

**Okmulgee County Rural Water District No. 6  
Mounds, Oklahoma**

Financial Statements and Auditor's Reports

Year Ended December 31, 2023

Audited by

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

BROKEN ARROW, OK

**Okmulgee County Rural Water District No. 6**  
**Mounds, Oklahoma**  
Board of Directors  
December 31, 2023

**BOARD OF DIRECTORS**

**Chairman**

Glenn Shoaf

**Vice-Chairman**

Tom Fuller

**Treasurer**

Tim Thornton

**Secretary**

Mary Ann Seago

**Members**

Dave Miller

Phillip Olden

Daryle Fox

**MANAGER**

Rick Boone

**OFFICE SUPERVISOR**

Jan Caughron

**Okmulgee County Rural Water District No. 6**  
**Mounds, Oklahoma**  
December 31, 2023

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## INDEPENDENT AUDITOR'S REPORT

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

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

We have audited the accompanying financial statements of the business-type activities of the Okmulgee County Rural Water District No. 6, Mounds, 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 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***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 6 - 9 be presented to supplement the basic financial statements. Such 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. We have applied certain limited procedures to the required supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the

information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The prior year “memorandum only” comparative information and the supplementary information on page 23 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 January 23, 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

January 23, 2024

## OKMULGEE COUNTY RURAL WATER DISTRICT NO. 6

### MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2023

Our discussion and analysis of the financial performance of Okmulgee County Rural Water District No. 6 provides an overview of the District's financial activities for the fiscal year ended December 31, 2023. Please read it in conjunction with the District's financial statements that begin on page 14.

#### **FINANCIAL HIGHLIGHTS**

- The District's total operating revenues exceeded total operating expenses by \$177,580. Overall, the District's cash and cash equivalents increased by \$343,491 in the 2023 fiscal year.
- The District earned \$47,554 in interest in 2023 compared to \$2,147 in 2022. This large increase is a result of interest rate increases during the year.
- The District's membership numbers continued to increase, with over 3,800 members at year-end.
- The District approved a water rate increase in 2023 to stay consistent with price increases.
- The District continued to pay down their one outstanding loan with Rural Development.

#### **Using This Report**

This report is presented in a format consistent with the presentation requirements of the Governmental Accounting Standards Board (GASB) Statement No. 34, as applicable to the District's basis of accounting.

#### **Basis of Accounting**

The District has elected to present its financial statements in the accrual basis of accounting. According to the accrual basis, revenues are recorded when earned and expenses are recognized when incurred. This policy is in accordance with generally accepted accounting principles.

#### **The Financial Statements**

One of the most important questions asked about the District's finances is, "Is the District as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position, the Statement of Revenues, Expenses and Changes in Net Position, and the

These three statements report the District’s net position and the changes in them. You can think of the District’s net position – the difference between assets and liabilities – as one way to measure the District’s financial health or financial position. Over time, increases or decreases in the District’s net position are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in water rates paid or charged and the condition of the District’s water system, to assess the overall health of the District.

The District has only one type of fund or activity, which is defined as *Business-type activities*. This is considered a proprietary fund. This means the District charges a fee to customers to help it cover all or most of the cost of certain services it provides.

### **Net Position, and Changes in Net Position**

The District’s Net Position was higher in 2023, increasing from \$6,636,671 to \$7,002,560. Our analysis below focuses on the Net Position (Table 1) and Changes in Net Position (Table 2) of the District’s business-type activities.

**Table 1 – Net Position:**

	<u>2023</u>	<u>2022</u>	<u>Variances</u>
Current and other assets	\$ 4,866,459	4,268,969	597,490
Capital assets, net	<u>5,064,847</u>	<u>5,221,634</u>	<u>(156,787)</u>
<b>Total Assets</b>	<b><u>\$ 9,931,306</u></b>	<b><u>9,490,603</u></b>	<b><u>440,703</u></b>
Current liabilities	\$ 258,392	117,804	(140,588)
Long-term liabilities	<u>2,670,354</u>	<u>2,736,128</u>	<u>65,774</u>
<b>Total Liabilities</b>	<b><u>\$ 2,928,746</u></b>	<b><u>2,853,932</u></b>	<b><u>(74,814)</u></b>
Net Invest. In capital assets	\$ 2,328,722	2,421,915	(93,193)
Restricted	2,310,122	2,081,059	229,063
Unrestricted	<u>2,363,716</u>	<u>2,133,697</u>	<u>230,019</u>
<b>Total Net Position</b>	<b><u>\$ 7,002,560</u></b>	<b><u>6,636,671</u></b>	<b><u>365,889</u></b>

