

**ROGERS COUNTY RURAL WATER
DISTRICT NO. 7**

**ANNUAL FINANCIAL STATEMENTS
AND ACCOMPANYING
INDEPENDENT AUDITOR'S REPORT**

FOR THE YEAR ENDED OCTOBER 31, 2022



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ROGERS COUNTY RURAL WATER DISTRICT NO. 7
BOARD OFFICIALS

Board of Directors

Bob Anderson	Chairman
Michael Stephens	Co-Chairman
Kevin Frederick	Secretary/Treasurer
Tim Cutsinger	Director
Ron Wells	Director
Guy McNitt	Director
Jimmy Martin	Director
David Mullins	Director
Janet Donnelly	Director



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Rogers County Rural Water District No. 7
Rogers County, Oklahoma

OPINION

We have audited the modified cash basis financial statements of the business-type activities for Rogers County Rural Water District No. 7, as of and for the year ended October 31, 2022, and the related notes to the financial statements, which collectively comprise Rogers County Rural Water District No. 7's basic financial statement as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the business-type activities for Rogers County Rural Water District No. 7, as of October 31, 2022, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with the modified cash basis of accounting.

BASIS FOR OPINIONS

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards (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 Rogers County Rural Water District No. 7 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 opinions.

Basis of Accounting

We draw attention to Note 1C of the financial statements that describes the basis of accounting. The financial statements are prepared on a modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

RESPONSIBILITIES OF MANAGEMENT FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation, and fair presentation, of these financial statements, in accordance with modified cash basis of accounting and 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 aggregated, that raise substantial doubt about Rogers County Rural Water District No. 7'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 RESPONSIBILITY

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 GAAS 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 GAAS and Government Auditing Standards, we

- Exercise professional judgement 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 Rogers County Rural Water District No. 7'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 aggregated, that raise substantial doubt about Rogers County Rural Water District No. 7'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.

OTHER MATTERS

Other Information

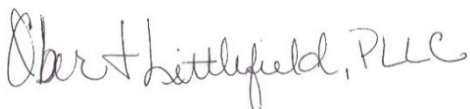
Our audit was conducted for the purpose of forming opinions on the modified cash basis financial statements that collectively comprise Rogers County Rural Water District No. 7's basic financial statements. The management's discussion and analysis is presented for purposes of additional analysis, and is not a required part of the financial statements.

Management's discussion and analysis, on pages 4-7, has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion, or provide any assurance, on such information

OTHER REPORTING REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

In accordance with *Government Auditing Standards*, we have also issued our report, dated January 10, 2023, on our consideration of the Rogers County Rural Water District No. 7'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 Rogers County Rural Water District No. 7'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 Rogers County Rural Water District No. 7's internal control over financial reporting and compliance.

Sincerely,



OBER & LITTLEFIELD, CPAS, PLLC
MIAMI, OKLAHOMA

JANUARY 10, 2023

Our discussion and analysis of the Rural Water District No. 7 (the "District")'s financial performance provides an overview of the District's financial activities, for the fiscal year ended October 31, 2022. Please read it in conjunction with the District's financial statements.

FINANCIAL HIGHLIGHTS

- The assets of the District exceeded its liabilities, at October 31, 2022, by \$2,806,487.49, representing an increase in net position of \$244,256.06 for the year.
- Total operating revenues and membership and installation fees were \$1,719,468.63 this year, while operating expenses and other non-operating revenues and expenses were \$1,326,719.61, resulting in the increase in net position of \$244,256.06.
- The District has \$3,665,782.00 (net of accumulated depreciation) invested in capital assets, as of October 31, 2022.

DISTRICT HIGHLIGHTS

- Our customer base has increased to approximately 1,664 customers.

USING THIS ANNUAL REPORT

This annual report consists of two parts; management's discussion and analysis and the financial statements. The financial statements also include notes that explain, in more detail, some of the information in the financial statements.

