

AUDIT REPORT

RURAL WATER, SEWER AND SOLID WASTE MANAGEMENT,
DISTRICT NO. 4, ATOKA COUNTY, OKLAHOMA

OCTOBER 31, 2021



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ATOKA COUNTY RURAL WATER, SEWER
AND SOLID WASTE MANAGEMENT, DISTRICT NO.4
OCTOBER 31, 2021

Table of Contents

	<u>Page</u>
Introductory Section:	
Board of Directors.....	3
Independent Auditor's Report.....	4-7
Basic Financial Statements:	
Exhibit A - Statement of Net Position.....	8
Exhibit B - Statement of Revenues, Expenses, and Changes in Net Position.....	9
Exhibit C - Statement of Cash Flows.....	10
Notes to the Financial Statements.....	11-23
Report Required by Government Auditing Standards:	
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 <i>Government Auditing Standards</i>	24-26
Schedule of Findings.....	27
Other Supplementary Information:	
Exhibit D Combining Statement of Net Position.....	28
Exhibit E Combining Statement of Revenues, Expenses and Changes in Net Position.....	29

ATOKA COUNTY RURAL WATER, SEWER
AND SOLID WASTE MANAGEMENT, DISTRICT NO.4
OCTOBER 31, 2021

BOARD OF DIRECTORS

<u>NAME</u>	<u>POSITION</u>
JAMES BRIGGS	CHAIRMAN
GARY COOPER	VICE-CHAIRMAN
WESLEY MOORE	TREASURER
JIM HARDMAN	SECRETARY
WILLIE ELDRIDGE	ASST. SECRETARY
JOE DANIEL	MEMBER
ROBERT D. CALVERT	MEMBER
KEVIN FEUERHELM	MEMBER
ROGER PITTMAN	MEMBER

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Atoka County Rural Water, Sewer and
Solid Waste Management, District No.4
Atoka, Oklahoma

Report on the Financial Statements

We have audited the accompanying financial statements of Atoka County Rural Water, Sewer and Solid Waste Management, District No. 4 as of and for the fiscal year ended October 31, 2021, as listed in the table of contents 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 the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion 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 of 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

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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 modified audit opinion.

Basis for Qualified Opinion

During the fiscal year ending October 31, 2021, accounting principles generally accepted in the United States of America, with the implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, began requiring Net Pension Liability information to be included in the financial statements, note disclosures and Required Supplementary Information. The requirements of Statement No. 68 have not been implemented by the District. The amount by which this departure would affect the assets, net position, and expenses of the District has not been determined.

Qualified Opinion

In our opinion, except for the effects of the matter described in the "Basis for Qualified Opinion" paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Atoka County Rural Water, Sewer and Solid Waste Management, District No. 4 as of October 31, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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Other Matters

Required Supplementary Information

Management has omitted the Management's Discussion and Analysis and Net Pension Liability Information that 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 who consider it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operation, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Supplementary and Other Information

The introductory section listed in the accompanying table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements of the District. Such additional 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 April 13, 2022, on our consideration of the Atoka County Rural Water, Sewer and Solid Waste Management, District No. 4's internal control over financial reporting and 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 Atoka County Rural Water, Sewer and Solid Waste Management, District No. 4's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government*

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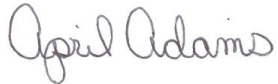
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Auditing Standards in considering Atoka County Rural Water, Sewer and Solid Waste Management, District No. 4's internal control over financial reporting and compliance.



April Adams CPA PLLC
Ponca City, Oklahoma

April 13, 2022

**ATOKA COUNTY RURAL WATER, SEWER
AND SOLID WASTE MANAGEMENT, DISTRICT NO. 4
STATEMENT OF NET POSITION
OCTOBER 31, 2021**

