

MAJOR COUNTY RURAL WATER
DISTRICT #1,

Audit Report

For the Year Ending December 31, 2020

Prepared by:
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SCOTT NORTHRIP, CPA

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Independent Auditor's Report

To the Board of Directors of
Rural Water, Sewer, and Solid Waste Management District #1
Major County, Oklahoma

Report on the Financial Statements

I have audited the accompanying financial statements of Rural Water, Sewer, and Solid Waste Management District #1, Major County, Oklahoma (District), as of and for the years ended December 31, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair representation of these financial statements in accordance with the modified cash basis of accounting as described in Note 1; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted the audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence supporting the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Auditor's Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Rural Water, Sewer, and Solid Waste Management District #1, Major County, Oklahoma as of December 31, 2020 and 2019, and the respective changes in its net position and its cash flows for the years then ended in accordance with the modified cash basis of accounting as described in Note 1 of the financial statements.

Other Reporting Requirements by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, I have also issued my report dated May 26, 2021, on my consideration of the District's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grants. The purpose of that report is 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 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.

Scott Northrip, CPA

Certified Public Accountant

May 26, 2021

**Rural Water Sewer, & Solid Waste Management
District #1, Major County, OK**

Statement of Net Position (Modified Cash Basis)

As of December 31, 2020 and 2019

ASSETS:	<u>2020</u>	<u>2019</u>
Current Assets:		
Cash & Cash Equivalents (Note 6)	\$ 689,428	\$ 674,514
Investments (Note 7)	1,000	1,000
Total Current Assets	<u>\$ 690,428</u>	<u>\$ 675,514</u>
Noncurrent Assets:		
Easements	\$ 13,000	\$ 13,000
Capital Assets: (Note 5)		
Other Capital Assets, net of depreciation	1,573,565	1,594,039
Total Noncurrent Assets	<u>\$ 1,586,565</u>	<u>\$ 1,607,039</u>
 TOTAL ASSETS	 <u><u>\$ 2,276,993</u></u>	 <u><u>\$ 2,282,553</u></u>
 LIABILITIES AND NET POSITION:		
Current Liabilities:		
Accounts Payable	\$ -	\$ -
Interest Payable	-	-
Current Portion of Long-term Liabilities	-	-
Total Current Liabilities	<u>\$ -</u>	<u>\$ -</u>
Long-Term Liabilities:		
Notes Payable - net of current portion	<u>\$ -</u>	<u>\$ -</u>
Net Assets:		
Invested in Capital Assets	\$ 1,586,565	\$ 1,607,039
Unrestricted Fund Balance	690,428	675,514
Total Fund Balance	<u>\$ 2,276,993</u>	<u>\$ 2,282,553</u>
TOTAL NET POSITION	<u>\$ 2,276,993</u>	<u>\$ 2,282,553</u>
 TOTAL LIABILITIES AND NET POSITION	 <u><u>\$ 2,276,993</u></u>	 <u><u>\$ 2,282,553</u></u>

See accompanying notes to the financial statements.

**Rural Water Sewer, & Solid Waste Management
District #1, Major County, OK**

Combined Statement of Revenues & Expenses (Modified Cash Basis)
For the Years Ended December 31, 2020 and 2019

	2020	2019
OPERATING REVENUES:		
Water Sales	\$ 344,297	\$ 319,383
Late Fees	1,600	1,427
Sale of Supplies	1,604	6,689
Miscellaneous Revenues	356	515
Total Operating Revenues	\$ 347,857	\$ 328,014
OPERATING EXPENSES:		
Salaries	\$ 111,085	\$ 103,722
Depreciation Expense	87,667	77,857
Utilities	38,944	28,152
Repairs & Supplies	61,675	42,282
Insurance	13,003	7,916
Legal & Professional Fees	3,834	3,818
Transportation Expense	6,430	7,771
Contract Services	2,808	10,701
Chemicals	2,359	3,519
Communication Expenses	3,371	3,358
Office Supplies & Postage	6,620	10,448
Dues & Licenses	2,308	2,240
Director's Fees	1,180	1,320
Employee Benefits & Taxes	26,482	21,791
Travel	542	636
Miscellaneous Expense	1,354	1,863
Total Operating Expenses	\$ 369,662	\$ 327,394
OPERATING INCOME (LOSS)	\$ (21,805)	\$ 620
OTHER REVENUES (EXPENSES):		
Interest Revenues	\$ 5,545	\$ 8,836
Gain on Sale of Assets	1,700	18,070
Proceeds from Benefit Units	9,000	14,000
Total Other Revenues(Expenses)	\$ 16,245	\$ 40,906
NET INCOME	\$ (5,560)	\$ 41,526
Net Position, beginning of year	2,282,553	2,241,027
Net Position, end of year	\$ 2,276,993	\$ 2,282,553

See accompanying notes to the financial statements.