Required Financial Statements

The financial statements of the District report information about the District using accounting methods similar to those used by private sector companies. These statements offer short- and long-term financial information about its activities. The statement of net position – modified cash basis includes all of the District's assets and liabilities, and provides information about the nature, and amounts, of investments in resources (assets), and obligations to creditors (liabilities). It also provides the basis for computing rate of return, evaluating the capital structure of the District, and assessing the liquidity and financial flexibility of the District. All of the current year's revenues, and expenses, are accounted for in the statement of revenues, expenses, and changes in net position – modified cash basis. This statement measures the success of the District's operations over the past year, and can be used to determine profitability, credit worthiness, and whether the District has successfully recovered all its costs through its user fees, and other charges. The final required financial statement is the statement of cash flows – modified cash basis. The primary purpose of this statement is to provide information about the District's cash receipts, and cash payments, during the reporting period. The statement reports cash receipts, cash payments, and net changes in cash, resulting from operations, investing, and capital and noncapital financing activities, and provides answers to such questions as "from where did cash come?," "for what was cash used?," and "what was the change in cash balance during the reporting period?"

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

One of the most important questions asked about the District's finances is, "Is the District, as a whole, better off, or worse off, as a result of the year's activities?" The statement of net position – modified cash basis and statement of revenues, expenses, and changes in net position – modified cash basis report information about the District's activities in a way that will help answer this question. These two statements report the net position of the District, and changes in them. You can think of the District's net position – the difference between assets and liabilities – as one way to measure financial health, or financial position. Over time, increases or decreases in the District's net position are one indicator of whether its financial health is improving, or deteriorating. However, you will need to also consider other non-financial factors, such as changes in economic conditions, population growth, and new, or changed, legislation.

The District's total net position increased from last year by \$244,256.06, or about 10.51%. Our analysis below focuses on the District's net position (Table 1), and changes in net position (Table 2), during the year.

Table 1

	10/31/22	10/31/21
Current Assets	\$ 1,434,746.62	\$ 758,241.77
Restricted Assets	687,639.48	958,918.42
Non-current Assets	3,665,782.00	3,688,313.33
Total Assets	<u>\$ 5,788,168.10</u>	<u>\$ 5,405,473.52</u>
Current Liabilities	\$ 33,680.36	\$ 32,011.88
Non-current Liabilities	2,948,000.25	3,049,129.29
Total Liabilities	<u>2,981,680.61</u>	<u>3,081,141.17</u>
Invested in Capital Assets, net of Related Debt	687,824.52	610,155.35
Net Position, Restricted	687,639.48	958,918.42
Net Position, Unrestricted	<u>1,431,023.49</u>	<u>755,258.58</u>
Total Net Position	<u>2,806,487.49</u>	<u>2,324,332.35</u>
Total Liabilities and Net Position	<u>\$ 5,788,168.10</u>	<u>\$ 5,405,473.52</u>

The District's net position reflects its investment in capital assets (e.g. water system, buildings, machinery, and equipment), less any related debt used to acquire those assets still outstanding. The District uses these capital assets to provide services to citizens and consumers; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (continued)

The balance of unrestricted net position may be used to meet the District's ongoing obligations to citizens, customers, and creditors. The District's unrestricted net position increased by \$580,178.94 or 68.2%, during the current year.

Changes in the District's net position can be determined by reviewing the following condensed statement of revenues, expenses, and changes in net position – modified cash basis for the year.

Table 2

	10/31/22	10/31/21
Total Operating Revenues	\$ 1,690,880.63	\$ 1,502,251.65
Operating Expenses	(1,194,935.24)	(1,050,424.10)
Depreciation Expense	(206,030.85)	(219,812.87)
Other Non-Operating Revenues (Expenses)	(74,246.48)	(35,715.60)
Membership, Installation Fees, and Grants	28,588.00	41,600.00
Increase (Decrease) in Net Position	244,256.06	237,899.08
Net Position, Beginning of Year	2,562,231.43	2,324,332.35
Net Position, End of Year	<u>\$ 2,806,487.49</u>	<u>\$ 2,562,231.43</u>

The District's primary source of revenue is the sale of water, which comprises most of the operating revenues. Operating revenues increased by \$188,628.98, or 12.6%, from the prior year.