<u>ASSETS</u>	<u>2021</u>
<u>Current Assets:</u>	
Cash and Cash Equivalents	\$ 901,377
Investments	-
Accounts Receivable-Trade	236,820
Account Receivable - ODOT	6,699
ORWAAG Reserve Certificate	5,000
Total Current Assets	<u>1,149,896</u>
<u>Restricted Assets:</u>	
Rental Deposits	17,867
USDA RD Reserve	101,774
SLA Reserve	469,905
SLA - Certificate of Deposit	117,635
Construction	-
CDBG Reserve	8,678
Total Restricted Assets	<u>715,859</u>
<u>Capital Assets:</u>	
Water Distribution Facilities	13,902,145
Water Dist Facility Construction in Progress	-
Buildings	87,521
Office Furniture & Equipment	51,116
Land	38,601
Less: Accumulated Depreciation	<u>(7,971,376)</u>
Total Net Capital Assets	<u>6,108,007</u>
TOTAL ASSETS	<u><u>7,973,762</u></u>
<u>LIABILITIES</u>	
<u>Current Liabilities:</u>	
Accounts Payable - Trade	100,767
Payroll Taxes Payable	6,081
Accrued Interest Payable	8,698
Deferred Revenue - RD Grant	-
Rental Deposits	17,867
Current Maturities of Notes Payable	134,850
Total Current Liabilities	<u>268,263</u>
<u>Long-Term Liabilities:</u>	
Notes Payable - USDA Rural Development	3,832,752
Notes Payable - Oklahoma DOC (CDBG)	-
Notes Payable - Water Tech, Inc.	-
Less: Current Maturities	<u>(134,850)</u>
Total Long-Term Liabilities	<u>3,697,902</u>
TOTAL LIABILITIES	<u>3,966,165</u>
<u>NET POSITION</u>	
Net investment in capital assets	2,275,255
Restricted for debt service	697,992
Unrestricted	1,034,350
TOTAL NET POSITION	<u><u>\$ 4,007,597</u></u>

The accompanying notes are an integral part of the basic financial statements

**ATOKA COUNTY RURAL WATER, SEWER
AND SOLID WASTE MANAGEMENT, DISTRICT NO.4
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED OCTOBER 31, 2021**

	2021
<u>Operating Revenues:</u>	
Water Sales	\$ 1,943,520
Membership Dues and Connection Fees	66,710
Materials and Line Extensions	15,956
Miscellaneous Fees	1,050
Total Operating Revenues	2,027,236
<u>Operating Expenses:</u>	
Salaries	176,619
Contract Labor/Operator Fees	288,394
Employee Expense Allowance	36,648
Retirement Plan Expense	19,489
Water Purchases	477,520
Utilities	73,599
Repairs and Maintenance	503,758
Payroll Taxes	15,003
Office Supplies and Printing	19,650
Insurance	31,700
Accounting and Legal	7,190
Depreciation Expense	351,178
Permits and Fees	10,266
Administrative Expense	1,452
Supplies and Chemicals	80,868
Bad Debt	8,570
Miscellaneous	33,209
Total Operating Expenses	2,135,113
Operating Income (Loss)	(107,877)
<u>Non-Operating Revenues (Expenses):</u>	
Interest Income	8,339
Miscellaneous Income	13,852
Rental Income	-
Interest Expense	(167,905)
FEMA	-
Total Non-operating Revenues (Expenses)	(145,714)
Net Income (Loss) Before Contributions	(253,591)
Capital Contributions - Grant Income	-
Change in Net Position	(253,591)
Total Net Position - Beginning	4,261,188
Total Net Position - Prior Year Adjustment	-
Total Net Position - Ending	\$ 4,007,597

The accompanying notes are an integral part of the basic financial statements

ATOKA COUNTY RURAL WATER, SEWER
AND SOLID WASTE MANAGEMENT, DISTRICT NO.4
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED OCTOBER 31, 2021

	2021
<u>Cash Flows from Operating Activities:</u>	
Cash Receipts from Customers	\$ 1,943,403
Payments to Suppliers for Goods & Services	(1,271,388)
Payments to Employees & Laborers	(465,012)
Net Cash Provided (Used) by Operating Activities	207,003
<u>Cash Flows from Non-Capital Financing Activities:</u>	
FEMA	-
Transfers to restricted funds	(1,817)
Transfer from restricted funds	-
Net Cash Provided (Used) by Non-Capital Financing Activities	(1,817)
<u>Cash Flows from Capital & Related Financing Activities:</u>	
Capital Grant received for construction/purchase of capital assets	-
Capital Grant - Deferred Revenue	-
Additions to Capital Assets	(34,168)
Proceeds from sale of Capital Assets	-
Principal paid on Debt	(129,013)
Interest paid on Debt	(168,179)
Net Cash Provided (Used) by Capital & Related Financing Activities	(331,360)
<u>Cash Flows from Investing Activities:</u>	
Interest Income	8,339
Change in Restricted Assets	(5,852)
Grants - Reimbursable Income	-
Miscellaneous Income	13,852
Net Cash Provided (Used) by Investing Activities	16,339
Net Increase (Decrease) in Cash and Cash Equivalents	(109,835)
Cash & Cash Equivalents, Beginning of Year	1,011,212
Cash & Cash Equivalents, Prior Year Adjustment	-
Cash & Cash Equivalents, End of Year	\$ 901,377
<u>Reconciliation of operating income (loss) to net cash provided</u>	
<u>operating activities:</u>	
Operating Income (Loss)	\$ (107,877)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities	
Depreciation	351,178
Allowance for Uncollectable Accounts	(1,645)
(Increase)Decrease in Accounts Receivable-Trade	(2,937)
(Increase)Decrease in Other Assets	-
Increase(Decrease) in Customer Deposits	1,225
Increase(Decrease) in Accounts Payable	(35,561)
Increase(Decrease) in Other Payable	2,620
Net Cash Provided (Used) by Operating Activities	\$ 207,003