Rural Water Sewer, & Solid Waste Management District #1, Major County, OK

Comparative Statement of Cash Flows (Modified Cash Basis)
For the Years Ended December 31, 2020 and 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers	\$ 347,857	\$ 328,014
Payments to suppliers	(144,428)	(124,024)
Payments to employees	(137,567)	(125,513)
Net Cash Provided by Operating Activities	\$ 65,862	\$ 78,477
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Purchase of capital assets	\$ (67,193)	\$ (41,669)
Payments for Construction in Progress	-	-
Principal payments on notes payable	-	-
Interest paid on notes payable	-	-
Proceeds from sale of assets	1,700	23,000
Net Cash Used In Capital & Related Financing Activities	\$ (65,493)	\$ (18,669)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment Receipts	\$ 5,545	\$ 8,836
Proceeds from benefit units	9,000	14,000
Net Cash Provided from Investing Activities	\$ 14,545	\$ 22,836
INCREASE (DECREASE) IN CASH AND INVESTMENTS	\$ 14,914	\$ 82,644
Cash and Investment Balance - Beginning	675,514	592,870
CASH AND INVESTMENT BALANCE - ENDING	\$ 690,428	\$ 675,514
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:		
Operating Income (Loss)	\$ (21,805)	\$ 620
Adjustments to reconcile operating income to net cash provided (used) by Operating Activities:		
Depreciation expense	87,667	77,857
Change in current assets and liabilities:		
Accounts Receivable	-	-
Accounts Payable	-	-
Net Cash Provided from Operating Activities	\$ 65,862	\$ 78,477

See accompanying notes to the financial statements.

Rural Water, Sewer and Solid Waste Management District #1, Major County, OK

Notes to the Financial Statements
For the Years Ended December 31, 2020 and 2019

Note 1 - Significant Accounting Policies

Organization:

Rural Water, Sewer, and Solid Waste Management District #1, Major County, OK, was formed under the provisions of the Rural Water District Act, Title 82 of the laws of the State of Oklahoma. The District was formed for the purpose of constructing a water and distribution system to provide water for the designated area in Major County, OK to all members that have purchased a benefit unit. The District is governed by a board of directors elected by the members of the District.

Basis of Accounting:

The District is a proprietary fund type of entity and uses the modified cash basis of accounting which reports revenues when received and expenses when paid. The District is not required by state law to adopt a budget or report on budget comparisons in this report. This basis of accounting is considered as a comprehensive basis other than accounting principles generally accepted in the United States of America.

Capital Assets and Depreciation:

The District records its capital assets at their historical cost. Depreciation is calculated on each individual asset using the straight-line method of depreciation at the asset's estimated useful life. The District estimates the useful lives of the assets based on the type of asset. The lives range from 4 to 40 years.

Income Tax:

The District is exempt from federal and state income taxes under IRS Code Section 115 (a) as an agency of the State of Oklahoma.

Note 2 - Prior Period Adjustments

There were no prior period adjustments in the financial statements for the years ending December 31, 2020 or 2019.

Note 3 - Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that effect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Note 4 - Contingencies

The District entered into a Consent Order with the Water Quality Division of DEQ to eliminate effluent permit violations on the water system. The District agreed to pursue all possible options to bring their system into compliance.

**Rural Water, Sewer and Solid Waste Management
District #1, Major County, OK**

Notes to the Financial Statements
For the Years Ended December 31, 2020 and 2019

Note 5 - Capital Assets

	Balance 1/1/2020	Additions	Discarded	Balance 12/31/2020
Water System	\$ 2,985,123	37,093	-	\$ 3,022,216
Buildings	92,645	-	-	92,645
Vehicles	52,902	30,100	(22,802)	60,200
Equipment	95,887	-	-	95,887
Office Furniture	7,878	-	-	7,878
Total Assets	3,234,435	67,193	(22,802)	3,278,826
Less: Accumulated Depreciation	1,640,396	87,667	(22,802)	1,705,261
Net Fixed Assets	\$ 1,594,039	(20,474)	-	\$ 1,573,565

Note 6 - Components of Cash and Equivalents

	Date of Maturity	Interest Rate	Balance
Petty Cash	-	0.00%	\$ 26
Checking - CNB of Okarche	-	0.00%	73,089
Money Market - CNB of Okarche	-	0.10%	49,557
Savings - CNB of Okarche (CDBG)	-	0.17%	536
CD - Community Nat'l Bank	8/3/2021	0.60%	250,000
CD - Frontier State Bank	8/15/2021	1.05%	210,354
CD - All American Bank	10/23/2021	1.00%	105,866
	-		
Total Cash and Investments			\$ 689,428

CNB of Okarche has pledged securities of \$500,000 to insure balance over FDIC protection.

Note 7 - Investments

The District invested \$1,000 in the ORWAAG Insurance program. The investment is interest bearing and received \$26.88 and \$22.09 during the years ending December 31, 2020 and 2019, respectively.

Note 8 - Retirement Benefits

The District contributes to the participating employees 401K plan at a rate of 3% of the wages. The plan is administered by Primerica Shareholder Services.

Note 9 - Evaluation of Subsequent Events

The District's subsequent events have been evaluated through May 26, 2021, the date of the financial statements.

SCOTT NORTHRIP, CPA

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND INTERNAL CONTROL OVER FINANCIAL REPORTING PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors of
Rural Water, Sewer, and Solid Waste Management District #1
Major County, Oklahoma

I 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 basic financial statements of Rural Water, Sewer, and Solid Waste Management District #1, Major County, Oklahoma (District), as of and for the years ending December 31, 2020 and 2019, and have issued my report thereon dated May 26, 2021.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, I performed test of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Internal Control over Financial Reporting

In planning and performing my audit of the financial statements, I considered the District's internal control over financial reporting (internal control) to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the 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.

Report on Compliance and Internal Controls-Continued

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.

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.

Scott Northrip

Certified Public Accountant

May 26, 2021