Net Position of the District increased by 5.51 percent (\$7,002,560 compared to \$6,636,671). Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – increased from \$2,133,697 to \$2,363,716.



**Table 2 – Changes in Net Position:**

	<u>2023</u>	<u>2022</u>	<u>Variances</u>
<b>Revenues:</b>			
Charges for services	\$ 2,995,033	2,833,501	161,532
Refunds/Reimbursements	34,256	59,728	(25,472)
Benefit unit sales	233,100	218,730	14,370
Interest	47,554	2,147	45,407
<b>Total Revenues</b>	<u>3,309,943</u>	<u>3,114,106</u>	<u>195,837</u>
<b>Expenses:</b>			
Water purchases	1,232,761	988,224	(244,537)
Salaries, taxes and benefits	708,285	626,614	(81,671)
Maintenance and repairs	271,378	159,533	(111,845)
Other expenses	335,623	259,696	(75,927)
Depreciation	303,662	311,193	7,531
Interest on debt	92,345	96,263	3,918
<b>Total Expenses</b>	<u>2,944,054</u>	<u>2,441,523</u>	<u>(502,531)</u>
<b>Changes in Net Position</b>	365,889	672,583	(306,694)
<b>Net Position, Beginning</b>	<u>6,636,671</u>	<u>5,964,088</u>	<u>672,583</u>
<b>Net Position, Ending</b>	<u>\$ 7,002,560</u>	<u>6,636,671</u>	<u>365,889</u>

The District's total revenues increased by 6.28 percent (\$195,837). The total cost of all services (expenses) increased by 20.58 percent (\$502,531).

### **Capital Assets**

At December 31, 2023, the District had \$5,064,847 invested in capital assets, net of depreciation, including buildings, the water system, vehicles and equipment. The District added \$146,875 of capital assets in 2023, which included water system improvements, a truck and roof repairs.

### **Long-Term Debt**

The District was indebted to the USDA for a \$3,445,220 Rural Development note obtained for extensive extensions and improvements. This note has an interest rate of 3.375% and scheduled monthly payments of \$13,092. The outstanding balance at year-end was \$2,736,125.

### **Economic Factors and Next Year's Budget and Rates**

The District has been rewarded with a \$1,300,000 grant from the Oklahoma Water Resources Board, the U.S. Bureau of Indian Affairs – Indian Health Services and the Creek Nation for a waterline replacement project on Hectorville Road in 2024.

The District may be forced to make further increases if additional increases are made by their water sources.

The District will continue to make further water system expansions and improvements with the loan proceeds, which are needed by increased demands on the current system.

The District's budget for fiscal year 2024 will remain much like previous years budgets.

### **Contacting the District's Management**

This report is designed to provide our customers and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District Office at 11003 Hectorville Rd, Mounds, OK 74047 or call (918)-827-6350.



**BLEDSON, HEWETT & GULLEKSON**  
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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  
Okmulgee County Rural Water District No. 6  
Mounds, 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 Okmulgee County Rural Water District No. 6, Mounds, 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 January 23, 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 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 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.

## **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, non-compliance 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

January 23, 2024

**OKMULGEE COUNTY RURAL WATER DISTRICT NO. 6  
Disposition Of Prior Year's Significant Deficiencies And Material Instances Of  
Noncompliance  
December 31, 2023**

There were no prior year significant deficiencies or material instances of noncompliance.