The accompanying notes are an integral part of the basic financial statements

ATOKA COUNTY RURAL WATER, SEWER
AND SOLID WASTE MANAGEMENT, DISTRICT NO.4
NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Atoka County Rural Water, Sewer and Solid Waste Management, District No.4 of Atoka County, Oklahoma was formed in 1979, pursuant to the Oklahoma Rural Water, Sewer, and Solid Waste Management District Act. The District operates as a nontaxable government entity to serve residents of a portion of rural Atoka County.

Accounting

In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments. Certain of the significant changes in the Statement include the following:

1. For the first time the financial statement should include:
 - a. A Management Discussion and Analysis (MD&A) section providing analysis of the District's overall financial position and results of operations. However, the District has chosen not to present the required MD&A for the current year.
 - b. Financial statements prepared using full accrual accounting for all of the District's activities, except for including the General capital assets or infrastructure (lines, pump stations, etc.).
2. A change in the fund financial statements to focus on major funds.

These and other changes are reflected in the accompanying financial statements (including the notes to the financial statements). The District has elected to implement the general provisions of the Statement and report infrastructure acquired after July 1, 2003 as provided by GASB standards.

ATOKA COUNTY RURAL WATER, SEWER
AND SOLID WASTE MANAGEMENT, DISTRICT NO.4
NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2021

Basis of Presentation

The accounts of the District are organized on the basis of proprietary fund type, specifically an enterprise fund. The activities of this fund are accounted for with a separate set of self-balancing accounts that comprise the District's assets, liabilities, net assets, revenues and expenses. Enterprise Funds account for activities (1) that are financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity; or (2) that are required by laws or regulations that the activity's costs of providing services, including capital costs (such as depreciation or debt service), be recovered with fees and charges, rather than with taxes or similar revenues; or (3) that the pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs (such as depreciation or debt service).

Basis of Accounting

The proprietary fund type is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of this fund are included on the balance sheet. Fund equity consists of contributed capital and retained earnings. Proprietary fund type operating statements present increases (e.g. revenues) and decreases (e.g. expenses) in net total assets. The accrual basis of accounting is utilized by the proprietary fund type. Under this basis of accounting revenues are recognized when earned and expenses are recognized when the related liability is incurred.

Cash and Cash Equivalents

GASB Statement No. 9, paragraph 9, defines cash equivalents as "short-term, highly liquid investments that are both readily convertible to known amounts of cash" and "so near their maturity that they present insignificant risk of changes in value because of changes in interest rates." Investments with a remaining maturity of three months or less at the date of purchase by the entity holding the investment meet this definition of a cash equivalent.

ATOKA COUNTY RURAL WATER, SEWER
AND SOLID WASTE MANAGEMENT, DISTRICT NO.4
NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2021

Accounts Receivable

Accounts receivable consist of the utilities billed that had not been collected at October 31, 2021.

Inventory

Inventory of supplies is not reported on the financial statements of the District. The amount of inventory on hand is not material to the financial statements.

Property and Equipment

Water distribution facilities, office furniture and equipment purchased or constructed by the District are stated at cost. Depreciation is computed on the straight-line method based on the estimated useful lives of the assets ranging from five to forty years.

Construction in progress is recorded at cost. No depreciation is recognized until contracts are complete and the applicable facilities become operational.

Capitalization Policy:

Purchases of capital items in excess of \$1,000.00 that increase the capacity or operation efficiency or extend the useful life of any asset are capitalized. Repairs and maintenance are expensed as incurred

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.

ATOKA COUNTY RURAL WATER, SEWER
AND SOLID WASTE MANAGEMENT, DISTRICT NO.4
NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2021

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) law through constitutional provisions or enabling legislation.
3. Unrestricted—Net amounts 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.

It is the District's policy to first use restricted net resources prior to the use of unrestricted net resources when an expense is incurred for purposes for which both restricted and unrestricted net resources are available.

Revenues, expenditures & expenses

Operating revenues and expenses for proprietary funds result from providing services and producing and delivering goods and/or services. They also include all revenues and expenses not related to capital and related financing, noncapital financing, or investing activities.

