

**Marshall County Water Corporation**

**Independent Auditors Report**

**As of and for the Years Ended  
June 30, 2021 and 2020**

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## Independent Auditors Report

To the Board of Directors  
Marshall County Water Corporation  
Madill, Oklahoma

### Report on the Financial Statements

We have audited the accompanying financial statements of the Marshall County Water Corporation (a nonprofit organization), which comprise the statement of financial position as of June 30, 2021 and 2020, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

### Management's Responsibility 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; 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

Our responsibility is to express opinions on these financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Marshall County Water Corporation, as of June 30, 2021 and 2020, and the changes in its net assets, and its cash flows for the years then ending in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### **Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated February 28, 2022, on our consideration of the Marshall County Water Corporation'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 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 Marshall County Water Corporation's internal control over financial reporting and compliance.

*Russell + Williams CPA's, P.C.*

Oklahoma City, Oklahoma  
February 28, 2022

Marshall County Water Corp.  
Statement of Financial Position  
June 30, 2021 and 2020

	2021	2020
<b>ASSETS</b>		
Cash	\$ 2,634,225.88	\$ 1,567,348.46
Certificate of Deposits	-	756,584.95
Cash - Restricted	295,113.23	663,864.00
Investments	5,220.00	5,220.00
Accounts Receivable (Less Allowance for Doubtful)	257,300.30	272,608.62
Membership Fees Receivable	84,252.00	106,332.00
Inventory	125,108.00	111,843.00
Prepaid Insurance	80,872.01	79,273.97
Total current assets	3,482,091.42	3,563,075.00
Capital assets, net	19,730,615.55	19,843,303.10
<b>TOTAL ASSETS</b>	<b>\$ 23,212,706.97</b>	<b>\$ 23,406,378.10</b>
 <b>LIABILITIES AND NET ASSETS</b>		
Accounts Payable	\$ 104,788.94	\$ 14,711.09
Payroll Taxes Payable	1,140.04	933.09
Accrued Interest Payable	-	6,711.45
Accrued Compensated Absences	44,843.24	75,287.15
Refundable Meter Deposits	25,586.00	25,586.00
Notes Payable - Current	576,085.89	623,572.00
Total current liabilities	752,444.11	746,800.78
Notes Payable - Long-term portion	9,953,093.31	10,617,146.24
Total Liabilities	10,705,537.42	11,363,947.02
 <b>NET POSITION</b>		
Without Donor Restrictions	12,212,056.32	11,378,567.08
With Donor Restrictions	295,113.23	663,864.00
Total Net Assets	12,507,169.55	12,042,431.08
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 23,212,706.97</b>	<b>\$ 23,406,378.10</b>

The accompanying notes are an integral part of these financial statements.

Marshall County Water Corp.  
Statement of Activities  
For the Year Ended June 30, 2021 and 2020

	2021	2020
Without Donor Restrictions		
Revenues:		
Water sales	\$ 4,103,566.66	\$ 3,463,467.29
Membership Fees	290,931.00	223,436.00
Interest Income	13,825.24	21,029.44
Other Income	20,934.20	29,220.12
Released from Restrictions	368,750.77	(81,858.32)
Total Revenues	4,798,007.87	3,655,294.53
Expenses:		
Advertising	1,301.82	1,204.18
Bank Fees	27,210.18	24,155.00
Chemicals & Supplies	463,465.27	425,002.15
Depreciation	894,868.33	876,594.29
DEQ Fees	30,592.28	28,130.24
Dues and Fees	5,715.00	4,607.94
Employee Benefits - Health Insurance	147,288.06	108,387.31
Insurance and Bonds	89,936.89	87,180.46
Interest	423,229.93	434,361.02
Leased Equipment	33,801.10	25,006.43
Professional Fees	215,381.66	132,882.64
Office Supplies and Expense	19,527.15	20,539.03
Other Expenses	193,917.56	150,344.44
Payroll Taxes	51,046.05	41,157.45
Pension Plan Expense	34,750.00	28,125.00
Postage	436.22	38,898.00
Purchase of Water	120,308.50	-
Repairs and Maintenance	298,688.31	192,333.56
Salaries and Wages	653,807.32	529,017.33
Travel and Education	479.88	15,175.99
Truck and Tractor Expense	60,010.65	75,193.40
Utilities and Telephone	198,756.47	151,448.07
Total Expenses	3,964,518.63	3,389,743.93
Increase (Decrease) in Net Assets Without Donor Restrictions	833,489.24	265,550.60
Net Assets with Donor Restrictions:		
Interest Income	-	9,637.07
Released From Restrictions	(368,750.77)	81,858.32
Increase in Net Assets With Donor Restrictions	(368,750.77)	91,495.39
Increase (Decrease) in Net Assets	464,738.47	357,045.99
Net Assets, Beginning of Year	12,042,431.08	11,685,385.09
Net Assets, End of Year	\$ 12,507,169.55	\$ 12,042,431.08

