting Policies, (continued)**

**1.D. Assets, Liabilities and Net Position**

Cash & Cash Equivalents - The District considers all cash on hand, demand deposit accounts, interest bearing checking accounts and time deposit accounts including certificates of deposit and U.S. Treasury bills with maturities of three months or less to be cash and cash equivalents.

Investments - Investments consist of certificate of deposits maturing beyond three months. Investments are stated at cost.

Restricted Assets – Restricted assets include assets that are legally restricted as to their use. Restricted assets include deposits held for future expansion. Some of these funds are contingent upon participants paying a portion of the costs associated with the construction of a new water service to the Lake Longmire Area.

Land – The District currently owns land with a historical cost of \$598,112.

Capital Assets – Capital assets acquired are capitalized and stated at cost. Depreciation of exhaustible capital assets is recorded as an expense over the estimated useful lives using the straight-line method of depreciation. The District does not currently have a capitalization threshold. The range of estimated useful lives by type of asset is as follows:

Waterline System	30 to 40 Years
Building and Water System	10 to 40 Years
Office Equipment	5 to 10 Years
Other Equipment and Vehicles	5 to 15 Years

Current Liabilities - Current liabilities of the District is comprised of a Line of Credit with The State Bank of Wynnewood, (See Note 5), the current portion of long-term debt, (See Note 6), a payroll liability and a contingent liability (See Note 9).

Non-Current Liabilities – Long-term debt to be repaid from the District's resources are reported as non-current liabilities in the Statement of Net Position. The long-term debt is presently comprised of one (1) note. See Note 6.

**RURAL WATER DISTRICT NO. 6, GARVIN COUNTY**  
**Notes to Basic Financial Statements**  
**For the Year Ended December 31, 2023**

**Note 1 – Summary of Significant Accounting Policies, (continued)**

**1.D. Assets, Liabilities and Net Position, (continued)**

Net Position – Net position is divided into three components:

- a. *Net Investment in Capital Assets* – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributed to the acquisition, construction, or improvements of those assets.
- b. *Restricted net position* – Consists of net assets with constraints placed on the use either by 1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or 2) law through constitutional provisions or enabling legislation.
- c. *Unrestricted net position* – All other net assets that do not meet the definition of “restricted” or “net investment in capital assets.”

It is the District’s policy to first use restricted net position prior to the use of unrestricted net position when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

**1.E. Revenues and Expenses**

Operating and Non-Operating Revenues – Operating revenues are considered those whose cash flows are related to operating activities, while revenue as related to financing, capital and investing activities are reported as non-operating.

Expenses – The District reports expenses relating to the use of economic resources.

**1.F. Estimates**

Certain estimates are made in the preparation of these modified cash basis financial statements, such as estimated lives for capital assets depreciation. Estimates are based on management’s best judgment and may vary from actual results.

**RURAL WATER DISTRICT NO. 6, GARVIN COUNTY**  
**Notes to Basic Financial Statements**  
**For the Year Ended December 31, 2023**

**Note 2 - Deposits, Investments, and Collateral**

Deposits and Investments - The District does not have a written investment policy at this time. Investments are limited by *Oklahoma Statutes* and the trust indenture.

Custodial Credit Risk - Deposits – Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a written policy for custodial credit risk. The Federal Deposit Insurance Corporation insures deposits up to \$250,000 at each institution for all demand deposit accounts and up to \$250,000 at each institution for all time and savings accounts. At December 31, 2023, the District was not exposed to custodial credit risk.

**Note 3 - Restricted Assets**

Restricted assets as of December 31, 2023 were as follows:

<u>Type of Restricted Assets</u>	<u>Restricted Cash and Cash Equivalents</u>
Restricted for Future Water Service	\$ 501
Total Restricted Assets	<u>\$ 501</u>

**Note 4 - Capital Assets Activity**

Capital asset activity for the year ended December 31, 2023 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Non-depreciable assets:				
Construction in Progress	\$1,458,786	\$ 489,960	\$ 1,153,908	\$ 794,838
Land	<u>598,112</u>	<u>-</u>	<u>-</u>	<u>598,112</u>
Total non-depreciable assets	<u>2,056,898</u>	<u>489,960</u>	<u>1,153,908</u>	<u>1,392,950</u>
Depreciable assets:				
Buildings	411,501	-	-	411,501
Machinery and Equipment	460,031	4,161	35,792	428,400
Water System	<u>4,792,666</u>	<u>1,153,908</u>	<u>-</u>	<u>5,946,574</u>
Total depreciable assets	<u>5,664,198</u>	<u>1,158,069</u>	<u>35,792</u>	<u>6,786,475</u>
Less accumulated depreciation:				
Accumulated Depreciation	<u>3,398,431</u>	<u>139,386</u>	<u>35,792</u>	<u>3,502,025</u>
Net depreciable assets	<u>2,265,767</u>	<u>1,018,683</u>	<u>-</u>	<u>3,284,450</u>
Net Capital Assets	<u>\$ 4,322,665</u>	<u>\$ 1,508,643</u>	<u>\$1,153,908</u>	<u>\$ 4,677,400</u>

