

**Seminole County Rural Water, Sewer and
Solid Waste Management District No. 1
Wewoka, Oklahoma**

Financial Statements and
Reports of Independent Auditor

October 31, 2023

Audited by

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

Broken Arrow, Oklahoma

**Seminole County Rural Water, Sewer and Solid
Waste Management District No. 1
Wewoka, Oklahoma**

Board of Directors
October 31, 2023

Chairman

Scott Johnson

Vice Chairman

Ruth Reich

Secretary / Treasurer

Janice Bryant

Bookkeeper

Phallis Taylor

**Seminole County Rural Water, Sewer and
Solid Waste Management District No. 1
Wewoka, Oklahoma**

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Seminole County Rural Water District No. 1
Wewoka, Oklahoma

Report on the Audit of the Financial Statements

We have audited the accompanying modified cash basis financial statements of the Seminole County Rural Water District No. 1, Wewoka, Oklahoma (the District), as of and for the year ended October 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

As discussed in Note 1, the District prepares its financial statements on the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the modified cash basis financial position of the District as of October 31, 2023, and the respective changes in modified 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.

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, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. 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.

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 is 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 November 17, 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 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

November 17, 2023



BLEDSON, HEWETT & GULLEKSON
CERTIFIED PUBLIC ACCOUNTANTS, PLLLP

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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
Seminole County Rural Water District No. 1
Wewoka, 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 modified cash basis financial statements of the Seminole County Rural Water District No. 1, Wewoka, Oklahoma (the District), as of and for the year ended October 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 November 17, 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 (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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of audit results as 23-1, we identified a significant deficiency in the internal controls that was considered to be a material weakness.

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

November 17, 2023

**Seminole County Rural Water, Sewer and Solid
Waste Management District No. 1
Wewoka, Oklahoma**

Disposition of Prior Year's Significant Deficiencies
October 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.

**Seminole County Rural Water, Sewer and
Solid Waste Management District No. 1
Wewoka, Oklahoma**
Schedule of Audit Results
October 31, 2023

Section 1 – Summary of Auditor’s Results:

1. An unmodified opinion report was issued on the financial statements.
2. The audit reported one significant deficiency, item 2023-1 in the internal controls which was considered a material weakness.
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:

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 adjustment, 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 –

**SEMINOLE COUNTY RURAL WATER, SEWER AND SOLID
WASTE MANAGEMENT DISTRICT NO. 1
STATEMENT OF NET POSITION - MODIFIED CASH BASIS
OCTOBER 31, 2023**

	OCTOBER 31,	
<u>ASSETS</u>	2023	-Memorandum- -Only- 2022
Current Assets:		
Cash-		
Operating account	\$ 120,197	101,729
Restricted Assets:		
Cash-		
Reserve fund	4,766	4,760
Capital Assets:		
Water and sewer system	917,087	915,087
Land	2,300	2,300
Total capital assets	919,387	917,387
Less accumulated depreciation	(640,708)	(619,932)
Total capital assets (net)	278,679	297,455
Total Assets	\$ 403,642	403,944
<u>LIABILITIES AND NET POSITION</u>		
Current Liabilities:		
Current maturities of long-term debt	\$ 6,758	7,335
Long-Term Debt, less current maturities:		
Notes payable	29,426	36,185
Total Liabilities	36,184	43,520
Net Position:		
Temporarily Restricted	4,766	4,760
Unrestricted	362,692	355,664
Total net position	367,458	360,424
Total Liabilities and Net Position	\$ 403,642	403,944

The accompanying notes are an integral part of the financial statements

**SEMINOLE COUNTY RURAL WATER, SEWER AND SOLID
WASTE MANAGEMENT DISTRICT NO. 1
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - MODIFIED CASH BASIS
FOR YEAR ENDED OCTOBER 31, 2023**