The accompanying notes are an integral part of these financial statements.

Marshall County Water Corp.  
Statement of Cash Flows  
For the Year Ending June 30, 2021 and 2020

	2021	2020
Cash Flows Provided (Used) by Operating Activities		
Increase (Decrease) in Net Assets	\$ 464,738.47	\$ 357,045.99
Adjustments to Reconcile Net Cash Provided (Used) by Operations:		
Depreciation	894,868.33	876,594.29
(Increase) Decrease in Receivables	37,388.32	(106,013.94)
(Increase) Decrease in Inventory	(13,265.00)	7,015.00
(Increase) Decrease in Prepaid Expenses	(1,598.04)	(8,737.81)
Increase (Decrease) in Payables	53,129.44	(3,499.08)
Net Cash Provided (Used) by Operating Activities	1,435,261.52	1,122,404.45
Cash Flows Provided (Used) by Investing Activities		
(Increase) Decrease in Certificate of Deposits	756,584.95	145,937.37
(Increase) Decrease in Restricted Reserves	368,750.77	(91,495.39)
Purchases of Fixed Assets	(782,180.78)	(244,265.63)
Net Cash Provided (Used) by Investing Activities	343,154.94	(189,823.65)
Cash Flows Provided (Used) by Financing Activities		
Principal paid on long term debt	(711,539.04)	(700,423.08)
Net Cash Flows From Capital and Related Financing Activiti	(711,539.04)	(700,423.08)
Net Increase (Decrease) in Cash	1,066,877.42	232,157.72
Cash, Beginning of the Year	1,567,348.46	1,335,190.74
Cash, End of the Year	\$ 2,634,225.88	\$ 1,567,348.46

The accompanying notes are an integral part of these financial statements.

**MARSHALL COUNTY WATER CORPORATION**  
**Notes to Basic Financial Statements**  
**June 30, 2021 and 2020**

**Note 1: Summary of Significant Accounting Policies**

Financial Reporting Entity

The Marshall County Water Corporation was incorporated on August 13, 1970. The Corporation is exempt from Federal and State income taxes under Section 501(C)(12) of the Internal Revenue Code. The purpose of the Corporation is to provide for the use and benefit of its members, a water works and distribution system.

Basis of Accounting

The financial statements of the Corporation have been prepared using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

Cash and Equivalents

For the purpose of the Statement of Cash Flows, the Corporation considers all highly liquid demand instruments purchased (excluding the restricted accounts) with a maturity of three months or less to be cash equivalents.

Inventory

Inventory which consist of pipe, fittings and chemicals are stated at cost.

Credit Risk

The Corporation maintains cash in demand deposits accounts with federally insured banks. At times, the balance in the accounts may be in excess of federally insured limits. When limits are exceeded, the financial institution pledges securities for the amount over the limit.

Financial instruments that potentially subject the Corporation to concentrations of credit risk consist principally of trade receivables. Credit risk is generally diversified due to the large number of members comprising the Corporation's customer base and each has a relatively small balance.

