

**Seminole County Rural Water, Sewer and
Solid Waste Management District No. 2
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. 2
Wewoka, Oklahoma**

Board of Directors
October 31, 2023

Chairman

Fred Argo

Vice-Chairman

(vacant)

Secretary/Treasurer

Eddie Neill

Members

Darrel Brown

David Christ

BOOKKEEPER

Phallis Taylor

**Seminole County Rural Water, Sewer and
Solid Waste Management District No. 2
Wewoka, Oklahoma**
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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Seminole County Rural Water District No. 2
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. 2, 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

In our opinion, the financial statements referred to above present fairly, in all material respects, the 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 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 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 December 1, 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

December 1, 2023



BLEDSON, HEWETT & GULLEKSON
CERTIFIED PUBLIC ACCOUNTANTS, PLLLP

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

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

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Board of Directors
Seminole County Rural Water District No. 2
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 financial statements of the Seminole County Rural Water District No. 2, 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 December 1, 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

December 1, 2023

**Seminole County Rural Water, Sewer and
Solid Waste Management District No. 2
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, Gas and Solid
Waste Management District No. 2
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 identified one significant deficiency in the internal controls over financial reporting, item 23-1, 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:

23-1 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 – Management agrees with this finding and will provide adequate staffing once annual collections increase enough to justify the extra expense.

**Seminole County Rural Water, Sewer, and
Solid Waste Management District No. 2
Statement of Net Position
October 31, 2023**

	October 31,	
	2023	Memorandum Only 2022
<u>ASSETS</u>		
Current Assets:		
Cash in bank	\$ 160,868	115,393
Investments	145,794	143,871
Prepaid insurance	1,131	522
Accounts receivable	14,173	15,388
Total current assets	321,966	275,174
Capital Assets:		
Water system & improvements	688,552	688,552
Less: accumulated depreciation	(386,967)	(373,103)
Total capital assets (net)	301,585	315,449
Other Assets:		
Security deposit - ORWAAG	1,046	1,046
TOTAL ASSETS	\$ 624,597	591,669
 <u>LIABILITIES</u>		
Current Liabilities:		
Accounts payable	\$ 28,214	0
Meter deposits	23,738	23,338
Total current liabilities	51,952	23,338
 <u>NET POSITION</u>		
Net investment in capital assets	301,585	315,449
Unrestricted assets	271,060	252,882
Total Net Position	572,645	568,331
TOTAL LIABILITIES AND NET POSITION	\$ 624,597	591,669

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

**Seminole County Rural Water, Sewer, and
Solid Waste Management District No. 2
Statement of Revenue, Expenses and Changes in Net Position
For The Year Ended October 31, 2023**

	<u>2022-23</u>	<u>Memorandum Only 2021-22</u>
Revenue from Operations:		
Water sales	\$ 119,664	127,717
Late charges	2,206	1,261
Reconnect fees	797	0
Benefit units	75	75
Service line fees	1,981	0
Miscellaneous	11,508	4,924
Total revenue from operations	<u>136,231</u>	<u>133,977</u>
Expenses from Operations:		
Salaries, taxes and contract labor	43,229	28,850
Depreciation	13,864	13,864
Water purchases	51,872	48,774
Office & Utilities	2,926	1,244
Insurance and bonds	1,329	2,228
Rent	225	300
Repairs and maintenance	6,265	7,155
Postage and box rental	493	394
Professional fees	2,500	2,500
Contract computer services	2,657	2,156
Miscellaneous	923	2,583
Water sampling	4,265	4,868
Dues and fees	3,424	1,295
Total expenses from operations	<u>133,972</u>	<u>116,211</u>
Operating Income (Loss)	2,259	17,766
Nonoperating Income:		
Interest earnings	<u>2,055</u>	<u>609</u>
Change in Net Position	4,314	18,375
Total Net Position, beginning of period	<u>568,331</u>	<u>549,956</u>
Total Net Position, end of period	<u>\$ 572,645</u>	<u>568,331</u>

