

**NOWATA COUNTY
RURAL WATER DISTRICT NO. 6
NOWATA, OKLAHOMA**

**FINANCIAL STATEMENTS AND AUDITOR'S REPORT
YEAR ENDED JUNE 30, 2023**

Audited by

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

BROKEN ARROW, OK

NOWATA COUNTY RURAL WATER DISTRICT NO. 6
BOARD OF DIRECTORS
JUNE 30, 2023

BOARD OF DIRECTORS

Chairman

Bryan Taylor

Vice-Chairman

Vincent Pritchett

Secretary/Treasurer

Lisa McCarty

Members

Wayne Clark

Josh Weir

Operator

Ethan Cummings

Bookkeeper

Carol Parrett

NOWATA COUNTY RURAL WATER DISTRICT NO. 6
JUNE 30, 2023

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BLEDSON, HEWETT & GULLEKSON
CERTIFIED PUBLIC ACCOUNTANTS, PLLLP

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the business-type activities of the Nowata County Rural Water District No. 6 (the District), Nowata, Oklahoma, as of and for the year ended June 30, 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.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements. 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 Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements 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, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

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 the District as of June 30, 2023 and the respective changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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.

Other Matters

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 omitted information.

The prior year “memorandum only” comparative information and the supplementary information on page 15 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 September 4, 2023 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 to describe the scope of our testing of internal control over financial reporting or on compliance and the results of that testing and not to provide an opinion on 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

September 4, 2023



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**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
Nowata County Rural Water District No. 6
Nowata, 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 accompanying financial statements of the Nowata County Rural Water District No. 6 (the District), Nowata, Oklahoma, as of and for the year ended June 30, 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 4, 2023.

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 in order to determine our auditing procedures that are appropriate 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 financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified a certain deficiency in the internal controls that we considered to be a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and responses, as item 23-1 to be a material weakness.

Compliance

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 grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

District's Response to Findings

The District's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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

Bledsoe, Hewett & Gullekson

Bledsoe, Hewett & Gullekson
Certified Public Accountants, PLLLP

September 4, 2023

NOWATA COUNTY RURAL WATER DISTRICT NO. 6
DISPOSITION OF PRIOR YEAR AUDIT FINDINGS
JUNE 30, 2023

22-01 *Finding* – Presently the same individual performs all accounting functions; receives utility service-related payments and is responsible for service billing and adjustment, also makes bank deposits, writes checks and 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.

NOWATA COUNTY RURAL WATER DISTRICT NO. 6
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2023

23-1 *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 and is responsible for service billing and adjustment, also makes bank deposits, writes checks and 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.

Management Response – Management agrees with this finding, and will provide adequate staffing once annual collections increase enough to justify the extra expense.

Nowata County Rural Water District No. 6
Nowata, Oklahoma
Statement of Net Position
June 30, 2023

	June 30, 2023	-Memorandum- -Only- June 30, 2022
<u>ASSETS</u>		
Current Assets:		
Cash and equivalents	\$ 171,461	\$ 197,476
Investments	72,661	72,550
Accounts receivable	23,858	26,997
Inventory	33,883	35,255
Prepaid insurance	3,744	3,663
Total Current Assets	305,607	335,941
Capital Assets:		
Water system and improvements	931,236	931,236
Land	75,008	10,489
Total Capital Assets	1,006,244	941,725
Less: accumulated depreciation	(628,193)	(609,369)
Total Capital Assets (Net of Depreciation)	378,051	332,356
TOTAL ASSETS	\$ 683,658	\$ 668,297
 <u>LIABILITIES</u>		
Current Liabilities:		
Accounts payable	\$ 8,348	\$ 19,170
 <u>NET POSITION</u>		
Net investment in capital assets	378,051	332,356
Unrestricted	297,259	316,771
Total Net Position	675,310	649,127
TOTAL LIABILITIES AND NET POSITION	\$ 683,658	\$ 668,297

The accompanying notes are an integral part of the financial statements

Nowata County Rural Water District No. 6
Nowata, Oklahoma
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2023

	2022-23	-Memorandum- -Only- 2021-22
Revenue from Operations:		
Water sales	\$ 253,579	\$ 243,478
Expenses from Operations:		
Bookkeeping	18,000	18,000
Depreciation	18,824	17,876
Insurance	4,003	3,660
Miscellaneous	2,049	1,202
Office expenses	7,133	5,492
Operator	18,000	18,600
Postage	1,500	1,700
Professional fees	11,396	2,500
Maintenance and repairs	27,336	18,182
Supplies	23,770	29,169
Telephone	3,105	3,325
Testing	1,900	2,630
Utilities	4,859	4,854
Water purchases	98,216	106,816
Total Expenses from Operations	240,091	234,006
Net Income (Loss) from Operations	13,488	9,472
Other Income (Expenses):		
Interest income	445	494
Membership fees	12,250	20,125
Total Other Income	12,695	20,619
Net Income (Loss)	26,183	30,091
Net Position, Beginning of Period	649,127	619,036
Net Position, End of Period	\$ 675,310	\$ 649,127

The accompanying notes are an integral part of the financial statements

Nowata County Rural Water District No. 6
Nowata, Oklahoma
Statement of Cash Flows
For the Year Ended June 30, 2023