**RURAL WATER DISTRICT NO. 6, GARVIN COUNTY**  
**Notes to Basic Financial Statements**  
**For the Year Ended December 31, 2023**

**Note 5 – Short-term Debt/ Line of Credit**

Changes in short-term obligations for the year ended December 31, 2023 are as follows:

	<b><u>Beginning Balance</u></b>	<b><u>Increases</u></b>	<b><u>Decreases</u></b>	<b><u>Ending Balance</u></b>	<b><u>Balance Due in 1 year</u></b>
<b>Business-type Activities:</b>					
Notes from direct borrowings	\$ 31,245	\$ -	\$ 31,215	\$ 30	\$ 30

The District has a line of credit through a local bank in the amount of \$250,485. This line of credit carries an interest rate of 5.35% and expires June 11, 2023. During the year principal payments of \$31,215 were made. The balance of this line of credit at December 31, 2023 is \$30.

**Note 6 – Long-term Debt**

Changes in long-term obligations for the year ended December 31, 2023, are as follows:

	<b><u>Beginning Balance</u></b>	<b><u>Increases</u></b>	<b><u>Decreases</u></b>	<b><u>Ending Balance</u></b>	<b><u>Balance Due in 1 year</u></b>
<b>Business-type Activities:</b>					
Notes from direct borrowings	\$ 1,427,000	\$ -	\$ 61,472	\$ 1,365,528	\$ 51,311

On December 13, 2022, the District borrowed \$1,427,000 to refinance an existing loan in the amount of \$631,904 which was for a water storage facility, to fund the completion of water wells #4 and #6, and an 11 mile water-line extension. The note carries a fixed interest rate of 4.94% for one year and then is adjusted annually to the 10-year Treasury Bill Rate, not to exceed an adjustment of more than 1% up or down each year from the previous rate and having a floor of 2.94% and a ceiling of 6.94%. The note matures on December 13, 2042.

**RURAL WATER DISTRICT NO. 6, GARVIN COUNTY**  
**Notes to Basic Financial Statements**  
**For the Year Ended December 31, 2023**

**Note 6 – Long-term Debt, (continued)**

<u>Year Ending June 30,</u>	<u>Business-type Activities</u>	
	<u>Notes from Direct Borrowings</u>	
	<u>Principal</u>	<u>Interest</u>
2024	\$ 51,311	\$ 54,632
2025	50,681	55,262
2026	52,893	53,050
2027	55,202	50,741
2028	57,612	48,331
2029-2033	328,047	201,668
2034-2038	406,171	123,544
2039-2042	<u>363,611</u>	<u>30,353</u>
	<u>\$ 1,365,528</u>	<u>\$ 617,581</u>

The Authority's outstanding long-term notes from direct borrowings related to business-type activities of \$1,365,528 is secured by a Mortgage with Power of Sale and Security Agreement executed by the Borrower in favor of the Bank, granting the Bank (i) a first mortgage lien on certain real property more particularly described in the Mortgage; (ii) a security interest in and to all presently-existing and subsequently-acquired revenues, gross income, rental, use or sale of the real property described in the Mortgage; (iii) and all presently-existing and subsequently-acquired revenues, gross income, contract rights, accounts receivable, and general intangibles in connection with the operation, rental, and use of the Mortgagor's rural water system (the "System"); (iv) all presently existing and subsequently acquired proceeds, licenses, franchises, ordinances, privileges, permits, easements, rights-of-way, machinery, equipment, inventory, personal property, and fixtures, together with all substitutions, replacements, and accessions thereto in connection with the said real property and the System; and (v) all unexpended proceeds of this Note.

The outstanding long-term notes from direct borrowings related to business-type activities of \$1,365,528 contain a provision that in the event of a default, if any payment required by this Note to be made is not made when due, or if any event of default occurs under any Loan Document, the holder hereof may, at its option, without notice or demand, declare this Note in default and all indebtedness due and owing here under immediately due and payable, together with interest from the date of default on such principal balance and on any past due interest hereunder at the rate of five percent (5%) *per annum* in excess of the above stated rate. Provided, in no event shall the interest rate exceed any applicable statutory limit.

