

**FINANCIAL STATEMENTS – REGULATORY BASIS
AND REPORTS OF INDEPENDENT AUDITOR**

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

JUNE 30, 2024

Audited by

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

BROKEN ARROW, OK

NOWATA COUNTY RURAL WATER DISTRICT NO. 6
BOARD OF DIRECTORS
JUNE 30, 2024

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, 2024

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

We have audited the accompanying financial statements of the business type activities of the Nowata County Rural Water District No. 6, Nowata, Oklahoma (the District), as of and for the year ended June 30, 2024, 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 June 30, 2024, and the respective changes in financial position and its cash flows for the year then ended, in accordance 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.

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, and 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 opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 supplementary information on page 17 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 27, 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

September 27, 2024



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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 financial statements of the Nowata County Rural Water District No. 6, Nowata, Oklahoma (the District), as of and for the year ended June 30, 2024, 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 27, 2024.

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 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.

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 did identify one deficiency in internal controls that is identified as item 24-1 in the accompanying Schedule of Audit Results, Findings and Questioned Costs. We do not consider item 24-1 to be a material weakness; however, material weaknesses may exist that have not been identified.

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 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 27, 2024

NOWATA COUNTY RURAL WATER DISTRICT NO. 6
DISPOSITION OF PRIOR YEAR AUDIT SIGNIFICANT DEFICIENCIES
AND MATERIAL INSTANCES OF NONCOMPLIANCE
JUNE 30, 2024

- 23-1 *Finding* – 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. 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 AUDIT RESULTS, FINDINGS AND QUESTIONED COSTS
JUNE 30, 2024

- 24-1 *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, 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.

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, 2024

	<u>June 30, 2024</u>	<u>-Memorandum- -Only- June 30, 2023</u>
<u>ASSETS</u>		
Current Assets:		
Cash and equivalents	\$ 90,267	\$ 171,461
Investments	105,265	72,661
Accounts receivable	29,409	23,858
Inventory	46,583	33,883
Prepaid insurance	4,196	3,744
Total Current Assets	<u>275,720</u>	<u>305,607</u>
Capital Assets:		
Water system and improvements	986,900	931,236
Land	75,008	75,008
Total Capital Assets	<u>1,061,908</u>	<u>1,006,244</u>
Less: Accumulated depreciation	<u>(647,435)</u>	<u>(628,193)</u>
Total Capital Assets (Net of Depreciation)	<u>414,473</u>	<u>378,051</u>
TOTAL ASSETS	<u>\$ 690,193</u>	<u>\$ 683,658</u>
 <u>LIABILITIES</u>		
Current Liabilities:		
Accounts payable	<u>\$ 16,546</u>	<u>\$ 8,348</u>
 <u>NET POSITION</u>		
Net investment in capital assets	414,473	378,051
Unrestricted	<u>259,174</u>	<u>297,259</u>
Total Net Position	<u>673,647</u>	<u>675,310</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 690,193</u>	<u>\$ 683,658</u>

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, 2024

	<u>2023-24</u>	<u>-Memorandum- -Only- 2022-23</u>
Revenue from Operations:		
Water sales	\$ 251,479	\$ 253,579
Expenses from Operations:		
Bookkeeping	23,607	18,000
Depreciation	19,242	18,824
Insurance	3,744	4,003
Miscellaneous	5,296	2,049
Office expenses	9,731	7,133
Operator	22,507	18,000
Postage	2,721	1,500
Professional fees	9,000	11,396
Maintenance and repairs	9,264	27,336
Supplies	0	23,770
Telephone	1,121	3,105
Testing	2,170	1,900
Utilities	5,682	4,859
Water purchases	160,716	98,216
Total Expenses from Operations	<u>274,801</u>	<u>240,091</u>
Net Income (Loss) from Operations	(23,322)	13,488
Other Income (Expenses):		
Interest income	9,409	445
Membership fees	12,250	12,250
Total Other Income	<u>21,659</u>	<u>12,695</u>
Net Income (Loss)	(1,663)	26,183
Net Position, Beginning of Period	<u>675,310</u>	<u>649,127</u>
Net Position, End of Period	<u><u>\$ 673,647</u></u>	<u><u>\$ 675,310</u></u>

