

**SEQUOYAH COUNTY
WATER ASSOCIATION
AUDITED FINANCIAL STATEMENTS
MARCH 31, 2023**

SEQUOYAH COUNTY WATER ASSOCIATION
MARCH 31, 2023

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AUDIT REPORT

DREW KIMBLE
Certified Public Accountant
104 S. Muskogee Ave
Tahlequah, OK 74464
(918) 575 - 1873

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Sequoyah County Water Association
Sallisaw, Oklahoma

Report on the Financial Statements

I have audited the accompanying financial statements of the Sequoyah County Water Association (the Association) as of and for the year ended March 31, 2023, and the related notes to the financial statements, which collectively comprise the Association's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Sequoyah County Water Association as of March 31, 2023 and the respective changes in financial position and its cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 and 4 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during our audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Information

My audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Association's financial statements. The additional comments required by Rural Development are presented for purposes of additional analysis and are not a required part of the basic financial statements and have not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, I do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated June 19, 2023, on my consideration of the Association'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 my 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 Sequoyah County Water Association's internal control over financial reporting and compliance.

Drew Kimble, CPA
Tahlequah, Oklahoma
June 19, 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS

**SEQUOYAH COUNTY WATER ASSOCIATION
MANAGEMENT'S DISCUSSION AND ANALYSIS FOR
THE YEAR ENDED MARCH 31, 2023**

This section of the Sequoyah County Water Association annual financial report presents the analysis of the Association's financial performance during the fiscal year ended March 31, 2023. This information is presented in conjunction with the audited basic financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The Association ended the year March 31, 2023 with a net position balance of \$15,502,603.
- Net income from operations of \$92,341 before non-operating activities expenses of \$558,050 resulted in an decrease in net position for the Association of \$465,709.
- The Association had net capital asset additions totaling \$2,627,491.
- The statement of cash flows identifies sources and uses of cash activity for the fiscal year. For fiscal year 2023, cash, cash equivalents and restricted cash increased by \$268,853. Cash provided from the day to day operations totaled \$1,358,789.
- Cash used by capital and related financing activities netted \$1,102,929. This was a combination of cash used to acquire property, plant, & equipment of \$2,627,491, cash advances of new debt net of retirement of \$2,096,509. Furthermore, cash provided by investing activities of interest income totaled \$12,993.
- The Association received capital grants totaling \$111,590.

OVERVIEW OF THE FINANCIAL STATEMENTS

This financial report consists of the following parts: Management's Discussion and Analysis and Financial Statements. The financial statements include notes which explain in detail some of the information included in the basic financial statements.

REQUIRED FINANCIAL STATEMENTS

The Financial Statements of the Association report information utilizing the full accrual basis of accounting. The Financial Statements conform to accounting principles which are generally accepted in the United States of America. The Statement of Net Position includes information on the Association's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to Association creditors (liabilities). The Statement of Revenue, Expenses and Changes in Net Position identifies the Association's revenues and expenses for the fiscal year ended March 31, 2023. This statement provides information on the Association's operations over the past fiscal year and can be used to determine whether the Association has recovered all of its actual and projected costs through user fees and other charges. The third financial statement is the Statement of Cash Flows. This statement provides information on the Association's cash receipts, cash payments, and changes in cash resulting from operations, investments and financing activities. The net result of these activities added to the beginning of the year cash balance total to the cash equivalent balance at the end of the current fiscal year.

**SEQUOYAH COUNTY WATER ASSOCIATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MARCH 31, 2023**

CONDENSED FINANCIAL INFORMATION

Condensed financial information from the statements of net position as of March 31, 2023 the statements of revenues, expenses and changes in net position for the years then ended are as follows:

CAPITAL ASSETS

The Association's capital assets as of March 31, 2023 amounted to \$54,186,969. This investment in capital assets includes land, water system, office building, machinery and equipment, furniture and fixtures, and transportation equipment.

Major additions to capital assets for the year ended March 31, 2023 consisted construction in process consists of \$3,059,898 for a new water system improvement project.

WATER STORAGE RIGHTS

In 2018, the Association acquired permanent water storage rights on Tenkiller Lake for \$2,151,578 of this cost \$2,051,288 was financed. These rights are reflected on the statement of net position as other assets related to water storage and will be amortized over thirty six years. Total Amortization to date is \$358,578 and for the fiscal year ended March 31, 2023 was \$59,760.

LONG-TERM DEBT

As of March 31, 2023, the Association had \$32,476,544 in outstanding debt compared to \$30,080,035 as of March 31, 2022.