Total operating expenses increased by \$144,511.14, or 13.8%, from the prior year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of October 31, 2022, the District had \$3,665,782.00 (net of accumulated depreciation) invested in capital assets, including the water storage and distribution system, improvements, machinery, and equipment. The District purchased and installed new meters and the related software to support the new meters, as well as property. Net capital assets decreased by \$165,838.29, or 4.3%, from the prior year, primarily due to normal depreciation and the purchase of the aforementioned assets.

Debt

At October 31, 2022, the District had a note payable outstanding, from the Oklahoma Water Resources Board, with a balance of \$200,953.31, which represents a decrease of \$29,957.23, or 12%, due to normal debt repayment.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

A product of an ongoing examination of how the District does business, our budget emphasizes outcomes, or results, for the community, and allows for longer-term financial planning decisions.

In considering the District's budget for the fiscal year 2022/2023, the Board estimates that revenues and expenses in the coming year will approximate actual revenues and expenses for the past fiscal year.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, and creditors with a general overview of the District's finances, and to show the District's accountability for the money it receives. If you have any questions about this report, or need additional financial information, contact the Board of Directors, at Rogers County Rural Water District No. 7, 20352 S 4230 Rd., Claremore, Oklahoma 74019.

ROGERS COUNTY RURAL WATER DISTRICT NO. 7
STATEMENT OF NET POSITION – MODIFIED CASH BASIS
FISCAL YEAR ENDED OCTOBER 31, 2022

Assets	
Current Assets	
Cash and cash equivalents	1,411,319.83
Inventory	10,843.71
Prepaid insurance	12,583.08
Total Current Assets	<u>1,434,746.62</u>
Restricted Assets	
Cash and cash equivalents	<u>687,639.48</u>
Non-current Assets	
Capital assets, net of accumulated depreciation	<u>3,665,782.00</u>
Total Assets	<u><u>\$ 5,788,168.10</u></u>
Liabilities	
Current Liabilities	
Payroll taxes payable	\$ 3,723.13
Current portion of long-term debt	<u>75,915.45</u>
Total Current Liabilities	<u>79,638.58</u>
Non-current Liabilities	
Notes payable, net of current portion	2,955,037.86
Discount on bonds payable	<u>(52,995.83)</u>
Total Non-current Liabilities	<u>2,902,042.03</u>
Total Liabilities	<u>2,981,680.61</u>
Net Position	
Invested in capital assets, net of related debt	687,824.52
Restricted	687,639.48
Unrestricted	<u>1,431,023.49</u>
Total Net Position	<u>2,806,487.49</u>
Total Liabilities and Net Position	<u><u>\$ 5,788,168.10</u></u>

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

ROGERS COUNTY RURAL WATER DISTRICT NO. 7
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
MODIFIED CASH BASIS
FISCAL YEAR ENDED OCTOBER 31, 2022

Operating Revenues	
Water charges and fees	\$ 1,663,609.53
Equipment and labor income	19,636.26
Other income	<u>7,634.84</u>
Total Operating Revenues	<u>1,690,880.63</u>
Operating Expenses	
Bank fees	70.00
Depreciation	206,030.85
Dues and memberships	1,090.58
Employee benefits	46,011.32
Engineering fees	15,265.07
Insurance	28,290.75
Legal and professional fees	3,750.00
Miscellaneous	14,840.10
Office expense	39,250.28
Payroll taxes	13,431.38
Repairs and maintenance	74,971.71
Retirement expense	7,942.68
Salaries	170,636.75
Supplies	67,916.29
Utilities and telephone	56,202.52
Vehicle	20,371.36
Water purchases	629,144.45
Water testing	<u>5,750.00</u>
Total Operating Expenses	<u>1,400,966.09</u>
Operating Income/(Loss)	<u>289,914.54</u>
Non-Operating Revenues/(Expenses)	
Interest income	4,753.03
Interest expense	<u>(78,999.51)</u>
Total Non-Operating Revenues/(Expenses)	<u>(74,246.48)</u>
Income/(loss) before membership and installation fees	215,668.06
Membership and installation fees	<u>28,588.00</u>
Change in Net Position	244,256.06
Total Net Position - Beginning	<u>2,562,231.43</u>
Total Net Position - Ending	<u>\$ 2,806,487.49</u>