**OKMULGEE COUNTY RURAL WATER DISTRICT NO. 6**  
**Schedule of Audit Results, Findings and Questioned Costs**  
**December 31, 2023**

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

1. An unmodified opinion report was issued on the financial statements.
2. The audit did not identify any material weaknesses and did not report any significant deficiencies considered to be immaterial weaknesses in the internal controls over financial reporting.
3. The audit disclosed no instances of noncompliance which are material to the financial statements.

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

NONE

**OKMULGEE COUNTY RURAL WATER DISTRICT NO. 6**

Statement of Net Position

December 31, 2023

<b><u>ASSETS:</u></b>	<u>2023</u>	<u>-Memorandum- -Only- 2022</u>
Current Assets:		
Cash and cash equivalents	\$ 2,200,320	\$ 1,856,829
Investments	112,822 ~	110,912
Accounts receivable	217,660	194,791
Prepaid assets	25,535	25,378
Total current assets	<u>2,556,337</u>	<u>2,187,910</u>
Restricted Assets:		
Construction accounts	1,026,438 ~	902,449
Depreciation account	1,120,672 ~	1,017,582
Rural Development reserve	163,012 ~	161,028
Total restricted assets	<u>2,310,122</u>	<u>2,081,059</u>
Capital Assets:		
Land	3,294	3,294
Buildings	287,186	271,549
Plant and water systems	9,395,170	9,299,927
Other capital assets	931,644	895,649
Total capital assets	10,617,294	10,470,419
Less: accumulated depreciation	<u>(5,552,447)</u>	<u>(5,248,785)</u>
Total capital assets	<u>5,064,847</u>	<u>5,221,634</u>
<b>Total Assets</b>	<b><u>\$ 9,931,306</u></b>	<b><u>\$ 9,490,603</u></b>
 <b><u>LIABILITIES:</u></b>		
Current Liabilities:		
Accounts payable	\$ 153,192	\$ 13,619
Accrued liabilities	39,429	40,594
Current portion of long-term debt	65,771	63,591
Total current liabilities	<u>258,392</u>	<u>117,804</u>
Noncurrent Liabilities:		
Long-term debt	<u>2,670,354</u>	<u>2,736,128</u>
Total Liabilities	<u>2,928,746</u>	<u>2,853,932</u>
 <b><u>NET POSITION:</u></b>		
Net investment in capital assets	2,328,722	2,421,915
Restricted	2,310,122	2,081,059
Unrestricted	<u>2,363,716</u>	<u>2,133,697</u>
Total Net Position	<u>7,002,560</u>	<u>6,636,671</u>
<b>Total Liabilities and Net Position</b>	<b><u>\$ 9,931,306</u></b>	<b><u>\$ 9,490,603</u></b>

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

**OKMULGEE COUNTY RURAL WATER DISTRICT NO. 6**  
Statement of Revenues, Expenses and Changes in Net Position  
For The Year Ended December 31, 2023

	<u>2023</u>	<u>-Memorandum- -Only- 2022</u>
<b>Operating Revenues:</b>		
Water sales	\$ 2,790,900	\$ 2,639,263
Fees and fines	204,133	194,238
Refunds/reimbursements	<u>34,256</u>	<u>59,728</u>
Total revenue from operations	<u>3,029,289</u>	<u>2,893,229</u>
<b>Operating Expenses:</b>		
Water purchases	1,232,761	988,224
Salaries and benefits	507,363	436,253
Payroll taxes	41,231	35,680
Employee retirement	40,150	9,118
Group health insurance	119,541	145,563
Repairs and maintenance	271,378	103,549
Vehicle expense	19,207	27,624
Telephone	8,988	11,484
Insurance	52,781	50,234
Dues and fees	28,639	25,540
Office expense and postage	54,518	54,174
Depreciation	303,662	311,193
Professional fees	47,932	49,709
Utilities	41,100	39,516
Contract labor	37,148	28,360
Miscellaneous	<u>45,310</u>	<u>29,039</u>
Total expenses from operations	<u>2,851,709</u>	<u>2,345,260</u>
Operating Income (Loss)	177,580	547,969
<b>Nonoperating Revenues (Expenses):</b>		
Benefit unit sales	233,100	218,730
Interest income	47,554	2,147
Interest paid on long-term debt	<u>(92,345)</u>	<u>(96,263)</u>
Total Nonoperating Revenues (Expenses)	<u>188,309</u>	<u>124,614</u>
Change in Net Position	365,889	672,583
Total Net Position, beginning of period	<u>6,636,671</u>	<u>5,964,088</u>
<b>Total Net Position, end of period</b>	<u><b>\$ 7,002,560</b></u>	<u><b>\$ 6,636,671</b></u>