Memorandum Totals

The "Memorandum Only" captions above the total columns mean that totals are presented for overview information purposes only.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

As a local government unit, the District is subject to various federal, state, and local laws and contractual regulations. In accordance with Government Auditing Standards, the auditor has issued a report on his consideration of the District's internal control over financial reporting and tested its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in compliance with Government Auditing Standards and should be read in conjunction with this report in considering the results of the audit.

ATOKA COUNTY RURAL WATER, SEWER
AND SOLID WASTE MANAGEMENT, DISTRICT NO.4
NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2021

Finance-related Legal & Contractual Provisions

The loan agreement with the United States Department of Agriculture Rural Development (USDA) requires the District to set aside into a Reserve Account an accumulated amount equal to the sum of the annual installment for all RD loans \$297,192.00 (\$38,748, \$27,540, \$94,812, \$9,900 & \$126,192), after which deposits may be suspended, except to replace withdrawals. The District cannot withdraw funds from the reserve account without USDA approval.

Deficit Fund Balance or Retained Earnings

As indicated in the financial statements, there are no fund balance or retained earnings deficits for the District for this fiscal year.

NOTE 3 - AGED ACCOUNTS RECEIVABLE

Accounts receivable of the Atoka County Rural Water, Sewer and Solid Waste Management, District No.4, and the Treatment Water Plant are aged as follows at October 31, 2021:

	Water District	Water Plant	Total
CURRENT	\$ 125,979	\$ 52,711	\$ 178,690
01-30 DAYS	20,407	-	20,407
31-60 DAYS	9,793	-	9,793
61+ DAYS	73,715	-	73,715
Overpayments/Prepayments	(17,703)	-	(17,703)
Total Accounts Receivable	<u>212,191</u>	<u>52,711</u>	<u>264,902</u>
Less: Allowance for Doubtful Accounts	(28,082)	-	(28,082)
Total Accounts Receivable	<u>\$ 184,109</u>	<u>\$ 52,711</u>	<u>\$ 236,820</u>

NOTE 4 - ACCUMULATED UNPAID VACATION AND SICK LEAVE BENEFITS

Accumulated unpaid vacation benefits have not been shown as a liability in the financial statements. The District's position is that any accrued benefits are not significant and would not materially affect the financial statements.

ATOKA COUNTY RURAL WATER, SEWER
AND SOLID WASTE MANAGEMENT, DISTRICT NO.4
NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2021

NOTE 5 - CUSTODIAL CREDIT RISK RELATED TO DEPOSITS

Custodial Credit Risk

At October 31, 2021, the District held deposits of approximately \$1,617,236 at financial institutions. The District's cash deposits, including interest-bearing certificates of deposit are 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 limitation 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.

ATOKA COUNTY RURAL WATER, SEWER
AND SOLID WASTE MANAGEMENT, DISTRICT NO.4
NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2021

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

NOTE 6 - RESTRICTED ASSETS

The District maintains a reserve account at First Bank, Atoka, Oklahoma that funds the reserve contributions as required by the USDA Rural Development Loan Resolution Security Agreements. During the fiscal year 1999, the District received a loan from the Stringtown Public Facilities Authority through the Oklahoma Department of Commerce which requires a reserve fund. The District designated a savings account to fully fund the required reserve.

Restrictions on restricted assets are as follows:

Reserve Funds	-Use is Restricted for Debt Service per USDA & DOC loan agreements
Security Deposits	-Use is Restricted to deposit and refund water meter security deposits
Construction	-Use is Restricted to unforeseen repairs
SLA Accounts	-Use is Restricted for replacement of Short Lived Assets

ATOKA COUNTY RURAL WATER, SEWER
AND SOLID WASTE MANAGEMENT, DISTRICT NO.4
NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2021

NOTE 7 - CAPITAL ASSETS

Capital asset activity, for the fiscal year ended October 31, 2021, was as follows:

	10/31/20 Balance	Additions	Deductions	10/31/21 Balance
Capital assets not being depreciated:				
Land	\$ 38,601	\$ -	\$ -	\$ 38,601
Construction in Progress	-	-	-	-
Total capital assets not being depreciated	38,601	-	-	38,601
Other capital assets:				
Water Distribution Facilities	13,867,977	34,168	-	13,902,145
Buildings	87,521	-	-	87,521
Office Furniture & Equipment	51,116	-	-	51,116
Total other capital assets at historical cost	14,006,614	34,168	-	14,040,782
Less accumulated depreciation for:				
Water Distribution Facilities	(7,527,765)	(349,160)	-	(7,876,925)
Buildings	(42,274)	(1,777)	-	(44,051)
Office Furniture & Equipment	(50,159)	(241)	-	(50,400)
Total accumulated depreciation	(7,620,198)	(351,178)	-	(7,971,376)
Other capital assets, net	6,386,415	(317,010)	-	6,069,406
Total Capital Assets, net	\$ 6,425,017	\$ (317,010)	\$ -	\$ 6,108,007

The capital assets addition included water meters and aerator/tower.