	2022-23	-Memorandum- -Only- 2021-22
Cash flows from operating activities:		
Receipts from water sales	\$ 259,268	\$ 243,951
Payments to vendors	(233,348)	(218,969)
Net cash (used in) provided by operating activities	25,920	24,982
Cash flows from capital and related financing activities:		
Membership fees received	12,250	20,125
Capital assets (land) purchased	(64,519)	0
Net cash used in capital and related financing activities	(52,269)	20,125
Cash flows from investing activities:		
Interest on investments	445	494
Net increase (decrease) in cash and cash equivalents	(25,904)	45,601
Cash & cash equivalents, beginning of period	270,026	224,425
Cash & cash equivalents, end of period	\$ 244,122	\$ 270,026
Reconciliation of operating income (loss) to net cash provided by operating activities:		
Operating income (loss)	\$ 13,488	\$ 9,472
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation and amortization expense	18,824	17,876
Change in assets and liabilities:		
Accounts receivable, net	3,139	(2,385)
Inventory	1,372	(3,205)
Prepaid expenses and other assets	(81)	(427)
Accounts payable	(10,822)	3,651
Net cash (used in) provided by operating activities	\$ 25,920	\$ 24,982

The accompanying notes are an integral part of the financial statements

Nowata County Rural Water District No. 6
Nowata, Oklahoma
 Notes to Financial Statements
 June 30, 2023

Note A – Significant Accounting Policies

Nowata County Rural Water District No. 6 (the “District”) was created under the provisions of Title 82, Oklahoma Statutes, Sections 1324.1-1324.26 inclusive, for the purpose of providing water to the members of the District it serves. Membership in the water district consists of water users who have paid the required membership and connection fees. The District is exempt from federal and state income taxes.

The membership consists of approximately 360 users, each entitled to one vote. The Board consists of five members serving terms up to three years. The vacant Board seats are elected at the annual meeting, and all officers of the Board (chairman, vice-chairman and secretary/treasurer) are voted and approved at this meeting. The members of the Board serve without compensation.

Basis of Accounting

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

Cash

The District’s accounts are detailed as follows:

Maintenance and operation accounts:	
Regent Bank, Nowata, OK	\$ 164,516
Regent Bank, Nowata, OK	1,635
Money market accounts:	
Arvest Bank, Nowata, OK	4,226
ORWA deposit	<u>1,084</u>
Total	<u>\$ 171,461</u>

Investments

The District has a \$70,000 certificate of deposit from Regent Bank, Nowata, OK. The value at June 30, 2023 is \$72,661. It is a six month CD, maturing on October 17, 2023 at 3.26% interest.

Nowata County Rural Water District No. 6
Nowata, Oklahoma
Notes to Financial Statements
June 30, 2023

Note A – Significant Accounting Policies – cont’d

Accounts Receivable

Billings for accounts receivable at June 30, 2023 were \$23,858. No allowance for doubtful accounts has been made since the amount would not be material to the financial statements.

Collateral Pledged

It appears that all funds were adequately insured by the available \$250,000 FDIC as of June 30, 2023.

Capital Assets

Capital (fixed) assets are valued at cost, depreciation is computed by use of the straight-line method. The estimated useful lives for fixed assets are detailed as follows:

Water System	50 years
Office and Other Equipment	5 years

The capital asset information for the District is shown below:

	6/30/2022 Amount	Additions	Deletions	6/30/2023 Amount
Plant and water sys.	\$ 846,495	-	-	846,495
Land	10,489	64,519	-	75,008
Vehicles and equip.	18,300		-	18,300
Building	66,441	-	-	66,441
Total Capital Assets	941,725	64,519	-	1,006,244
Less: Accumulated Depreciation	(609,369)	(18,824)	-	(628,193)
Total	\$ 332,356	45,695	-	378,051

Nowata County Rural Water District No. 6
Nowata, Oklahoma
Notes to Financial Statements
June 30, 2023

Note A – Significant Accounting Policies – cont'd

Statement of Cash Flows

For purposes of the statement of cash flows, the District considers all highly liquid investments, such as certificates of deposit maturing within 60 days of year end, as cash equivalents.

Note B – Long-term Debt

The District has no outstanding long-term debt.

Note C – Major Supplier

The District purchases their water from the City of Nowata, and are subject to water rate increases from this water source.

Note D – Insurance and Surety Bond Coverage

The District had adequate insurance to cover all major perils at June 30, 2023, and has had no significant claims against insurance coverage in the previous three years.

Note E – EMS Fees

The District collects a \$7.50 monthly EMS fee from some water customers, and forwards these collections to Nowata Emergency Medical Services. During the 2022-23 fiscal year, the District collected and forwarded \$2,550 in EMS fees.

Note F – Subsequent Events

Management has evaluated subsequent events through September 4, 2023, 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.

NOWATA COUNTY RURAL DISTRICT NO. 6
Schedule of Water Rates and Customers
-Unaudited Information-
June 30, 2023

Water Rates

Minimum bill	=	\$15.00
1,000 gallons +	=	\$8.00 per 1,000 gallons

Customers

The District had 367 customers at the close of the fiscal year.

Current membership fee is \$1,750.