	<u>2022-23</u>	<u>-Memorandum- -Only- 2021-22</u>
Revenue from Operations:		
Water sales	\$ 85,686	74,547
Sewer services	39,928	58,685
Late charges	2,373	2,221
Cut-off & connect charges	1,000	3,442
Benefit units	250	475
Service line fees	2,114	
Miscellaneous	4,741	3,517
Total revenue from operations	<u>136,092</u>	<u>142,887</u>
Expenses from Operations:		
Water purchases	27,481	25,577
Contracted labor	32,387	34,860
Contracted computer services	300	300
Depreciation	20,776	20,420
Sewer maintenance	17,477	31,992
Office & postage	4,667	3,385
Insurance	2,209	1,878
Utilities	2,626	634
Inspection	4,405	5,052
Miscellaneous	618	227
Professional fees	2,500	2,500
Repairs & maintenance	9,760	3,938
Bank charges	514	482
Dues & fees	1,742	553
Total expenses from water operations	<u>127,462</u>	<u>131,798</u>
Net Income (Loss) from Operations	8,630	11,089
Other Income:		
Interest earnings	<u>112</u>	<u>77</u>
Other Expenses:		
Interest paid on debt	<u>(1,708)</u>	<u>(1,851)</u>
Increase (decrease) in Net Position	7,034	9,315
Net Position, beginning of period	<u>360,424</u>	<u>351,109</u>
Net Position, end of period	<u><u>\$ 367,458</u></u>	<u><u>360,424</u></u>

The accompanying notes are an integral part of the financial statements

**Seminole County Rural Water, Sewer and Solid
Waste Management District No. 1
Wewoka, Oklahoma**

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

Note 1 – Significant Accounting Policies

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 basis of accounting is not in accordance with generally accepted accounting principles.

Cash

The District's accounts are with First United Bank and Security State Bank, Wewoka, Oklahoma and at October 31, 2023 are detailed as follows:

Maintenance and operation account (checking)	\$ 120,197
Reserve account	<u>4,766</u>
Total	<u>\$ 124,963</u>

Investments

All investments are stated at cost, which approximates market value unless otherwise indicated. The District had no outstanding investments at October 31, 2023.

Restricted Assets

In accordance with the loan agreement with Rural Development, the District is required to maintain a reserve fund in an amount equal to one year's loan payments. Accordingly, the District was required to have \$4,766 in the reserve account at October 31, 2023. The balance in the reserve account was \$4,766 at October 31, 2023.

**Seminole County Rural Water, Sewer and Solid
Waste Management District No. 1
Wewoka, Oklahoma**

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

Note 1 – Significant Accounting Policies – cont'd

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 for capital assets are detailed as follows:

Water System	40 years
Sewer System	40 years
Office and Other Equipment	10 years

Federal Income Tax

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

Collateral Pledged

It appears that all funds were adequately insured by the \$250,000 of FDIC coverage as of October 31, 2023.

Note 2 – Long-Term Debt

At October 31, 2023, long-term debt is summarized as follows:

Note 92-01, 5.00% mortgage payable to Rural Development, \$389 per month, October 27, 1999, maturing in 2032	\$ 32,538
Promissory note, 0% mortgage payable to Dept. of Commerce, \$365 per month, November 1, 2004, maturing in 2024	<u>3647</u>
 Total long-term debt	 <u>\$ 36,185</u>

**Seminole County Rural Water, Sewer and Solid
Waste Management District No. 1
Wewoka, Oklahoma**

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

Note 2 – Long-Term Debt – cont’d

The estimated maturities for long-term debt are as follows:

	<u>Rural Development</u>	<u>Department of Commerce</u>
2023 – 24	\$ 3,112	3,647
2024 – 25	3,271	0
2025 – 26	3,438	0
2026 – 32	20,018	0
2022 – 36	<u>2,699</u>	<u>0</u>
 Total	 <u>\$ 32,538</u>	 <u>8,022</u>

Note 3 – Insurance and Surety Bond Coverage

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

Note 4 – Subsequent Events

Management has evaluated subsequent events through November 17, 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.