

AUDIT REPORT
HUGHES COUNTY RWD NO. 6
ALLEN, OKLAHOMA
FOR THE YEAR ENDED AUGUST 31, 2023



JENKINS & KEMPER
CERTIFIED PUBLIC ACCOUNTANTS, P.C.

**HUGHES COUNTY RURAL WATER DISTRICT NO. 6
ALLEN, OKLAHOMA
AUGUST 31, 2023**

TABLE OF CONTENTS

	<u>PAGE</u>
Table of Contents	1
Board of Directors	2
Independent Auditor's Report	3-4
Independent Auditor's Report on Compliance and Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	5-6
Schedule of Audit Results	7
 COMBINED FINANCIAL STATEMENTS:	
Statement of Net Position	8
Statement of Revenues, Expenses and Changes in Net Position	9
Statement of Cash Flows	10
Notes to Financial Statements	11-14

**HUGHES COUNTY RURAL WATER DISTRICT NO. 6
BOARD OF DIRECTORS
AUGUST 31, 2023**

BOARD OF DIRECTORS

Chairman	Orval Powell Jr.
Vice-Chairman	Winston Beavert
Secretary/Treasurer	Greg Meyer
Member	William Orrock
Member	Vacant

MANAGER/OPERATOR

Sheldon Tatum

OFFICE MANAGER

Mary Ann Starkey

BOOKKEEPER

Grace Gambino



JENKINS & KEMPER
CERTIFIED PUBLIC ACCOUNTANTS, P.C.

JACK JENKINS, CPA
MICHAEL KEMPER, CPA

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Hughes Co. RWD No. 6
Allen, OK 74825

Opinions

We have audited the accompanying financial statements of the business-type activities of Hughes Co. RWD No. 6 (the District), Allen, Oklahoma, as of and for the year ended August 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 financial position of the business-type activities of Hughes Co. RWD No. 6 as of August 31, 2023, and the respective changes in net position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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 District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit 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; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards 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, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Hughes Co. RWD No. 6 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 basic 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 basic financial statements in an appropriate operational, economic, or historical context. Our opinion on these financial statements is 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 September 22, 2023, on our consideration of the District's internal control over financial reporting and 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 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.

Jenkins & Kemper, CPAs P.C.

Jenkins & Kemper
Certified Public Accountants

September 22, 2023



JENKINS & KEMPER
CERTIFIED PUBLIC ACCOUNTANTS, P.C.

JACK JENKINS, CPA
MICHAEL KEMPER, CPA

**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 Trustees
Hughes Co. RWD No. 6
Allen, Oklahoma 74825

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 Hughes Co. RWD No. 6 as of and for the year ended August 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 September 22, 2023. Hughes Co. RWD No. 6 has not presented the Management's Discussion and Analysis that the Governmental Accounting Standards Board requires to supplement, although not be a part of, the basic financial statements.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the 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 over.

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 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.

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 over that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, 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*.

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.

Jenkins & Kemper, CPAs P.C.

Jenkins & Kemper
Certified Public Accountants, P.C.

September 22, 2023

**HUGHES COUNTY RURAL WATER DISTRICT NO. 6
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2023**

Findings – Financial Statement Audit

None.

HUGHES COUNTY RURAL WATER DISTRICT NO. 6
STATEMENT OF NET POSITION
FOR YEAR ENDED AUGUST 31, 2023

ASSETS

Current assets	
Cash	\$ 592,516
Investments	203,212
Accounts receivable	82,405
Prepaid insurance	13,886
Total current assets	<u>892,019</u>
Noncurrent assets	
Restricted investments	56,472
Bond organization costs	8,468
Reserve certificate	1,000
Property and Equipment	4,612,717
Less accumulated depreciation	<u>(2,917,313)</u>
Total noncurrent assets	<u>1,761,344</u>
Total Assets	<u><u>2,653,363</u></u>