Risk Management

The Corporation 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 Corporation manages this risk through the purchase of commercial insurance policies. Claims are recognized when it is probable that a loss has occurred, and the amount of the loss can be reasonably estimated. In determining claims, events that might create claims, but for which non have been reported, are considered. The Corporation has had no claims that exceeded its insurance coverage.



**MARSHALL COUNTY WATER CORPORATION**  
**Notes to Basic Financial Statements**  
**June 30, 2021 and 2020**

Estimates

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

Income Tax Status

The Corporation qualifies as a tax-exempt organization under Section 501(C)(12) of the Internal Revenue Code and, therefore, has no provision for federal or state income taxes. The Corporation did not have taxable non-related business income during the fiscal years ended June 30, 2021 and 2020. The Corporation files information tax returns. The tax years that remain subject to examination by tax jurisdictions are 2021, 2020, and 2019.

Commitments and Contingencies

The Corporation participates in state and federally assisted loan and grant programs. These programs are subject to program compliance audits by grantors or their representatives. Accordingly, the Corporation's compliance with applicable loan and grant requirements will be established at some future date. The amount, if any, of expenses which may be disallowed by the granting agencies cannot be determined at this time although the Corporation expects such amounts, if any, to be immaterial.

The Corporation did not have any pending litigation or potential non-disclosed liabilities that management believes would have a material effect on the financial statements.

**Note 2: Accounts Receivable**

Accounts Receivable

Accounts receivables are amounts due from members for water services. An allowance for doubtful accounts has been set up for those accounts that have been due for greater than 90 days.

Accounts receivables as June 30, 2021 and 2020 consisted of the following:

	2021	2020
Customer Receivables	\$ 275,300	\$ 290,609
Allowance for Doubtful Accounts	(18,000)	(18,000)
Net	<u>\$ 257,300</u>	<u>\$ 272,609</u>

**Note 3: Membership Receivables**

The Corporation also has members who are paying their membership fees on an installment basis. Members who use this installment method make a \$100 down payment and an agreed upon monthly payment until the fee is paid in full. An allowance for doubtful accounts has been set up for those accounts that are in arrears for greater than one year. Membership receivables at June 30, 2021

**MARSHALL COUNTY WATER CORPORATION**  
**Notes to Basic Financial Statements**  
**June 30, 2021 and 2020**

and 2020 consisted of the following:

	2021	2020
Membership receivables	84,252	106,332
	\$ 84,252	\$ 106,332

**Note 4: Property and Equipment**

Fixed assets are carried at cost with depreciation being provided using the straight-line method. Maintenance and repairs are charged to expense as incurred. Improvements are capitalized. The following schedule summarizes the estimated useful lives of the various fixed asset categories and acquisitions for the years ended:

Capital asset activity for the year ended June 30, 2021 is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Water System	30,460,878	631,093	-	31,091,971
Land	478,649	-	-	478,649
Buildings	370,575	-	-	370,575
Equipment	772,514	120,173	-	892,687
Total	32,082,616	751,266	-	32,833,882
Less: Accumulated Depreciation	(12,239,312)	(863,954)	-	(13,103,266)
Net Capital Assets	\$ 19,843,304			\$ 19,730,616

Capital asset activity for the year ended June 30, 2020 is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Water System	30,350,554	110,324	-	30,460,878
Land	461,249	17,400	-	478,649
Buildings	370,575	-	-	370,575
Equipment	677,861	116,542	(21,889)	772,514
Total	31,860,239	244,266	(21,889)	32,082,616
Less: Accumulated Depreciation	(11,384,607)	(876,594)	21,889	(12,239,312)
Net Capital Assets	\$ 20,475,632			\$ 19,843,303

**Note 5: Restricted Reserves**

Restricted assets are cash and cash equivalents, whose use is limited by legal requirements. Restricted cash with fiscal agent represents amounts required by debt covenant to be segregated for debt payments and accrued interest on the notes.