NOTE 8 - LONG-TERM DEBT

USDA RURAL DEVELOPMENT (RD)

The District is indebted to USDA Rural Development under the terms of five forty-year installment note which are collateralized by the District's plant and distribution facilities. One note is payable in monthly installments of \$3,229.00 at an interest rate of 5.0% for forty years. The second is payable in monthly installments of \$2,295.00 at an interest rate of 4.5% for forty years. The third is payable in monthly installments of \$7,901.00 with an interest rate at 4.5% for forty years. The fourth note is payable in monthly installments of \$825.00 with an interest rate of 2.5% for forty years. The fifth note is payable in monthly installments of \$10,516.00 with an interest rate of 4.25% for forty years. The notes will mature in 2031, 2035, 2042, 2049 and 2049, respectively.

ATOKA COUNTY RURAL WATER, SEWER
AND SOLID WASTE MANAGEMENT, DISTRICT NO.4
NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2021

Changes in Long-Term Debt

The following is a summary of changes in long-term debt for the year ended October 31, 2021:

	Balance at October 31, 2020	Additions	Deductions	Balance at October 31, 2021
Note Payable - USDA RD 91-11	\$ 326,550.79	\$ -	\$ (22,941.72)	\$ 303,609.07
Note Payable - USDA RD 91-13	\$ 293,731.07	\$ -	\$ (14,621.35)	\$ 279,109.72
Note Payable - USDA RD 91-15	\$ 1,116,200.84	\$ -	\$ (45,514.61)	\$ 1,070,686.23
Note Payable - USDA RD 91-18	\$ 203,841.11	\$ -	\$ (4,859.45)	\$ 198,981.66
Note Payable - USDA RD 91-20	\$ 2,021,439.78	\$ -	\$ (41,075.47)	\$ 1,980,364.31
Total Long-Term Debt	<u>\$ 3,961,763.59</u>	<u>\$ -</u>	<u>\$ (129,012.60)</u>	<u>\$ 3,832,750.99</u>

A summary of future maturities of principal and interest are as follows:

Year Ending October 31,	Notes Payable - RD #91-11		
	Principal	Interest	Total
2022	\$ 24,115	\$ 14,633	\$ 38,748
2023	25,349	13,399	38,748
2024	26,646	12,102	38,748
2025	28,009	10,739	38,748
2026	29,442	9,306	38,748
2027-2031	170,048	22,325	192,373
Total	<u>\$ 303,609</u>	<u>\$ 82,504</u>	<u>\$ 386,113</u>

Year Ending October 31,	Notes Payable - RD #91-13		
	Principal	Interest	Total
2022	\$ 15,293	\$ 12,247	\$ 27,540
2023	15,995	11,545	27,540
2024	16,730	10,810	27,540
2025	17,499	10,041	27,540
2026	18,303	9,237	27,540
2027-2031	104,926	32,774	137,700
2032-2035	90,363	7,589	97,952
Total	<u>\$ 279,110</u>	<u>\$ 94,242</u>	<u>\$ 373,352</u>

ATOKA COUNTY RURAL WATER, SEWER
AND SOLID WASTE MANAGEMENT, DISTRICT NO.4
NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2021

Year Ending October 31,	Notes Payable - RD #91-15		
	Principal	Interest	Total
2022	\$ 47,589	\$ 47,223	\$ 94,812
2023	49,776	45,036	94,812
2024	52,079	42,733	94,812
2025	54,472	40,340	94,812
2026	56,974	37,838	94,812
2027-2031	326,622	147,438	474,060
2032-2036	408,864	65,196	474,060
2037	74,278	1,469	75,746
Total	<u>\$ 1,070,654</u>	<u>\$ 427,272</u>	<u>\$ 1,497,926</u>

Year Ending October 31,	Notes Payable - RD #91-18		
	Principal	Interest	Total
2022	\$ 4,982	\$ 4,918	\$ 9,900
2023	5,108	4,792	9,900
2024	5,237	4,663	9,900
2025	5,370	4,530	9,900
2026	5,506	4,394	9,900
2027-2031	29,689	19,811	49,500
2032-2036	33,637	15,863	49,500
2037-2041	38,111	11,389	49,500
2042-2046	43,180	6,320	49,500
2047-2049	28,160	1,081	29,242
Total	<u>\$ 198,982</u>	<u>\$ 77,760</u>	<u>\$ 276,742</u>