## **RURAL WATER DISTRICT NO. 6, GARVIN COUNTY**

### **Notes to Basic Financial Statements For the Year Ended December 31, 2023**

#### **Note 7 – Water Purchase Contract**

On November 1, 2019, the District entered into a contract with FNB Bank, the Gallup Trust No. 2 and 7 X Properties, LLC., which sets the cost of the water purchased by the District for a period of 25 years. The contract allows the District to purchase a minimum of 5,000,000 gallons per month at a cost of \$0.75 per thousand gallons until December 31, 2024 after which an annual increase will occur until December 31, 2044 at a cost of \$1.3546 per thousand gallons. If the District takes delivery of less than 5,000,000 gallons per month, the District will be charged for the minimum of 5,000,000 gallons.

#### **Note 8 - Risk Management**

The District is exposed to various risks of loss related torts; theft of, damage to, and destruction of assets; business interruptions; errors and omissions; injuries to employees; employee health; and natural disasters. The District manages these various risks of loss by securing commercial insurance. Management believes such insurance coverage is sufficient to preclude any significant uninsured losses to the District. There have been no significant reductions in insurance coverage from the prior year and settlements have not exceeded coverage in the past three years.

#### **Note 9 - Commitments and Contingencies**

*Contingencies* – As of December 31, 2023, 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.

*Contingent Liabilities* - The District has a contingent liability in the amount of \$500 for a proposed project to expand water systems.

#### **Note 10 - Subsequent Events**

Subsequent events were evaluated through the date of the audit report, which is the date the financial statements were available to be issued and it has been determined that no additional information needs to be added to the financial statements.

# *Report on Internal Control and Compliance*



**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***

The Honorable Board of Directors  
Rural Water District No. 6, Garvin County  
Wynnewood, Oklahoma

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the modified cash basis financial statements of the business-type activities of the Rural Water District No. 6, Garvin County, Wynnewood, Oklahoma, as of and for the year ended December 31, 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, July 11, 2024. Our report on the financial statements disclosed, that, as described in Note 1 to the financial statements, the District prepares its financial statements on a modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Rural Water District No. 6, Garvin County, Wynnewood, 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 District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph 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 item 2023-001 that we consider to be significant deficiencies.

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

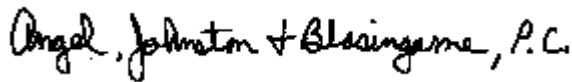
As part of obtaining reasonable assurance about whether Rural Water District No. 6, Garvin County, Wynnewood, Oklahoma's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as item 2023-001.

### **Rural Water District No. 6, Garvin County, Wynnewood, Oklahoma's, Response to Findings**

*Government Auditing Standards* requires the auditor to perform limited procedures on the Rural Water District No. 6, Garvin County, Wynnewood, Oklahoma's response to the findings identified in our audit and described in the accompanying corrective action plan. The District's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

### **Purpose of this Report**

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



Chickasha, Oklahoma  
July 11, 2024

**Rural Water District No. 6, Garvin County**  
**Schedule of Findings and Responses**  
**For the Year Ended December 31, 2023**

**2023-001**    *Criteria* – The Board is responsible for implementing policies and procedures for payroll and approving pay increases.

The District Retirement policy states “Effective 10-1-91 District No. 6 shall pay each eligible full-time employee 7% (seven percent) of gross salary to be placed into an IRA type account, in lieu of a structured retirement fund, the first payment to commence after completion of 90-day probationary period for new employees.”

*Condition* – The District approved a beginning salary for new employees in the June 2022 minutes. They do not have a formal pay scale or policy regarding increases. Employees are given pay increases when they complete training or if they are excelling in the job and the District wants to reward them so they will stay. The increases are not always approved in the minutes.

The District is not paying the IRA contribution of 7% of gross salary. A set amount is paid based on a 40-hour week and overtime is excluded. Some employees are participating before the 90 days.

*Cause* – Management oversight. District IRA policy is not being followed.

*Effect or Potential Effect* – This could lead to money being paid to employees that is not approved by the Board.

*Recommendation* – The Board should approve a pay schedule or approve all increases in the minutes. They should review, update and follow the District IRA policy.

*Management Response* – See Corrective Action Plan.

## ***AUTHORITY'S CORRECTIVE ACTION PLAN***



**RURAL WATER DISTRICT NO. 6, GARVIN COUNTY**

P.O. BOX 636 WYNNEWOOD, OK. 73098

PHONE (405) 665-4436 FAX (405) 665-4130

**BOARD OF DIRECTORS**

**TOMMY LEONARD-CHAIRMAN** **PATRICK CAMPBELL-VICE-CHAIRMAN**  
**SHERRI HARRELL-SECRETARY-TREAS** **CHRIS KINARD-MEMBER** **LANEA DILL-MEMBER**  
**David Mercer**

**AUTHORITY'S CORRECTIVE ACTION PLAN**

**AUDIT FINDINGS**

2023-001 Criteria – The Board is responsible for implementing policies and procedures for payroll and approving pay increases.