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



## OKMULGEE COUNTY RURAL WATER DISTRICT NO. 6

### Statement of Cash Flows For the Year Ended December 31, 2023

	<b>2023</b>	<b>-Memorandum- -Only- 2022</b>
<b>Cash Flows from Operating Activities:</b>		
Receipts from customers	\$ 3,006,420	\$ 2,869,580
Payments to employees	(507,363)	(436,253)
Payments to vendors	(1,902,433)	(1,691,009)
Net Cash Provided by Operating Activities	596,624	742,318
<b>Cash Flows from Capital and Related Financing Activities:</b>		
Sale (purchase) of capital assets	(146,875)	(213,733)
Memberships purchased	233,100	218,730
Principal paid on long-term debt	(63,594)	(61,488)
Interest paid on long-term debt	(92,345)	(96,262)
Net Cash Provided by (used in) Capital and Related Financing Activities	(69,714)	(152,753)
<b>Cash Flows from Investing Activities:</b>		
Additions to restricted assets	(229,063)	(213,145)
Purchases of investments	(1,910)	(274)
Interest earned on investments	47,554	2,147
Net Cash Provided by (used in) Investing Activities	(183,419)	(211,272)
Net Increase (Decrease) in Cash	343,491	378,293
Cash and cash equivalents, beginning of period	1,856,829	1,478,536
<b>Cash and cash equivalents, end of period</b>	<b>\$ 2,200,320</b>	<b>\$ 1,856,829</b>
<b>Reconciliation of operating income (loss) to net cash provided by operating activities:</b>		
Operating Income	\$ 177,580	\$ 547,969
Adjustments to reconcile net income to net cash provided (used) by operating activities:		
Depreciation Expense	303,662	311,193
Change in assets and liabilities:		
(Increase) decrease in accounts receivable	(22,869)	(23,649)
(Increase) decrease in prepaid insurance	(157)	(772)
Increase (decrease) in accounts payable	139,573	(93,069)
Increase (decrease) in accruals	(1,165)	646
Net cash provided by operating activities	\$ 596,624	\$ 742,318

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

**OKMULGEE COUNTY RURAL WATER DISTRICT NO. 6**  
**Mounds, Oklahoma**

Notes to the Financial Statements  
December 31, 2023

**Note A – Significant Accounting Policies**

Nature of Organization

The Okmulgee County Rural Water District No. 6 (the District) was created under the provisions of Title 82 of Oklahoma Statutes, Section 1324.1 – 1324.35 and the Laws of the State of Oklahoma. The purpose of this District is to provide water services to users. The District is exempt from federal and state income taxes. The membership consists of approximately 3,862 members. The Board of Directors consists of seven members, listed on page 1. All Board members serve three-year terms.

Reporting Entity

The District is an independent, self-contained reporting entity with no associated component units. It is operated in a manner similar to a private business enterprise where the cost (expenses, including depreciation) of providing water services is financed through user charges. The District purchases its water from the City of Tulsa and the City of Okmulgee.

Measurement Focus, Basis of Accounting and Basis of Presentation – Fund Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with Generally Accepted Accounting Principles (GAAP) promulgated in the United States of America. The accounting and financial reporting treatment is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operation are included on the statement of net position. The operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total position. Depreciation expense is provided for capital assets based upon estimated useful lives. Financial activity is accounted for on the flow of economic resources measurement focus using the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

## OKMULGEE COUNTY RURAL WATER DISTRICT NO. 6

### Mounds, Oklahoma

#### Notes to the Financial Statements

December 31, 2023

#### Note A – Significant Accounting Policies – cont'd

##### Deposits and Investments

Oklahoma Statutes authorize the District to invest in certificates of deposit, repurchase agreements, passbooks, bankers' acceptances, and other available bank investments provided that all deposits are fully covered by approved securities pledged to secure those funds. In addition, the District can invest in direct debt securities of the United States unless such an investment is expressly prohibited by law.