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, 2024

	<u>2023-24</u>	<u>-Memorandum- -Only- 2022-23</u>
Cash flows from operating activities:		
Receipts from water sales	\$ 248,515	\$ 259,268
Payments to vendors	<u>(263,100)</u>	<u>(233,348)</u>
Net cash (used in) provided by operating activities	<u>(14,585)</u>	<u>25,920</u>
Cash flows from capital and related financing activities:		
Membership fees received	12,250	12,250
Capital assets purchased	<u>(55,664)</u>	<u>(64,519)</u>
Net cash used in capital and related financing activities	<u>(43,414)</u>	<u>(52,269)</u>
Cash flows from investing activities:		
Interest on investments	<u>9,409</u>	<u>445</u>
Net increase (decrease) in cash and cash equivalents	(48,590)	(25,904)
Cash & cash equivalents, beginning of period	<u>244,122</u>	<u>270,026</u>
Cash & cash equivalents, end of period	<u>\$ 195,532</u>	<u>\$ 244,122</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:		
Operating income (loss)	\$ (23,322)	\$ 13,488
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation and amortization expense	19,242	18,824
Change in assets and liabilities:		
Accounts receivable, net	(5,551)	3,139
Inventory	(12,700)	1,372
Prepaid expenses and other assets	(452)	(81)
Accounts payable	<u>8,198</u>	<u>(10,822)</u>
Net cash (used in) provided by operating activities	<u>\$ (14,585)</u>	<u>\$ 25,920</u>

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, 2024

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 375 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:

Operating Account, Regent Bank, Nowata, OK	\$ 84,730
Office Account, Regent Bank, Nowata, OK	142
Money Market (Savings) Account, Arvest Bank, Nowata, OK	4,311
ORWA deposit	<u>1,084</u>
Total	<u>\$ 90,267</u>

Investments

The District has a \$100,000 certificate of deposit with Regent Bank, Nowata, OK. The value at June 30, 2024 was \$105,265. This CD is a twelve-month CD, maturing on July 5, 2025, at 4.91% interest.

Nowata County Rural Water District No. 6

Nowata, Oklahoma

Notes to Financial Statements

June 30, 2024

Note A – Significant Accounting Policies – cont'd

Accounts Receivable

Billings for accounts receivable at June 30, 2024 were \$29,409. 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, 2024.

Capital Assets

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

Water System and Improvements	10-50 years
Buildings	40 years
Office and Other Equipment	5-15 years

Capital asset information for the District is shown below:

	7/1/2023 Amount	Additions	Deletions	6/30/2024 Amount
Plant and water sys.	\$ 846,495	50,000	-	896,495
Land	75,008	-	-	75,008
Vehicles and equip.	18,300	-	-	18,300
Building	66,441	5,664	-	72,105
Total Capital Assets	1,006,244	55,664	-	1,061,908
Less: Accumulated Depreciation	(628,193)	(19,242)	-	(647,435)
Total	\$ 378,051	36,422	-	414,473

Nowata County Rural Water District No. 6
Nowata, Oklahoma

Notes to Financial Statements
June 30, 2024

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 is 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, 2024, 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 2023-24 fiscal year, the District collected and forwarded \$2,466 in EMS fees.

Note F – Contributed Capital

During the 2023-24 fiscal year, the District was awarded a REAP (Rural Economic Action Plan) grant through Grand Gateway Economic Development Association in the amount of \$75,000. This grant will be used to fund a line extension project within the District.

Note G – Nowata Co. RWD #2 Consolidation

During the 2023-24 fiscal year, the Board voted to approve the consolidation of Nowata County Rural Water District No. 2 into Rural Water District #6.

Note H – Subsequent Events

Management has evaluated subsequent events through September 27, 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.

NOWATA COUNTY RURAL DISTRICT NO. 6
Schedule of Water Rates and Customers
-Unaudited Information-
June 30, 2024

Water Rates

Minimum bill	=	\$15.00
1,000 gallons +	=	\$9.22 per 1,000 gallons

Customers

The District had 375 customers at the close of the fiscal year.

Current membership fee is \$1,750.