LIABILITIES

Current liabilities	
Accounts payable	5,444
Restricted deposits and funds	4,901
Current maturities of long-term debt - Note 2	32,623
Total current liabilities	<u>42,968</u>
Noncurrent liabilities	
Long-Term Debt, less current maturities	<u>489,248</u>
Total Liabilities	<u><u>532,216</u></u>

NET POSITION

Invested in capital assets, net of related debt	1,173,533
Restricted for:	
Debt service - Note 1	56,472
Unrestricted	891,142
Total net position	<u><u>\$ 2,121,147</u></u>

The accompanying notes are an integral part of the financial statement

HUGHES COUNTY RURAL WATER DISTRICT NO. 6
STATEMENT OF ACTIVITIES
FOR YEAR ENDED AUGUST 31, 2023

Operating Revenues:

Water service	\$ 836,029
Late penalties	15,668
Meter setting fees	17,326
Other revenues	34,532
Total operating revenues	<u>903,555</u>

Operating Expenses:

Payroll related	348,017
Water costs	18,954
Water test fees	2,856
Water treatment supplies	5,968
Safety	4,697
Fuel and mileage	24,263
Repairs and maintenance	91,079
Insurance	33,048
Professional fees	7,480
Office supplies and postage	9,295
Training	3,036
Utilities	4,413
Telephone	3,939
Other expenses	3,587
Well expenses	39,834
Depreciation and amortization	144,666
Total operating expenses	<u>745,132</u>

Operating income (loss)	158,423
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Other income and expenses:

Interest income	2,734
Benefit units	12,100
Gain (loss) on disposal of fixed assets	2,450
ARPA grant revenues	48,175
ARPA grant expenditures	(48,175)
Interest expense	(25,333)
Total other income (expenses)	<u>(8,049)</u>

Net income (loss)	150,374
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Total net position, beginning of period	<u>1,970,773</u>
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Total net position, end of period	<u><u>\$ 2,121,147</u></u>
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The accompanying notes are an integral part of the financial statement

HUGHES COUNTY RURAL WATER DISTRICT NO. 6
STATEMENT OF CASH FLOWS
FOR YEAR ENDED AUGUST 31, 2023

Cash Flows from Operating Activities:

Receipts from customers	\$ 871,894
Other operating cash receipts	34,532
Payments to vendors	(256,605)
Payments to employees	(348,017)
Net cash flows from operating activities	<u>301,804</u>

Cash Flows from Investing Activities:

Interest earned	1,550
Capital assets purchased	(8,285)
Gain(loss) on sale of fixed assets	2,450
Net cash flows from investing activities	<u>(4,285)</u>

Cash Flows from Financing Activities:

Interest expense on debt	(25,335)
Principal payments on long-term debt	(31,092)
ARPA grant revenues	48,175
ARPA grant expenditures	(48,175)
System development fees	12,100
Increase(decrease) in restricted deposits	275
Net cash flows from financing activities	<u>(44,052)</u>

Net increase (decrease) in cash and cash equivalents 253,467

Cash and cash equivalents, beginning of period 339,049

Cash and cash equivalents, end of period \$ 592,516

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

Operating income (loss)	\$ 158,423
Add depreciation/amortization expense	144,666
(Increase)/Decrease in Current Assets	
Accounts receivable	2,871
Prepays	(3,611)
Increase/(Decrease) in Current Liabilities	
Accounts payable	(545)
Net cash flows from operating activities	<u><u>\$ 301,804</u></u>

The accompanying notes are an integral part of the financial statements

HUGHES COUNTY RURAL WATER DISTRICT NO. 6
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2023

Note 1 - Significant Accounting Policies

Basis of Accounting

The accrual basis of accounting is followed for all accounts. Revenues are recorded when earned and expenses are recognized when incurred. This policy is in accordance with generally accepted accounting principles.