Bank deposits are held at several financial institutions and are carried at cost. For purposes of statements of cash flows, the District considers cash and all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Custodial Credit Risk - At December 31, 2023, the District held deposits of \$4,639,304 at financial institutions. 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.

Investment Interest Rate Risk - The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Investment Credit Risk - The District has no policy that limits its investment choices other than the limitations of state law, as follows:

- a. Direct obligations of the U.S. Government, its agencies and instrumentalities to which the full faith and credit of the U.S. Government is pledged, or obligations to the payment of which the full faith and credit of the State is pledged.
- b. Certificates of deposits or savings accounts that are either insured or secured with acceptable collateral with in-state financial institutions, and fully insured certificates of deposit or savings accounts in out-of-state financial institutions.
- c. With certain limitation, negotiable certificates of deposit, prime bankers acceptances, prime commercial paper and repurchase agreements with certain limitations.
- d. County, municipal or school district tax supported debt obligations, bond or revenue anticipation notes, money judgments, or bond or revenue anticipation notes of public trusts whose beneficiary is a county, municipality or school district.
- e. Notes or bonds secured by mortgage or trust deed insured by the Federal Housing Administrator and debentures issued by the Federal Housing Administrator, and in obligations of the National Mortgage Association.

**OKMULGEE COUNTY RURAL WATER DISTRICT NO. 6**  
**Mounds, Oklahoma**  
Notes to the Financial Statements  
December 31, 2023

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

- f. Money market funds regulated by the SEC and in which investments consist of the investments mentioned in the previous paragraphs (a-d).

The investments held at December 31, 2023 are as follows:

	Wtd. Avg Maturity	Credit Rating	Market	Cost
Money market/checking	N/A	AAAm	\$ 4,364,470	4,364,470
Certificates of deposit	1.0 Yrs	N/A	274,835	274,835
<b>Total Deposits</b>			<b>\$ 4,639,305</b>	<b>4,639,305</b>

Concentration of Investment Credit Risk – The District places no limit on the amount it may invest in any one issuer. The District has the following of credit risk: 6% in certificates of deposit (\$274,835) and 94% in money market funds (\$4,364,470).

Fair Value of Financial Instruments – The District’s financial instruments include cash and cash equivalents, accounts receivable, accounts payable and notes payable. The District’s estimate of the fair value of all financial instruments does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying statement of net position. The carrying amount of these financial instruments approximates fair values because of the short maturity of these instruments.

Accounts Receivable

Billings for accounts receivable at December 31, 2023 were \$217,660. No allowance for doubtful accounts was computed because the effect of bad debts on the financial statements is not considered material.

Memorandum Totals

The “Memorandum Only” captions above the total columns mean that amounts are presented for comparison and information purposes only.

**OKMULGEE COUNTY RURAL WATER DISTRICT NO. 6**  
**Mounds, Oklahoma**  
Notes to the Financial Statements  
December 31, 2023

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

Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District carries commercial insurance, including workers compensation, for risk of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Equity Classification

Equity is classified as net position and displayed in three components:

1. Net investment in capital assets – Consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvements of those assets and adjusted for any deferred inflows and outflows of resources attributable to capital assets and related debt.
2. Restricted – Consists of restricted assets reduced by liabilities and deferred inflows or resources related to those assets, with restriction constraints placed on the use either by (a) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (b) laws through constitutional provisions of enabling legislation.
3. Unrestricted – Net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

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. The estimated useful lives of these assets are as follows:

Land	N/A
Office furniture & fixtures	3-10 years
Equipment & tools	5 years
Transportation equipment	5 years
Water & sewer system	50 years
Buildings	25 years