ADDITIONAL FINANCIAL INFORMATION

This financial report is designed to provide the Association's customers, investors and other interested parties with an overview of the Association's financial operations and financial condition. Should the reader have questions regarding the information included in this report or need additional financial information, please contact Sequoyah County Water Association, 3320 W. Cherokee, Sallisaw, Oklahoma.

FINANCIAL STATEMENTS

SEQUOYAH COUNTY WATER ASSOCIATION
Statement of Net Position
March 31st, 2023

Assets

| | |
|---|-----------------------------|
| Current Assets | |
| Cash and cash equivalents | \$ 996,004 |
| Restricted checking and savings accounts | 2,283,789 |
| Accounts receivable, less allowance for doubtful accounts | 352,499 |
| Prepaid insurance | 16,527 |
| Inventory | 491,643 |
| Total Current Assets | <u>4,140,462</u> |
| Capital Assets | |
| Land | 113,953 |
| Water and sewer system | 48,561,774 |
| Office building | 613,607 |
| Machinery and equipment | 1,406,343 |
| Furniture, fixtures, and radio | 431,394 |
| Construction in process | 3,059,898 |
| Total Capital Assets | <u>54,186,969</u> |
| Less accumulated depreciation | <u>(11,522,810)</u> |
| Net Capital Assets | <u>42,664,159</u> |
| Other Assets | |
| Water storage rights, net | 1,793,000 |
| Total Other Assets | <u>1,793,000</u> |
| Total Assets | <u><u>\$ 48,597,621</u></u> |

Liabilities and Net Position

| | |
|---|-----------------------------|
| Current Liabilities | |
| Accounts payable | \$ 179,427 |
| Accrued wages | 2,033 |
| Accrued interest | 36,085 |
| Accrued compensated absences | 123,371 |
| Employee deductions payable | 9,371 |
| Customer meter deposits | 268,187 |
| Current portion of long-term debt | 3,450,101 |
| Total Current Liabilities | <u>4,068,575</u> |
| Long-Term Debt | <u>29,026,443</u> |
| Total Liabilities | <u>33,095,018</u> |
| Net Position | |
| Net investment in capital assets | 10,187,615 |
| Restricted | 2,283,789 |
| Unrestricted | 3,031,199 |
| Total Net Position | <u>15,502,603</u> |
| Total Liabilities and Net Position | <u><u>\$ 48,597,621</u></u> |

See accompanying notes to financial statements.

SEQUOYAH COUNTY WATER ASSOCIATION

Statement of Revenues, Expenses,

and Changes in Net Position

March 31st, 2023

Operating Revenue

| | |
|-------------------------------------|------------------|
| Sales and charges, net of bad debts | \$ 5,317,546 |
| Membership and Meter fees | 117,395 |
| Other revenue | 33,660 |
| Total Operating Revenue | <u>5,468,601</u> |

Operating Expenses

| | |
|---------------------------------|------------------|
| Salaries | 807,314 |
| Payroll taxes | 61,669 |
| Employee benefits | 14,297 |
| Office expense | 17,299 |
| Professional fees | 77,618 |
| Utilities and telephone | 425,354 |
| Fuel and oil | 108,647 |
| Insurance | 505,065 |
| Miscellaneous | 55,243 |
| Repairs and maintenance | 958,128 |
| Chemicals | 226,945 |
| Water testing | 34,074 |
| Water purchases | 750,625 |
| Bad Debt expense | 51,008 |
| Mileage reimbursements | 3,788 |
| Bank Fees | 51,601 |
| Depreciation | 1,167,825 |
| Water storage expense | 59,760 |
| Total Operating Expenses | <u>5,376,260</u> |
| Operating Income | <u>92,341</u> |

Nonoperating Activities

| | |
|--------------------------------------|------------------|
| Interest income | 12,993 |
| Capital grants | 111,590 |
| Interest expense | (682,633) |
| Total Nonoperating Activities | <u>(558,050)</u> |

Change in Net Position (465,709)

Beginning of Year Net Position 15,968,312

End of Year Net Position \$ 15,502,603

See accompanying notes to financial statements.