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

ROGERS COUNTY RURAL WATER DISTRICT NO. 7
STATEMENT OF CASH FLOWS – MODIFIED CASH BASIS
FISCAL YEAR ENDED OCTOBER 31, 2022

Cash flows from operating activities	
Cash received from customers	\$ 1,663,442.28
Cash received from other revenues	27,271.10
Cash paid to suppliers and operating expenses	<u>(1,193,643.47)</u>
Net cash provided/(used) by operating activities	<u>497,069.91</u>
Cash flows from investing activities	
Purchase of capital assets	(40,192.56)
Interest income	<u>4,753.03</u>
Net cash provided/(used) by investing activities	<u>(35,439.53)</u>
Cash flows from financing activities	
Principal payments on long-term debt	(74,957.23)
Interest payments on long-term debt	(78,999.51)
Memberships purchased	<u>28,588.00</u>
Net cash provided/(used) by financing activities	<u>(125,368.74)</u>
Net increase/(decrease) in cash and cash equivalents	336,261.64
Beginning cash balance	<u>1,762,697.67</u>
Ending cash balance	<u><u>\$ 2,098,959.31</u></u>

Reconciliation of net income/(loss) to cash provided by operating activities	
Net income/(loss)	\$ 289,914.54
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation	207,923.56
(Increase)/decrease in prepaid insurance	(404.25)
(Increase) decrease in inventory	237.00
Increase/(decrease) in accounts payable	<u>(600.94)</u>
Total Adjustments	<u>207,155.37</u>
Net cash provided/(used) by operating activities	<u><u>\$ 497,069.91</u></u>

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

Note 1 - Summary of Significant Accounting Policies

Rogers County Rural Water District No. 7, (the “District”), is a non-profit governmental organization. Its purpose is to process and provide, for the use and benefit of its members, a water processing and distribution system, including physical facilities necessary for its operations and maintenance. The District was organized by the Board of County Commissioners of Rogers County, Oklahoma. District members fall within territorial boundaries within Rogers County, as assigned by the Board of County Commissioners of Rogers County, Oklahoma.

The accounting policies of the District conform to the modified cash basis of accounting. The modified cash basis of accounting is based on the recording of cash, and cash equivalents, and changes therein, and only recognizes revenues, expenses, assets, and liabilities resulting from cash transactions, adjusted for modifications that have substantial support in generally accepted accounting principles.

1.A. Financial Reporting Entity

The District complies with GASB Statement No. 14, “*The Financial Reporting Entity*.” This statement establishes standards for defining, and reporting, on the financial reporting entity. It defines component units as legally separate organizations, for which the elected officials of the primary government are financially accountable, and other organizations for which the nature and significance of their relationship with a primary government are such that exclusion would cause the reporting entity’s financial statements to be misleading, or incomplete.

The District considered all potential component units when determining what organizations should be included in the financial statements. Based on these criteria, there are no component units to include in the District’s financial statements.

1.B. Basis of Presentation

The accounts of the District are organized into funds and account groups, each of which is considered to be a separate accounting entity. The District uses the following fund types:

Proprietary Funds/Enterprise Funds

The District’s fund is an enterprise fund. Enterprise funds are proprietary funds used to account for business-like activities provided to the general public. These activities are financed primarily by user charges, and the measurement of financial activity focuses on net income measurement similar to the private sector.