Year Ending October 31,	Notes Payable - RD #91-20		
	Principal	Interest	Total
2022	\$ 42,855	\$ 83,337	\$ 126,192
2023	44,712	81,480	126,192
2024	46,650	79,542	126,192
2025	48,672	77,520	126,192
2026	50,781	75,411	126,192
2027-2031	288,886	342,074	630,960
2032-2036	357,150	273,810	630,960
2037-2041	441,545	189,415	630,960
2042-2046	545,883	85,077	630,960
2047	113,231	2,383	115,613
Total	<u>\$ 1,980,364</u>	<u>\$ 1,290,049</u>	<u>\$ 3,270,413</u>

ATOKA COUNTY RURAL WATER, SEWER
AND SOLID WASTE MANAGEMENT, DISTRICT NO.4
NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2021

NOTE 9 - RELATED PARTY TRANSACTIONS

The construction of a treatment water plant was completed and became operational by the District in fiscal year 1993. The Board of Directors for the District is the governing body for the treatment plant. The treatment plant buys water from the McGee Creek Authority and in turn sells water to Rural Water, Sewer, and Solid Waste Management, District No 4 at a rate of \$3.66 per 1,000 gallons of water. The sales to Atoka County Rural Water, Sewer and Solid Waste Management, District No.4 have been eliminated by interfund blending. The treatment plant sells water to other water districts at a negotiated rate of \$3.74 to \$3.80 per 1,000 gallons of water.

NOTE 10 - INTERFUND ACTIVITY

In the process of aggregating the financial information for the Statement of Net Position, Statement of Revenues, Expenses and Changes in Net Position, and Statement of Cash Flows, some amounts reported as related activity and balances in the combining financial statements have been eliminated or reclassified.

Interfund activity between Atoka County Rural Water, Sewer and Solid Waste Management, District No.4 and the water treatment plant have been eliminated in the basic financial statements. The interfund activities consist of sales or purchases of water between the funds and are reported as revenues and expenditures and/or accounts receivable and accounts payable in the supplemental schedules.

NOTE 11 - ESTIMATES

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

NOTE 12 - RISK MANAGEMENT

The District's risk management of loss consists of commercial insurance for property and liability losses, an employee's bond for employee dishonesty, and worker's compensation. There have been no significant reductions in insurance coverage during the year ended October 31, 2021.

ATOKA COUNTY RURAL WATER, SEWER
AND SOLID WASTE MANAGEMENT, DISTRICT NO.4
NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2021

NOTE 13 - CONTINGENCIES

Litigation

The management of the Atoka County Rural Water, Sewer and Solid Waste Management, District No. 4 is not aware of any contingent liabilities at October 31, 2021 which would materially affect the District's financial statements.

Federally Assisted Programs

In the normal course of operations, the District participates in various federal or state/loan programs from year to year. The grant/loan programs are often subject to additional audits by agents of the granting or loaning agency, the purpose of which is to ensure compliance with the specific conditions of the grant or loan. Any liability of reimbursement that may arise as a result of these audits cannot be reasonably determined at this time, although it is believed the amount, if any, would not be material.

NOTE 14 - RETIREMENT PLAN

During the fiscal year, the District participated in the Oklahoma Public Employees Retirement System. The minimum contribution is 18% with the District contributing 11.5% of the minimum. Four out of five employees are in the Step-Up Program.

The total contributions for the fiscal year ending October 31, 2021, for employer and employee were \$19,314.03 and \$17,732.69, respectively, on total wages of \$167,947.84.

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* took effect for governments in fiscal years beginning after June 30, 2014 (that is, for years ended June 30, 2015 or later). Management has determined that it would not be cost effective to compile the required information for implementing Statement No. 68 and the amounts are not expected to be material to the financial statements and therefore, the required information has not been included in the financial statements.

NOTE 15 - SUBSEQUENT EVENTS

The District did not have any subsequent events through April 13, 2022, which is the date the financial statements were issued, for

ATOKA COUNTY RURAL WATER, SEWER
AND SOLID WASTE MANAGEMENT, DISTRICT NO.4
NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2021

events requiring recording or disclosure in the financial statements for the year ending October 31, 2021.