The District Retirement policy states “Effective 10-1-91 District No. 6 shall pay each eligible full-time employee 7% (seven percent) of gross salary to be placed into an IRA type account, in lieu of a structured retirement fund, the first payment to commence after completion of 90-day probationary period for new employees.”

Condition – The District approved a beginning salary for new employees in the June 2022 minutes. They do not have a formal pay scale or policy regarding increases. Employees are given pay increases when they complete training or if they are excelling in the job and the District wants to reward them so they will stay. The increases are not always approved in the minutes.

The District is not paying the IRA contribution of 7% of gross salary. A set amount is paid based on a 40-hour week and overtime is excluded. Some employees are participating before the 90 days.

Cause – Management oversight. District IRA policy is not being followed.

Effect or Potential Effect – This could lead to money being paid to employees that is not approved by the Board.

Recommendation – The Board should approve a pay schedule or approve all increases in the minutes. They should review, update and follow the District IRA policy.

Management Response – See Corrective Action Plan.

**CORRECTIVE ACTION PLAN**

**AUDIT YEAR - 2023**

**AUDIT FINDING REFERENCE NUMBER: 2023-001**

## MANAGEMENT RESPONSE:

During our regular scheduled board meeting on June 13, 2024, the Board of Directors addressed these findings and came to the following corrective action to start as of the June 30, 2024 pay period:

Management will be paid salary to be determined by the Board of Directors. All other employees will be paid hourly, calculated within 15-minute increments and will be paid twice per month, the 15<sup>th</sup> & 30<sup>th</sup> of each month unless the date falls on a weekend or holiday, then the working day prior to the 15<sup>th</sup> or 30<sup>th</sup> of each month.

Sick time and Vacation time will not be calculated into figuring overtime hours. The hours will be worked hours to constitute overtime.

The IRA's will be figured off the Gross salary which includes overtime.

The Policy & Procedure Manual will be updated with these changes as well as a few other minor changes as of June 13, 2024. A highlighted copy will be furnished to Angel, Johnston & Blasingame, P.C. for our file.

### Minutes about salaries from past board meetings:

**At the June 9, 2022 board meeting,** No motion was made but noted Tom can hire outside help at \$15 per hour starting out and \$14 per hour for office help. Any other starting wage will have to be discussed at a regular or special board meeting.

**At the June 8, 2023 board meeting,** Kimberly and Tom stated Penny has been here six months and has learned a lot and think she needs a pay increase. Penny took care of the office while Kimberly was out for a week in April recovering from kidney stone surgery. Tommy asked what we thought she needs, and we both said at least up to \$16 per hour. After discussion, Tommy Leonard made a motion to approve a \$2 per hour raise for Penny Mathis to start this month. Patrick Campbell Seconded. Vote was unanimous with a show of hands and motion passed.

**At the October 12, 2023 board meeting,** Sherri Harrell wanted to review salary increases, so Kimberly added a spreadsheet of salaries in the board packets. Tommy Leonard made a request to add this to New Business this month. Tommy, Patrick and Chris agree to increase salaries to keep employees. When an employee reaches certain milestones, they need to be rewarded with a pay increase. Tom will keep the Directors informed when the salaries need reviewed. After discussion, Tommy Leonard made a motion to increase salaries as follows, to start with the October 30<sup>th</sup> paycheck. Tyler Pritchard increases to \$25 per hour, Tyler Weeks to \$20 per hour, Randy Hodge to \$18.50 per hour, Penny Mathis to \$18.50 per hour, Kimberly Hicks increase \$2.00 per hour (\$28.87) and Tom Whitaker increase \$450.00 per month increase (\$7,941.60). Patrick Campbell Seconded. Vote was unanimous with a show of hands and motion passed.

### Special Board Meeting 11/17/2023

#### ACCEPTANCE OF BOARD MEMBER RESIGNATION:

Patrick Campbell handed his resignation to Tommy Leonard. Tommy Leonard read Patrick Campbell's resignation aloud. Tommy Leonard made a motion to accept Patrick Campbell's resignation effective immediately. Chris Kinard Seconded. Vote was unanimous with a show of hands and motion passed.

#### DISCUSSION AND ACTION ON HIRING A DISTRICT MANAGER:

Tommy Leonard made a motion to hire Patrick Campbell at an hourly rate of \$37.50 per hour with the ability receive over-time pay when worked. He will start with 3 weeks' vacation, medical/dental insurance and IRA in lieu of a 401K to be effective November 20, 2023. Chris Kinard Seconded. Vote was unanimous with a show of hands and motion passed.

  
\_\_\_\_\_  
Board President

  
\_\_\_\_\_  
Date