SEQUOYAH COUNTY WATER ASSOCIATION
Statement of Cash Flows
March 31st, 2023

| | |
|--|----------------------------|
| Cash Flows From Operating Activities | |
| Cash receipts from customers and other sources | \$ 5,470,443 |
| Cash payments to suppliers for goods and services | (3,235,884) |
| Cash payments to employees for services | (875,770) |
| Net Cash Provided By Operating Activities | <u>1,358,789</u> |
| Cash Flows From Investing Activities | |
| Interest income | 12,993 |
| Net Cash Provided By Investing Activities | <u>12,993</u> |
| Cash Flows From Capital and Related Financing Activities | |
| Cash paid for property, plant, and equipment net of retirement | (2,627,491) |
| Capital Grants | 111,590 |
| Advances on long-term debt and interim financing net of retirement | 2,096,509 |
| Interest paid on long-term debt | (683,537) |
| Net Cash Used By Capital and Related Financing Activities | <u>(1,102,929)</u> |
| Net Increase (Decrease) In Cash, Cash Equivalents and Restricted Cash | 268,853 |
| Cash, Cash Equivalents and Restricted Cash At Beginning of Year | <u>3,010,940</u> |
| Cash, Cash Equivalents and Restricted Cash At End of Year | <u><u>\$ 3,279,793</u></u> |
| Reconciliation Of Operating Income to Net Cash Provided By Operating Activities | |
| Net income from operations | \$ 92,341 |
| Adjustments to reconcile net income to net cash from operating activities: | |
| Depreciation | 1,167,825 |
| Amortization of water storage rights | 59,760 |
| Changes in: | |
| Accounts receivable | 1,842 |
| Prepaid insurance | 6,511 |
| Inventory | (68,559) |
| Trade accounts payable | 91,559 |
| Employee deductions payable | (12,487) |
| Accrued wages | 2,033 |
| Accrued compensated absences | 17,458 |
| Customer meter deposits | 506 |
| Net Cash Provided By Operating Activities | <u>\$ 1,358,789</u> |
| Reconciliation to Statement of Net Position | |
| Cash and cash equivalents | \$ 996,004 |
| Restricted checking and savings accounts | 2,283,789 |
| Total Cash, Cash Equivalents and Restricted Cash | <u><u>\$ 3,279,793</u></u> |

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

SEQUOYAH COUNTY WATER ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2023

1. Nature of Operations

The Sequoyah County Water Association (the Association) was originally incorporated October 25, 1967 as the Eastern Sequoyah County Water Association. Amended Articles of Incorporation, which were filed and approved on April 23, 1968, established the Association as an agency of the State of Oklahoma for the purpose of providing water to Sequoyah County in the State of Oklahoma.

2. Summary of Significant Accounting Policies

A. Basis of Presentation

The Association accounts for its operations as an enterprise fund. An enterprise fund is a proprietary type fund used to account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

B. Financial Reporting

The accompanying financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows.

C. Income Tax Status

The Association is exempt from income taxes as a governmental agency.

D. Fair Value of Financial Instruments

The Association's financial instruments include cash and cash equivalents, certificates of deposit, accounts receivable and accounts payable. The Association's estimate of the 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 approximate fair value because of the short maturity of these investments.

E. Cash Flows

For purposes of the statement of cash flows, the Association considers all highly liquid debt instruments with a maturity of three months or less when purchased to be cash equivalents, excluding restricted cash.

F. Accounts Receivable

Accounts receivable consists of water fees and surcharges billed to residential and commercial/Industrial customers based on consumption. Management establishes an allowance for uncollectible accounts receivable based on historical collection experience and management's evaluation of the collectability of outstanding accounts receivable. The allowance for doubtful accounts was \$286,893 as of March 31, 2023.

G. Prepaid Expenses

Payments made to vendors for services that will benefit future periods are recorded as prepaid expenses using the consumption method by recording a current asset for the prepaid amount at the time of purchase and reflecting the expense in the year which services are consumed.

H. Inventory

Inventory consists of parts and supplies for maintenance of the water system and is valued at cost using the first-in, first-out method.

I. Capital Outlays and Depreciation

Fixed assets are stated at cost depreciation is computed using the straight-line method over the estimated useful lives of the assets. Expenditures for maintenance, repairs and renewals of relatively minor items are charged to expense as incurred. The estimated useful lives of the assets are as follows:

| | <u>YEARS</u> |
|-------------------------------|--------------|
| Water and sewer system | 15-75 |
| Office building | 10-40 |
| Machinery and equipment | 5-10 |
| Furniture, fixtures and radio | 5-10 |

It is the Association's policy to capitalize all asset purchases greater than \$500. It is the Association's policy to expense all asset purchases under \$500.

J. Other Assets

In addition to assets, the statement of net position has a separate section for other assets. This separate financial statement element, represents a consumption of net position that applies to a future period(s) and will not be recognized as an expense until that time. The Association recognizes the expense related to water storage rights using the straight line method over a period of 36 years.

K. Compensated Absences

Employees of the Association are given, based upon their length of employment, 1 to 3 weeks of vacation at the beginning of the calendar year. The vacation time is allowed to carry over to the next year up 90 days any used vacation time is paid upon separation of employment. The amounts reflected as accrued compensated absences represents unused vacation time as of March 31st, 2023.

