

**Consolidated Rural Water District No. 9, McIntosh County  
Checotah, Oklahoma**

Financial Statements and  
Reports of Independent Auditor

For The Year Ended December 31, 2023

Audited by

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

BROKEN ARROW, OK

**Consolidated Rural Water District No. 9, McIntosh County  
Checotah, Oklahoma**

Board of Directors and Employees  
December 31, 2023

**Chairman**

Rex Hastey

**Vice Chairman**

Greg Berry

**Secretary / Treasurer**

Michael David Newton

**Members**

Ernie Moore

(vacant)

**Operations Manager**

Marcus Burkhalter

**Office Manager**

Carin Dill

**Consolidated Rural Water District No. 9, McCurtain County  
Checotah, Oklahoma**

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December 31, 2023

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## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Consolidated Rural Water District No. 9, McIntosh County  
Checotah, Oklahoma

### *Report on the Audit of the Financial Statements*

We have audited the accompanying combined fund type and account group financial statements-regulatory basis of the Consolidated Rural Water District No. 9, McIntosh County, Checotah, Oklahoma (the District), 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.

### *Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District as of December 31, 2023, and the respective changes in cash basis financial position and its cash flows 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 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 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 cash basis of accounting is an acceptable basis for presentation of the financial statements in the circumstances. Management is 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 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 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.

### ***Supplementary Information***

The District has not presented the Management’s Discussion and Analysis that governmental 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 (GASB), who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

The prior year “memorandum only” comparative information and the supplemental information on page 16 are presented for the purposes of additional analysis and are not a required part of the basic financial statements of the District. Such information has not been subjected to the auditing procedures applied in our audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated March 1, 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.

***Bledsoe, Hewett & Gullekson***

Bledsoe, Hewett & Gullekson  
Certified Public Accountants, PLLLP

March 1, 2024



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

Eric M. Bledsoe, CPA  
Jeffrey D. Hewett, CPA  
Christopher P. Gullekson, CPA

P.O. BOX 1310 • 121 E. COLLEGE ST. • BROKEN ARROW, OK 74013 • (918) 449-9991 • (800) 522-3831 • FAX (918) 449-9779

**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  
Consolidated Rural Water District No. 9, McIntosh County  
Checotah, 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 the Consolidated Rural Water District No. 9, McIntosh County, Checotah, Oklahoma (the District), 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 March 1, 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 other than accounting principles generally accepted in the United States of America.

**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) 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 District's internal control. Accordingly, we do not express an opinion on the effectiveness of 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. Given these limitations, during our audit we identified one deficiency in internal control that we

consider to be a material weakness. This finding is identified as item 2023-1 in the accompanying Schedule of Audit Results.

### **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 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*.

### **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.

*Bledsoe, Hewett & Gullekson*

Bledsoe, Hewett & Gullekson  
Certified Public Accountants, PLLLP

March 1, 2024



**Consolidated Rural Water District No. 9, McIntosh County  
Checotah, Oklahoma**

Disposition of Prior Year's Significant Deficiencies  
December 31, 2023

2022-1 Internal Control – Segregation of Duties

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

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

*Disposition* – This continues to be a finding.

**Consolidated Rural Water District No. 9 McIntosh County**  
**Checotah, Oklahoma**  
Schedule of Audit Results  
December 31, 2023

**Section 1 – Summary of Auditor’s Results:**

1. An unmodified opinion report was issued on the modified cash basis financial statements.
2. The audit disclosed one significant deficiency in the internal controls, item 2023-1, which was considered a material weakness.
3. The audit disclosed no instances of noncompliance which were material to the financial statements.

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

**2023-1 Internal Control – Segregation of Duties**

*Criteria* – The segregation of duties and responsibilities between different individuals for custody of assets, recordkeeping for those assets, and reconciliation of those asset accounts is an important control activity needed to adequately protect the District’s assets and ensure accurate financial reporting.

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

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

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

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

**CONSOLIDATED RURAL WATER DISTRICT NO. 9, McINTOSH COUNTY  
CHECOTAH, OKLAHOMA  
STATEMENT OF NET POSITION - MODIFIED CASH BASIS  
DECEMBER 31, 2023**