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

**Seminole County Rural Water, Sewer, and
Solid Waste Management District No. 2
Statement of Cash Flows
For Year Ended October 31, 2023**

	2022-23	Memorandum Only 2021-22
Cash Flows from Operating Activities:		
Receipts from customers	\$ 137,847	129,861
Payments to vendors	(92,503)	(101,974)
Total cash flows from operating activities	45,344	27,887
Cash Flows from Investing Activities:		
Interest revenue	131	71
Net increase (decrease) in cash	45,475	27,958
Cash and cash equivalents, beginning of period	115,393	87,435
Cash and cash equivalents, end of period	\$ 160,868	115,393

Reconciliation of operating income (loss) to net cash provided by operating activities:

Operating Income	\$ 2,259	17,766
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation Expense	13,864	13,864
(Increase) decrease in accounts receivable	1,216	(4,717)
(Increase) decrease in prepaid insurance	(609)	449
Increase (decrease) in accounts payable	28,214	0
Increase (decrease) in meter deposits	400	525
Net Cash Provided by Operating Activities	\$ 45,344	27,887

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

**Seminole County Rural Water, Sewer and
Solid Waste Management District No. 2
Wewoka, Oklahoma**

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

Note 1 – Significant Accounting Policies

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 policy is in accordance with generally accepted accounting principles.

The District follows GASB Statement No. 34 “Basic Financial Statements and Management’s Discussion and Analysis for State and Local Government.” This statement establishes financial reporting requirements for state and local governments throughout the United States. It creates information and restructures much of the information that governments have presented in the past.

Cash

The District’s accounts are with Security State Bank, Wewoka, Oklahoma and First United Bank, Wewoka, Oklahoma and are detailed as follows:

	October 31,	
	2023	2022
Revenue account	\$ 161,909	115,393
Less: outstanding checks	(1,041)	0
Total	\$ 160,868	115,393

Investments

The bookkeeper is authorized by the Board of Directors to invest certain amounts of money from available funds. The types of investments available are specified in and limited by Oklahoma Statutes, which includes certificates of deposit and governmental securities. Investments are recorded on the financial records and in the financial statements at cost. Income from investments is recorded when collected.

**Seminole County Rural Water, Sewer and
Solid Waste Management District No. 2
Wewoka, Oklahoma**

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

Note 1 – Significant Accounting Policies – cont’d

Investments – cont’d

The District had the following outstanding investments at October 31, 2023:

Security State Bank, Wewoka, Oklahoma	
Certificate of Deposit No. 2979	\$ 58,657
Certificate of Deposit No. 2977	36,221
Certificate of Deposit No. 2819	39,015
Certificate of Deposit No. 2918	<u>11,901</u>
Total	<u>\$145,794</u>

Other Assets

The District purchased a security deposit with ORWAAG of \$1,046. The District made the deposit in lieu of an annual fee of \$25 for membership with ORWAAG. The deposit is interest bearing and will pay at the T-bill plus 3% interest rate one time per year.

Accounts Receivable

Billings for accounts receivable at October 31, 2023 were \$14,173. Allowance for doubtful accounts was not computed on this balance because uncollectibles do not have a material effect on the balance sheet.

Capital Assets

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:

Water system	40 years
Water meters	10 years
Equipment	5-7 years

**Seminole County Rural Water, Sewer and
Solid Waste Management District No. 2
Wewoka, Oklahoma**

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

Note 1 – Significant Accounting Policies – cont'd

Federal Income Tax

The District is exempt from Federal and State income taxes.

Collateral Pledged

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

Long-Term Debt

The District maintained no long-term debt at October 31, 2023.

Memorandum Totals

The “Memorandum Only” captions above the total columns means that totals are presented for overview information purposes only.

Note 2 – Insurance and Surety Bond Coverage

At October 31, 2023, the District had appropriate coverage against all major perils.

Note 3 – Pending Litigation

District officials are not aware of any pending or threatened litigation, claims or assessments or unasserted claims or assessments against the District.

Note 4 – Subsequent Events

Management has evaluated subsequent events through December 1, 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.