**MARSHALL COUNTY WATER CORPORATION**  
**Notes to Basic Financial Statements**  
**June 30, 2021 and 2020**

**Note 6: Investments**

At June 30, 2021 and 2020, the Corporation held the following investments:

Oklahoma Rural Water Association:	
Assurance reserve cash deposit, at cost, earning interest at variable rates.	\$ 5,000
Federated Electric Company:	
Dividends previously invested, at cost	220
Total Investments	<u>\$ 5,220</u>

**Note 7: Long-Term Debt**

In August 2020, the Corporation consolidated all of its outstanding Rural Development debt into one note payable with a local bank to save on interest. This new note carries an interest rate of 3.89% and is for a term of 120 months. At the end of the term the Corporation will make a balloon payment to payoff the remaining portion. Payments of \$82,010, which includes interest, are to be made each month beginning on October 10, 2020. The balance of the loan at June 30, 2021 is \$10,529,179.

The following is a schedule of the annual payments:

Year	Payments	Principal	Interest
2022	984,121	576,086	408,035
2023	984,121	598,900	385,221
2024	984,121	622,617	361,504
2025	984,121	647,273	336,848
2026	984,121	672,906	311,215
2027-2031	8,423,731	7,411,398	1,012,333
	<u>\$ 13,344,334</u>	<u>\$ 10,529,179</u>	<u>\$ 2,815,155</u>

**Note 8: Accrued Compensated Absences**

Full-time employees are entitled to a minimum of two weeks (10 working days) of vacation pay each year after their first 90 days of employment. At June 30, 2021 and 2020, employees had accrued unused vacation and accrued comp time of \$44,843 and \$75,287.

**Note 9: Pension Plan**

During the year ended June 30, 2021 and 2020, the Corporation contributed \$34,750 and \$28,125 respectively, to employee individual retirement accounts. After being employed for 90 days, full-time employees and part-time employees can have \$100 and \$50 a month, respectively, contributed to their individual retirement accounts.

**MARSHALL COUNTY WATER CORPORATION**  
**Notes to Basic Financial Statements**  
**June 30, 2021 and 2020**

**Note 10: Water Purchase Agreement**

The Corporation purchases water under a 50-year contract from a local landowner, who is also the Corporation's attorney. The agreed upon purchase price is adjusted, after each five-year period, based on the relative change in the Consumer Price Index over the latest five-year period. The next price adjustment period is schedule to begin January 1, 2021. For the year ended June 30, 2021 and 2020 the Corporation purchased \$120,309 and \$-0- of water under this contract.

**Note 11: Fair Value of Financial Instruments**

The definition of fair value for financial reporting, establishes a framework for measuring fair value, and requires additional disclosure about the use of fair value measurements in an effort to make the measurement of fair value more consistent and comparable.

Level 1: Quoted prices in active markets for identical securities.

Level 2: Other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment spread and credit risk).

Level 3: Significant unobservable inputs (including the Corporation's own assumptions in determining the fair value of investments).

The Corporation's financial instruments include cash and cash equivalents, certificates of deposit, inventory, accounts receivable, accounts payable, and notes payable. The Corporation's estimate of fair value of all financial instruments does not differ materially from the aggregate carrying value of its financial instruments recorded in the accompanying statement of net position. The carrying amount of these financial instruments approximates fair value because of the short maturity of these instruments.

**Note 12: Evaluation of Subsequent Events**

The Corporation has evaluated subsequent events through February 28, 2022, which is the date the financial statements were issued.

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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

To the Board of Directors  
Marshall County Water Corporation  
Madill, Oklahoma

We have audited, in accordance with the 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 accompanying financial statements of Marshall County Water Corporation, which comprise the statement of financial position as of June 30, 2021, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated February 28, 2022.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Marshall County Water Corporation's internal control over financial reporting (internal control) to determine the 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 the Marshall County Water Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Marshall County Water Corporation'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 Marshall County Water Corporation's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. 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.

*Russell + Williams CPAs, P.C.*

Oklahoma City, Oklahoma  
February 28, 2022