	<b>2023</b>	<b>-Memorandum- -Only- 2022</b>
<b><u>ASSETS</u></b>		
Current Assets:		
Cash and Cash Equivalents	\$ 547,923	\$ 719,053
Edward Jones Retirement Investment	118,512	113,706
Total Current Assets	666,435	832,759
Capital Assets:		
Land	3,523	3,523
Water system	2,168,062	1,422,357
Equipment and vehicles	173,356	130,296
Office furniture and equipment	18,078	18,078
Total Capital Assets	2,363,019	1,574,254
Less: Accumulated depreciation	(1,019,567)	(961,758)
Total Capital Assets (net)	1,343,452	612,496
<b>TOTAL ASSETS</b>	<b>\$ 2,009,887</b>	<b>\$ 1,445,255</b>
 <b><u>LIABILITIES</u></b>		
Current Liabilities:		
Customer Deposits	\$ 6,300	\$ 6,300
Current portion of long-term debt	154,556	35,347
Total current liabilities	160,856	41,647
Noncurrent Liabilities:		
Notes payable	40,782	77,237
Total Liabilities	201,638	118,884
 <b><u>NET POSITION:</u></b>		
Net investment in capital assets	1,148,114	499,912
Unrestricted	660,135	826,459
Total net position	1,808,249	1,326,371
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$ 2,009,887</b>	<b>\$ 1,445,255</b>

The accompanying notes are an integral part of the financial statements

**CONSOLIDATED RURAL WATER DISTRICT NO. 9, McINTOSH COUNTY  
CHECOTAH, OKLAHOMA  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - MODIFIED CASH BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2023**

	<b>2023</b>	<b>-Memorandum- -Only- 2022</b>
<b>Revenue from Operations:</b>		
Water sales	\$ 484,865	\$ 505,107
Refunds/Reimbursements	4,943	2,568
Benefit units	0	5,250
Total revenue from operations	489,808	512,925
<b>Expenses from Operations:</b>		
Water purchases	221,029	182,561
Wages and consulting services	110,346	87,805
Insurance	13,274	9,946
Depreciation	57,809	45,588
Office expenses	36,583	13,868
Repairs & maintenance	5,700	6,407
Supplies and materials	25,443	23,232
Water testing	5,170	5,280
Utilities	6,457	10,568
Professional fees	23,641	38,100
Dues & fees	707	2,340
Miscellaneous	7,150	904
Total expenses from water operations	513,309	426,599
<b>Net Income (Loss) from Operations</b>	(23,501)	86,326
<b>Non-Operating Revenues (Expenses):</b>		
Interest earnings	20,584	1,584
Sale of property	0	32,500
OWRB grant proceeds	315,956	0
OWRB grant proceeds (forgiven)	171,830	128,170
Interest paid on debt	(2,991)	(4,069)
Total non-operating revenues (expenses)	505,379	158,185
<b>Change in Net Position</b>	481,878	244,511
<b>Net Position, beginning of period</b>	1,326,371	1,081,860
<b>Net Position, end of period</b>	<b>\$ 1,808,249</b>	<b>\$ 1,326,371</b>

The accompanying notes are an integral part of the financial statements

**CONSOLIDATED RURAL WATER DISTRICT NO. 9, McINTOSH COUNTY  
CHECOTAH, OKLAHOMA  
STATEMENT OF CASH FLOWS - MODIFIED CASH BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2023**

	<b>2023</b>	<b>-Memorandum- -Only- 2022</b>
	<u>2023</u>	<u>2022</u>
<b>Cash Flows from Operating Activities:</b>		
Receipts from customers	\$ 489,808	\$ 509,566
Payments to employees	(89,204)	(74,134)
Payments to vendors	(366,296)	(303,277)
Net Cash Provided by Operating Activities	<u>34,308</u>	<u>132,155</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>		
OWRB grant proceeds	315,956	0
OWRB grant proceeds (forgiven)	171,830	131,952
Loan proceeds	118,097	0
Principal paid on debt	(35,343)	(34,265)
Interest paid on debt	(2,991)	(4,069)
Sale of capital assets	0	32,500
Capital assets (purchased) sold	(788,765)	(93,169)
Net cash provided by (used in) Capital and Related Financing Activities	<u>(221,216)</u>	<u>32,949</u>
<b>Cash Flows from Investing Activities:</b>		
Interest earnings - cash and cash equivalent accounts	15,778	1,584
Net cash provided by (used in) Investing Activities	<u>15,778</u>	<u>1,584</u>
Net Increase (Decrease) in Cash and Equivalents	(171,130)	166,688
Cash and cash equivalents, beginning of period	<u>719,053</u>	<u>552,365</u>
<b>Cash and cash equivalents, end of period</b>	<b><u>\$ 547,923</u></b>	<b><u>\$ 719,053</u></b>
<b>Reconciliation of operating income (loss) to net cash provided by operating activities:</b>		
Operating Income (loss)	\$ (23,501)	\$ 86,326
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation Expense	57,809	45,588
Increase (decrease) in customer deposits	0	241
<b>Net Cash Provided by Operating Activities</b>	<b><u>\$ 34,308</u></b>	<b><u>\$ 132,155</u></b>