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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
Atoka County Rural Water, Sewer and
Solid Waste Management, District No. 4
Atoka, 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 financial statements of the Atoka County Rural Water, Sewer and Solid Waste Management, District No. 4, as of and for the year ended October 31, 2021, and the related notes to the financial statements, and have issued our report thereon dated April 13, 2022, which was qualified because the District has not implemented GASB Statement No. 68, Accounting and Financial Reporting for Pensions. Management has omitted the MD&A and Net Pension Liability Information required by accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Atoka County Rural Water, Sewer and Solid Waste Management, District No. 4'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Atoka County Rural Water, Sewer and Solid Waste Management, District No. 4's internal control. Accordingly, we do not express an opinion on the effectiveness of Atoka County Rural Water, Sewer and Solid Waste Management, District No. 4'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

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deficiency, or 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. We did identify certain deficiencies in internal control described in the accompanying Schedule of Findings that we consider to be material weaknesses as Item 21-01.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Atoka County Rural Water, Sewer and Solid Waste Management, District No. 4's financial statements are free of material misstatement, we performed tests of compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance 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*.

Atoka County Rural Water, Sewer and Solid Waste Management, District No. 4's Response to Findings

Atoka County Rural Water, Sewer and Solid Waste Management, District No. 4's response to the findings identified in our audit is described in the accompanying Schedule of Findings. Atoka County Rural Water, Sewer and Solid Waste Management, District No. 4's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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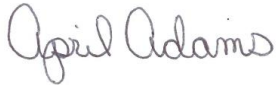
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Purpose of this Report

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.



April Adams CPA PLLC
Ponca City, Oklahoma

April 13, 2022

ATOKA COUNTY RURAL WATER, SEWER
AND SOLID WASTE MANAGEMENT, DISTRICT NO.4
SCHEDULE OF FINDINGS
OCTOBER 31, 2021

INTERNAL CONTROL FINDINGS:

Item 21-01: Segregation of Duties

Criteria: A good system of internal control requires a proper segregation of duties to prevent one person from being in a position to authorize, execute, and record the same transaction.

Condition: Due to the size of the District's major areas of internal control, that would be prevalent in a larger District, such segregation of duties is not available for this size operation. Duties are concentrated in the hands of a few individuals, who are responsible for all phases of the accounting functions. Because of this lack of division of responsibility, internal control is determined to be weak, and in some instances, non-existent.

Cause/Effect: Due to the limited number of personnel, a breach of internal controls could occur and not be detected in the normal course of operations.

Recommendation: Some compensating controls have been implemented by requiring the Boards approval and signature for all expenditures. The Board should continue to be actively involved in the operations of the organization.

Response: The Board continues to be actively involved in the operations of the District.

ATOKA COUNTY RURAL WATER, SEWER
AND SOLID WASTE MANAGEMENT, DISTRICT NO. 4
COMBINING STATEMENT OF NET POSITION
OCTOBER 31, 2021

	Enterprise Funds			
	Water District	Water Plant	Consolidation	Total
<u>ASSETS</u>				
<u>Current Assets:</u>				
Cash in Bank: Operating	\$ 756,534	\$ 144,843	\$ -	\$ 901,377
Accounts Receivable - Choctaw Nation	-	-	-	-
Accounts Receivable-Trade	184,109	95,640	(42,929)	236,820
Accounts Receivable-Plant	5,201	-	(5,201)	-
ODOT Receivable	6,699	-	-	6,699
ORWAAG Reserve Certificate	5,000	-	-	5,000
Total Current Assets	<u>957,543</u>	<u>240,483</u>	<u>(48,130)</u>	<u>1,149,896</u>
<u>Restricted Assets:</u>				
Rental Deposits	17,867	-	-	17,867
USDA RD Reserve	101,774	-	-	101,774
SLA Reserve	469,905	-	-	469,905
SLA - Certificate of Deposit	117,635	-	-	117,635
Construction	-	-	-	-
CDBG Reserve	8,678	-	-	8,678
Total Restricted Assets	<u>715,859</u>	<u>-</u>	<u>-</u>	<u>715,859</u>
<u>Capital Assets:</u>				
Water Distribution Facilities	7,352,354	6,549,791	-	13,902,145
Water Dist Facility Construction in Progress	-	-	-	-
Buildings	87,521	-	-	87,521
Office Furniture & Equipment	51,116	-	-	51,116
Land	38,601	-	-	38,601
Less: Accumulated Depreciation	<u>(5,183,994)</u>	<u>(2,787,382)</u>	<u>-</u>	<u>(7,971,376)</u>
Total Net Capital Assets	<u>2,345,598</u>	<u>3,762,409</u>	<u>-</u>	<u>6,108,007</u>
TOTAL ASSETS	<u>4,019,000</u>	<u>4,002,892</u>	<u>(48,130)</u>	<u>7,973,762</u>
<u>LIABILITIES</u>				
<u>Current Liabilities:</u>				
Accounts Payable - Trade	87,126	56,570	(42,929)	100,767
Accounts Payable - District	-	5,201	(5,201)	-
Payroll Taxes Payable	3,514	2,567	-	6,081
Accrued Interest Payable	3,044	5,654	-	8,698
Deferred Revenue - RD Grant	-	-	-	-
Current Maturities of Notes Payable	71,901	62,949	-	134,850
Total Current Liabilities	<u>165,585</u>	<u>132,941</u>	<u>(48,130)</u>	<u>250,396</u>
<u>Other Liabilities:</u>				
Rental Deposits	17,867	-	-	17,867
<u>Long-Term Liabilities:</u>				
Notes Payable - USDA Rural Development	1,465,921	2,366,831	-	3,832,752
Notes Payable - Oklahoma DOC (CDBG)	-	-	-	-
Notes Payable - Water Tech, Inc.	-	-	-	-
Less: Current Maturities	<u>(71,901)</u>	<u>(62,949)</u>	<u>-</u>	<u>(134,850)</u>
Total Long-Term Liabilities	<u>1,394,020</u>	<u>2,303,882</u>	<u>-</u>	<u>3,697,902</u>
TOTAL LIABILITIES	<u>1,577,472</u>	<u>2,436,823</u>	<u>(48,130)</u>	<u>3,966,165</u>
<u>NET POSITION</u>				
Net investment in capital assets	879,677	1,395,578	-	2,275,255
Restricted for debt service	697,992	-	-	697,992
Unrestricted	863,859	170,491	-	1,034,350
TOTAL NET POSITION	<u>\$ 2,441,528</u>	<u>\$ 1,566,069</u>	<u>\$ -</u>	<u>\$ 4,007,597</u>