**OKMULGEE COUNTY RURAL WATER DISTRICT NO. 6**  
**Mounds, Oklahoma**

Notes to the Financial Statements  
December 31, 2023

**Note A – Significant Accounting Policies – cont'd**

The capital asset information for the District is shown below:

	12/31/2022			12/31/2023
	<u>Amount</u>	<u>Additions</u>	<u>Deletions</u>	<u>Amount</u>
Land	\$ 3,294	-	-	3,294
Buildings	271,549	15,637	-	287,186
Plant and water sys.	9,299,927	95,243	-	9,395,170
Vehicles and equip.	<u>895,649</u>	<u>35,995</u>	-	<u>931,644</u>
Total Capital Assets	10,470,419	146,875	-	10,617,294
Less: Accumulated Depreciation	<u>(5,248,785)</u>	<u>(303,662)</u>	-	<u>(5,552,447)</u>
Total	<u>\$ 5,221,634</u>	<u>(156,787)</u>	-	<u>5,064,847</u>

**Note B – Long-Term Debt**

Long-Term Debt consists of one 2012 USDA Rural Development note for water system expansion and improvements. This note is for a total of \$3,445,220 with an interest rate of 3.375%. The District is required to make monthly payments of \$13,092 on this note and began making payments in 2012. At December 31, 2023, the outstanding balance was \$2,736,125.

Balance, January 1, 2022	\$ 2,799,719
Less: Principal paid	<u>(63,594)</u>
Balance, December 31, 2023	<u>\$ 2,736,125</u>

In compliance with Rural Development note covenants, the certificate of deposit held at Triad Bank (\$163,012) is held by the District as a reserve investment. Twelve monthly payments on the note totals \$157,104, thus the reserve requirement has been met.

**OKMULGEE COUNTY RURAL WATER DISTRICT NO. 6**  
**Mounds, Oklahoma**  
Notes to the Financial Statements  
December 31, 2023

**Note B – Long-Term Debt – cont’d**

The scheduled maturities for future years, based on the current balance, are detailed as follows:

	Principal	Interest	Total
2024	\$ 65,771	91,333	157,104
2025	68,025	89,079	157,104
2026	70,357	86,747	157,104
2027	72,766	84,338	157,104
2028-32	403,012	382,508	785,520
2033-37	476,982	308,538	785,520
2038-42	564,529	220,991	785,520
2043-47	668,144	117,376	785,520
2048-53	346,539	28,407	374,946
Total	\$ 2,736,125	\$ 1,409,317	\$ 4,145,442

**Note C – Employee Retirement Plan**

The District has adopted a simplified employee pension (SEP) plan, which is self-directed and noncontributory. The District contributes 4% of the employee gross pay of each qualifying employee. Employees are eligible for the plan after two years of full-time employment and have attained the age of twenty-one years. The contribution by the District is computed and paid once a year, normally in December. For the 2023 fiscal year, the District contributed \$40,150. The District’s contribution was higher in 2023 due to the 2022 payment not being made until January 2023 and the 2023 payment being made in December 2023.

**Note D – Subsequent Events**

Management has evaluated subsequent events through January 23, 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.

**OKMULGEE COUNTY RURAL WATER DISTRICT NO. 6**  
**Schedule of Water Rates and Customers**  
**-Unaudited Information-**  
**December 31, 2023**

**Water Rates**

0 gallons	=	\$25.00 minimum bill
1 – 7,000 gallons	=	\$6.65 per 1,000 gallons
7,001 – 20,000 gallons	=	\$6.85 per 1,000 gallons
20,001 – 30,000 gallons	=	\$8.30 per 1,000 gallons
Over 30,000 gallons	=	\$9.30 per 1,000 gallons

**Water Loss**

	<u>2023</u>	<u>2022</u>
Total gallons purchased	280,056,710	277,322,370
Total gallons sold to District customers	(233,070,395)	(227,441,160)
Total water loss	<u>46,986,315</u>	<u>49,881,210</u>
Percentage of water loss	<u>16.78%</u>	<u>17.99%</u>

Source – Pump Total Report

**Customers**

The District had 3,862 customers at the close of the fiscal year.

Current membership/tap fee is \$3,000 per meter sign up.