The accompanying notes to the financial statements are an integral part of this statement

**Consolidated Rural Water District No. 9, McIntosh County  
Checotah, Oklahoma**

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

**Note 1 – Significant Accounting Policies**

***Business Activity***

McIntosh County Rural Water District No. 9 (the District) was formed under the provisions of Title 82, O.S. Sections 1324.1-1324.26 inclusive. The District operates as a nontaxable government agency to service residents of McIntosh County. The District's primary income is from the sale of water to its members in an area around Checotah, Oklahoma.

***Basis of Accounting***

The modified cash basis of accounting is followed for all accounts. Revenues are recorded when received and expenditures are recognized when paid. This is a comprehensive basis of accounting other than generally accepted accounting principles (GAAP). The Government Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements.

***Cash***

The District's accounts are with Peoples National Bank and consist of an Operating account, Savings account, Investment (CD) account and Loan account. Additionally, the District has a CD with Armstrong Bank and a retirement account with Edward Jones. Gross revenues of the District are deposited into the Operating account. The reasonable and necessary current expenses of operating and maintaining the District for each month are also paid from this account.

For the purpose of the statement of cash flows, cash and cash equivalents consists of cash on hand and all cash in the bank, excluding the retirement account.

As of December 31, 2023, the District's deposits were \$699,530. Funds up to \$250,000 were covered by the Federal Depository Insurance Corporation (FDIC). Remaining funds were collateralized by District held securities.

**Consolidated Rural Water District No. 9, McIntosh County  
Checotah, Oklahoma**

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

**Note 1 – Significant Accounting Policies** – cont’d

*Investments*

The District had \$494,822 in outstanding investments at December 31, 2023.

*Memorandum Only*

The “Memorandum Only” captions above the columns of prior year information mean that amounts are presented for comparative and information purposes only.

*Capital Assets*

Any items purchased or constructed in excess of \$1,000 and a useful life of over two years is considered a capital asset by the District and will be depreciated over a specific time. Capital assets are valued at cost, depreciation is computed by use of the straight-line method.

	12/31/2022 Amount	Additions	Deletions	12/31/2023 Amount
Land	\$ 3,523	-	-	3,523
Plant and water sys.	1,422,357	745,705	-	2,168,062
Equip and vehicles	130,296	43,060	-	173,356
Office furn & equip	18,078	-	-	18,078
Total Capital Assets	1,574,254	788,765	-	2,363,019
Less: Accumulated Depreciation	(961,758)	(57,809)	-	(1,019,567)
Total	\$ 612,496	730,956	-	1,343,452

*Federal Income Tax*

The District is exempt from all federal and state income taxes.

**Consolidated Rural Water District No. 9, McIntosh County  
Checotah, Oklahoma**

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

**Note 2 – Long-Term Debt**

During the 2021 fiscal year, the District obtained a 3.1% interest loan with The People’s National Bank for \$177,364. During the 2023 fiscal year, the District obtained an additional \$118,097 in loan debt through The People’s National Bank. The outstanding balance of this loan at December 31, 2023 is \$195,338.

**Note 3 – Contingencies**

During 2022, the District was approved to receive a \$695,000 loan from the Oklahoma Water Resources Board (OWRB) for the construction of a new chlorination station and water tank modifications. This loan (ORF-22-0015-DW) includes \$300,000 of disbursed funds that will be forgiven and requires no payback to the OWRB.

In 2023, the District received a total of \$487,786 of funds from the OWRB for this ongoing project. \$171,830 of the funds received were part of the principal forgiveness payment and will not be repaid. \$315,956 of these funds were received during 2023 and will be repaid once all funding has been secured.

**Note 4 – Insurance Coverage**

The District appears to have had adequate insurance to cover all major perils at December 31, 2023.

**Note 5 – Subsequent Events**

Management has evaluated subsequent events through March 1, 2024 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.



**Consolidated Rural Water District #9, McIntosh County  
Checotah, Oklahoma**

Schedule of Water Rates and Customers

-Unaudited Information-

December 31, 2023

**Water Rates:**

0 gallons	=	\$31.00 (flat rate)
0 > 5,000 gallons	=	\$0.775 increase per 100 gallons
5,000+ gallons	=	\$0.900 increase per 100 gallons

**Customers:**

The District had 647 customers at the close of the fiscal year.

The new membership fee for the District is \$1,250.

A renter's deposit of \$100 is required and the transfer fee is \$50.