1.C. Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe *which* transactions are recorded within the various financial statements. Basis of accounting refers to *when* transactions are recorded, regardless of the measurement focus applied.

Measurement Focus

The proprietary funds utilize an “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. Assets and liabilities (whether current or noncurrent) associated with their activities are reported, in conformity with the modified cash basis of accounting. Proprietary fund equity is classified as net position.

Note 1 – Summary of Significant Accounting Policies: continued

1.C. Measurement Focus and Basis of Accounting: continued

Basis of Accounting

The financial statements are presented on a modified cash basis of accounting, which is a basis of accounting other than GAAP, as established by GASB. This basis of accounting involves modifications to the cash basis of accounting to report in the statements of net position, or balance sheets, cash transactions, or events, that provide a benefit, or result in an obligation, that covers a period greater than the period in which the cash transaction, or event, occurred. Such reported balances include investments, interfund receivables and payables, capital assets and related depreciation, and short-term and long-term liabilities arising from cash transactions, or events.

This modified cash basis of accounting differs from GAAP, primarily because certain other economic assets, deferred outflows, liabilities, and deferred inflows that do not arise from a cash transaction, or event, are not reported, and the measurement of reported assets and liabilities does not involve adjustments to fair value.

If the District utilized the basis of accounting recognized as generally accepted in the United States, the financial statements would use the accrual basis of accounting.

1.D. Assets, Liabilities and Net position

Cash and Cash Equivalents

For the purposes of cash flows, the District considers all cash on hand, demand deposits, and highly liquid investments, with an original maturity of three months or less when purchased, to be cash and cash equivalents.

Fair Value of Financial Instruments

The District's financial statements include cash and investments. The District's estimates of the fair value of all financial instruments do not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying statement of net position – modified cash basis. The carrying amount of these financial instruments approximates fair value because of the short maturity of these instruments.

Capital Assets

The District's modified cash basis of accounting reports capital assets resulting from cash transactions, or events, and reports depreciation, when appropriate. The water storage and delivery system, and equipment, are recorded at cost. Donated capital assets are reported at estimated fair market value at the date of donation. District policy has set the capitalization threshold for reporting capital assets at \$1,000. The cost of normal maintenance and repairs that do not add to the value of the asset, or materially extend asset lives, are not capitalized.

All reported capital assets are depreciated on the straight-line basis over the estimated useful lives, ranging from ten (10) to forty (40) years.

Note 1 – Summary of Significant Accounting Policies: continued

1.D. Assets, Liabilities and Net position: continued

Equity Classification

Equity is classified as net position, and displayed in three components:

- a. Invested in capital assets, net of related debt – Consists of capital assets, including restricted capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted – Consists of net position, with constraints placed on the use, either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions, or enabling legislation.
- c. Unrestricted – All other net position that does not meet the definitions of “restricted,” or “invested in capital assets, net of related debt”.

Use of Estimates

The preparation of financial statements, in conformity with the modified cash basis of accounting used by the District, requires management to make estimates, and assumptions, that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Note 2 – Detailed Notes Concerning Accounts

2.A. Deposits

At year-end, the carrying amount of the District’s deposits was \$2,097,613.65, and the bank balance was \$2,099,809.03. The bank balance was completely covered by federal depository insurance, or by collateral held by the District’s agent, in the District’s name.

State statutes govern the District’s investment policy. Permissible investments include direct obligations of the United States Government and Agencies; certificates of deposit of savings and loan associations, and bank and trust companies; and savings accounts or savings certificates of savings and loan associations and trust companies. Collateral is required for demand deposits and certificates of deposit for all amounts not covered by federal deposit insurance. Investments are stated at cost.

Credit Risk: The District’s investment policy is to apply the “prudent investor” standard. “Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion, and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital, as well as the probable income to be derived.”