Cash

The District's accounts at August 31st, and are comprised as follows:

Cash drawer, 716 Elder St. Gerty, OK	
Cash in drawer	\$ 150
Farmers State Bank, Allen, OK	
Operating account	67,950
Depreciation account	414,513
Benefits units - renter's deposits	3,537
Security State Bank, Wewoka, OK	
Operating account	<u>106,366</u>
Total	\$ <u>592,516</u>

Investments

The District had the following investments at August 31, 2023:

Security State Bank, Wewoka, OK	
Certificate of deposit No. 7010, dated 12-17-22, matures 12-17-23;	101,606
Certificate of deposit No. 7011, dated 12-17-22, matures 12-17-23;	101,606
Farmers State Bank, Allen, OK	
Certificate of deposit No. 9359, dated 4-20-23, matures 10-19-23;	\$ <u>56,500</u>
Total	\$ <u>259,712</u>

HUGHES COUNTY RURAL WATER DISTRICT NO. 6
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2023

Note 1 - Significant Accounting Policies - cont'd

Collateral Pledged

The District's cash deposits, including interest-bearing certificates of deposit, are entirely covered by Federal Depository Insurance (FDIC) or direct obligation of the U.S. Government insured or collateralized with securities held by the District or by its agent in the District's name.

Accounts Receivable

Billings for accounts receivable at August 31, 2023, were \$85,276. No computation was made for allowance for doubtful accounts, which is not considered to be material to the financial statements. The aging of these accounts is detailed as follows:

00-30	\$ 82,405
31-90	<u>0</u>
Total	\$ <u>82,405</u>

Restricted Assets

Restricted assets are assets held for various special purposes.

Debt Service: Restricted assets with fiscal agent for debt service represents amounts required by debt covenant to be segregated for debt payments and accrued interest on the notes. United States Department of Agriculture-Rural Development requires monies to be held in reserve accounts. These reserve funds are equal to the note payments for one year. To be fully funded, these reserve funds must total \$56,472. As of August 31, 2023, these reserves were fully funded.

Fixed Assets

Fixed assets are valued at cost, and depreciation is computed by use of the straight-line method. The estimated useful life of these assets is 40 years for the water system, 35 years for the office building and 5-7 years for the vehicles and the equipment.

Bond Organization Costs

The attorney costs associated with the organization of the rural water district's loans and grants totaled \$32,256. Amortization of these costs over 40 years results in \$806 per year.

HUGHES COUNTY RURAL WATER DISTRICT NO. 6
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2023

Note 1 - Significant Accounting Policies - cont'd

Federal Income Tax

The District is exempt from federal and state income taxes.

Note 2 - Long-Term Debt

Long-term debt at August 31, 2023, is detailed as follows:

Note 01, 5.00% mortgage payable to Rural Economic & Community Development, 40 years, monthly payments of \$2,210;	\$ 188,122
Note 03, 5.00% mortgage payable to Rural Economic & Community Development, 40 years, monthly payments of \$327;	27,336
Note 05, 4.50% mortgage payable to Rural Economic & Community Development, 40 years, monthly payments of \$216;	22,360
Note 07, 4.50% mortgage payable to Rural Economic & Community Development, 40 years, monthly payments of \$1,953;	<u>284,053</u>
Total long-term debt	521,871
Less current maturities	<u>(32,623)</u>
	<u>\$ 489,248</u>

The estimated maturities for the next five (5) years and thereafter are as follows:

Year- ending June 30	Principal	Interest	Total
2024	\$ 32,623	23,848	56,472
2025	34,227	22,245	56,472
2026	35,910	20,562	56,472
2027	37,676	18,796	56,472
2028	39,529	16,943	56,472
2029-2033	189,709	54,688	244,397
2034-2038	95,791	23,823	119,614
2039-2043	56,406	3,406	59,812
	<u>\$ 521,871</u>	<u>184,311</u>	<u>706,183</u>

HUGHES COUNTY RURAL WATER DISTRICT NO. 6
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2023

Note 3 - Accumulated Unpaid Vacation and Sick Pay

At August 31, 2023, no determination of the aggregate dollar value of vacation and sick pay had been made.

Note 4 – Subsequent Events

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