The accompanying notes are an integral part of the basic financial statements

**ATOKA COUNTY RURAL WATER, SEWER
AND SOLID WASTE MANAGEMENT, DISTRICT NO.4
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED OCTOBER 31, 2021**

	Enterprise Funds			
	Water District	Water Plant	Consolidation	Total
Operating Revenues:				
Water Sales	\$ 1,486,324	\$ 1,081,237	\$ (624,041)	\$ 1,943,520
Membership Dues and Connection Fees	66,710	-	-	66,710
Materials and Line Extensions	15,956	-	-	15,956
Miscellaneous Fees	1,050	-	-	1,050
Total Operating Revenues	1,570,040	1,081,237	(624,041)	2,027,236
Operating Expenses:				
Salaries	129,384	47,235	-	176,619
Contract Labor/Operator Fees	216,740	71,654	-	288,394
Employee Expense Allowance	36,648	-	-	36,648
Retirement Plan Expense	14,612	4,877	-	19,489
Water Purchases	624,041	477,520	(624,041)	477,520
Utilities	12,764	60,835	-	73,599
Repairs and Maintenance	438,085	65,673	-	503,758
Payroll Taxes	10,917	4,086	-	15,003
Office Supplies and Printing	19,650	-	-	19,650
Insurance	27,770	3,930	-	31,700
Accounting and Legal	7,190	-	-	7,190
Depreciation Expense	142,392	208,786	-	351,178
Permits and Fees	1,977	8,289	-	10,266
Mileage	645	-	-	645
Administrative Expense	-	1,452	-	1,452
Chemicals	-	78,719	-	78,719
Lab Supplies	-	-	-	-
Janitorial Supplies	2,077	72	-	2,149
Testing Fees	464	-	-	464
Returned Checks	3,641	4,929	-	8,570
Credit Card Charges	14,841	-	-	14,841
Legal Fees	100	-	-	100
Dues and Memberships	3,113	-	-	3,113
Advertising	-	-	-	-
Small Tools	-	-	-	-
Materials	8,646	-	-	8,646
Line Extension Expense	5,400	-	-	5,400
Disaster Expense	-	-	-	-
Total Operating Expenses	1,721,097	1,038,057	(624,041)	2,135,113
Operating Income (Loss)	(151,057)	43,180	-	(107,877)
Non-Operating Revenues (Expenses):				
Interest Income	8,017	322	-	8,339
Miscellaneous Income	12,506	1,346	-	13,852
Interest Expense	(66,938)	(100,967)	-	(167,905)
Grants	-	-	-	-
Total Non-operating Revenues (Expenses)	(46,415)	(99,299)	-	(145,714)
Net Income (Loss) Before Contributions	(197,472)	(56,119)	-	(253,591)
Capital Contributions - Grant Income	-	-	-	-
Change in Net Position	(197,472)	(56,119)	-	(253,591)
Total Net Position - Beginning	2,639,000	1,622,188	-	4,261,188
Total Net Position - Prior Year Adjustment	-	-	-	-
Total Net Position - Ending	\$ 2,441,528	\$ 1,566,069	\$ -	\$ 4,007,597

The accompanying notes are an integral part of the basic financial statements