Note 2 – Detailed Notes Concerning Accounts: continued

2.A. Deposits: continued

Custodial Credit Risk – Deposits: Custodial credit risk is the risk that, in the event of a bank failure, the District’s deposits may not be returned to it. The District’s cash deposits, including interest-bearing certificates of deposit, are maintained in financial institutions. As of October 31, 2022, none of the District’s deposits were exposed to custodial credit risk because they were either insured, or collateralized.

Interest Rate Risk: This is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. 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.

2.B. Restricted Net Position

The components of the restricted net position, at year end, were as follows:

	<u>2022</u>
2020 Revenue Bond Project Fund 2020	\$ 526,880.28
2020 Debt Service Reserve 2020	77,630.05
2020 Debt Service Principal Reserve 2020	46,149.33
2020 Debt Service Interest Reserve 2020	34,059.38
OWRB Debt Service 2009	<u>2,920.44</u>
	<u><u>\$ 687,639.48</u></u>

The District has issued revenue bonds on the 2022 bond issue totaling \$2,875,000. The bond issue was used to refinance their existing Series 2006 bond, with principal and interest due in the amount of \$2,875,000 plus associated bond issuance costs. UMB Bank is the Trustee of all funds associated with the bond issue. The Trustee invests all funds in securities. Monthly payments are made to a “debt service fund”. Semiannually, the monthly payments and investment earnings are used to make the principal and interest payments to the Bond holders from the “debt service fund”. Additionally, a “debt service reserve fund” was established to make up potential future deficiencies in debt service funds so annual principal and interest payments can be made

Note 2 – Detailed Notes Concerning Accounts: continued

2.C. Changes in Capital Assets

Capital asset activity, for the fiscal year ended October 31, 2022, was as follows:

	Beginning of Year	Additions	Deletions	End of Year
Capital Assets				
Non-Depreciable Assets:				
Land	\$ 407,792.03	\$ -	\$ -	\$ 407,792.03
Depreciable Assets:				
Office building and equipment	450,199.45	9,999.99	-	460,199.44
Water System	7,105,766.82	30,192.57	-	7,135,959.39
Total Depreciable Assets	7,555,966.27	40,192.56	-	7,596,158.83
Total Capital Assets	7,963,758.30	40,192.56	-	8,003,950.86
Less: Accumulated Depreciation	(4,132,138.01)	(206,030.85)	-	(4,338,168.86)
Net Capital Assets	<u>\$ 3,831,620.29</u>	<u>\$ (165,838.29)</u>	<u>\$ -</u>	<u>\$ 3,665,782.00</u>

2.D. Notes Payable

The Rogers County Rural Water District No. 7 issued revenue bonds totaling \$2,875,000, on June 17, 2022, at a discount of one percent. The District received, as a result of the sale of the Bonds, the sum of \$2,767,906.25 (which represents the principal amount of \$2,875,000 less the discount of 56,781.25 less the underwriter's discount of \$50,312.50). Monthly payments are made into a debt service account. Designated Bonds are redeemed annually from the debt service account by the District on each November 1. A debt service reserve account was also set up in the amount of \$77,298.74. The debt service reserve, project fund, revenue fund, and interest fund accounts are maintained at the Trustee Bank, which is UMB Bank. The Debt Service Reserve account is to be used to make the principal and interest payments in case the District is not able to make such payments.

ROGERS COUNTY RURAL WATER DISTRICT NO. 7
NOTES TO THE FINANCIAL STATEMENTS
FISCAL YEAR ENDED OCTOBER 31, 2022

Note 2 – Detailed Notes Concerning Accounts: continued

2.D. Notes Payable: continued

The schedule of estimated maturities on long-term debt and interest expense, for this note, for fiscal years ending October 31, is as follows:

	Principal	Interest	Totals
2023	45,000.00	69,693.74	114,693.74
2024	45,000.00	69,243.74	114,243.74
2025	45,000.00	68,793.74	113,793.74
2026-2030	280,000.00	332,468.70	612,468.70
2031-2035	465,000.00	291,812.45	756,812.45
2036-2040	520,000.00	230,624.96	750,624.96
2041-2045	595,000.00	156,334.37	751,334.37
2046-2050	685,000.00	68,681.25	753,681.25
2051	150,000.00	2,062.50	152,062.50
	<u>\$ 2,830,000.00</u>	<u>\$ 1,289,715.45</u>	<u>\$ 4,119,715.45</u>

The Oklahoma Water Resources Board approved the Rogers County Rural Water District No. 7 a 2009 DW-2009 note in the amount of \$759,000. The District only drew \$741,768 of the approved funds. \$230,440 of loan forgiveness was applied by a grant from the American Recovery and Reinvestment Act of 2009, leaving a principal balance of \$494,404. This note requires payments on March 15 and September 15 and an interest rate of 3.13%. Monthly payments are made to the loan trustee, RCB in the amount of \$3,087. The payments are invested in securities by the trustee. Semi-Annually, the debt service fund is used by the trustee to make the principal and interest payments. As of October 31, 2022, the balance on this note is \$230,910.54.

The schedule of estimated maturities on long-term debt and interest expense, for this note, for fiscal years ending October 31, is as follows:

	Principal	Interest	Totals
2023	30,915.45	5,151.99	36,067.44
2024	31,889.30	4,333.72	36,223.02
2025	32,924.35	3,464.00	36,388.35
2026-2030	105,224.21	4,971.15	110,195.36
	<u>\$ 200,953.31</u>	<u>\$ 17,920.86</u>	<u>\$ 218,874.17</u>

Note 2 – Detailed Notes Concerning Accounts: continued

2.D. Notes Payable: continued

As of October 31, 2022, the changes in long-term notes payable consisted of the following:

	Balance Oct 31, 2021	Issued	Retired	Balance Oct 31, 2022
Series 2020 Refinancing Revenue Bonds	2,875,000.00	-	(45,000.00)	2,830,000.00
Oklahoma Water Resources Board	230,910.54	-	(29,957.23)	200,953.31
Total Notes Payable	<u>\$ 3,134,939.23</u>	<u>\$ -</u>	<u>\$ (74,957.23)</u>	<u>\$ 3,030,953.31</u>

Note 3 – Other Information

3.A. Risk Management

The District 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 District purchases commercial insurance to cover these risks, including general and auto liability, property damage, and public officials' liability. There were no significant reductions in insurance coverage from the prior year. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

3.B. Evaluation of Subsequent Events

The District has evaluated subsequent events through January 10, 2022, the date which the financial statements were available to be issued, and no additional disclosures deemed necessary.

REPORT REQUIRED BY *GOVERNMENT AUDITING STANDARDS*



**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
Rogers County Rural Water District No. 7
Rogers County, Oklahoma

We have audited the accompanying modified cash basis financial statements of the business-type activities of Rogers County Rural Water District No. 7, as of and for the year ended October 31, 2022, and the related notes to the financial statements, which collectively comprise Rogers County Rural Water District No. 7's basic financial statements, and have issued our report thereon, dated January 10, 2022.

Internal Control Over Financial Reporting

In planning, and performing, our audit of the financial statements, we considered Rogers County Rural Water District No. 7'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 the Rogers County Rural Water District No. 7's internal control. Accordingly, we do not express an opinion on the effectiveness of Rogers County Rural Water District No. 7'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 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 the 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 Rogers County Rural Water District No. 7'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.

Sincerely,

A handwritten signature in dark ink that reads "Ober & Littlefield, PLLC". The signature is written in a cursive, flowing style.

OBER & LITTLEFIELD, CPAs, PLLC
MIAMI, OKLAHOMA

JANUARY 10, 2023

ROGERS COUNTY RURAL WATER DISTRICT NO. 7
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED OCTOBER 31, 2022

No new findings.