L. Customer Meter Deposits

Unless a letter of credit is provided by the customer to the Association, customers are required to make a meter deposit before being connected to the water system. These deposits are refundable to customers when the Association no longer serves the customer. The Association uses the customer deposits to pay the customers' final bill and refunds directly to the customer the balance remaining, if any, of the deposit.

M. Net Position

Net position of the Association are classified in three components. Net investment in capital assets, net of related debt, consist of capital assets net of accumulated depreciation and reduced by the outstanding balances of borrowings used to finance the purchase or construction of those assets. Restricted expendable net assets are noncapital assets that must be used for a particular purpose as specified by creditors, grantors, or donors external to the Association, including amounts deposited with trustees as required by bond indentures, reduced by the outstanding balances of any related borrowings. Unrestricted net position are remaining assets less remaining liabilities that do not meet the definition of invested in capital assets, net of related debt or restricted expendable.

N. Operating Revenues and Expenses

Operating revenues and expenses consist of those revenues that result from the ongoing principal operations of the System. Operating revenues consist primarily of water sales. Non-operating revenues and expenses consist of those revenues and expenses that are related to financing and investing type of activities.

O. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions. This will affect the reported amounts of assets and liabilities, 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 these estimates.

3. Cash Deposits

The Association maintains its operating bank accounts in several local financial institutions. The Federal Deposit Insurance Corporation (FDIC) insures accounts at each institution up to \$250,000. The Association's cash balances may, at times, exceed these insured limits. At March 31, 2023 all cash balances were covered by FDIC insurance or secured by pledged collateral. The Association does not believe that there is any significant risk associated with the concentrations of credit nor has the Association experienced any losses in such accounts.

4. Restricted Assets

Restricted checking and savings are restricted by the various board ordinances of the Board, and laws. Expenditures from these accounts are restricted to improvements and betterments to the distribution system, paying the principal and interest on the notes, construction or purchase of capital assets, and Customer deposits.

Restricted checking, savings consists of the following:

| | As Of March 31, 2023 | 2023 |
|--------------------------------|----------------------|---------------------|
| Debt reserve fund | | \$ 1,095,727 |
| Construction/depreciation fund | | 963,523 |
| RUS construction account | | 24 |
| Customer meter deposits | | 224,515 |
| Total | | <u>\$ 2,283,789</u> |

5. Property, Plant and Equipment

Activity of capital assets consists of the following:

| As Of | April 1st, 2022 | Additions | Retirements | March 31st, 2023 |
|--------------------------------|-----------------|--------------|-------------|------------------|
| Land | \$ 113,953 | \$ - | - | \$ 113,953 |
| Water and sewer system | 48,473,723 | 88,051 | - | 48,561,774 |
| Office building | 526,669 | 86,938 | - | 613,607 |
| Machinery and equipment | 1,400,738 | 5,605 | - | 1,406,343 |
| Furniture, fixtures, and radio | 431,394 | - | - | 431,394 |
| Construction in process | 613,001 | 2,446,897 | - | 3,059,898 |
| Total | \$ 51,559,478 | \$ 2,627,491 | \$ - | \$ 54,186,969 |

Construction in process consists of expenditures incurred for a water system improvement and expansion project.

6. Capitalized Interest

The Association follows the policy of capitalizing interest as a component of the cost of property, plant, and equipment constructed for its own use. For the year ended March 31, 2023 total interest incurred was \$704,269, of total interest paid \$21,636 was capitalized and \$682,633 was charged to operations.

7. Long-Term Debt

Long-term debt of the Association consists of:

| As Of March 31, 2023 | 2023 |
|---|---------------|
| Rural Development - Payments are made monthly in the amount of \$5,357 inclusive of 5% interest. The note is secured by the water system and revenues. | \$ 309,712 |
| Rural Development - Payments are made monthly in the amount of \$11,601 inclusive of 4.75% interest. The note is secured by the water system and revenues. | 1,528,967 |
| Rural Development - Payments are made monthly in the amount of \$4,575 inclusive of 5% interest. The note is secured by the water system and revenues. | 602,419 |
| Rural Development - Payments are made monthly in the amount of \$11,989 inclusive of 3.375% interest. The note is secured by the water system and revenues. | 2,637,908 |
| Rural Development - Payments are made monthly in the amount of \$26,730 inclusive of 1.875% interest. The note is secured by the water system and revenues. | 8,490,460 |
| Rural Development - Payments are made monthly in the amount of \$28,631 inclusive of 1.875% interest. The note is secured by the water system and revenues. | 9,094,218 |
| Rural Development - Payments are made monthly in the amount of \$28,631 inclusive of 1.875% interest. The note is secured by the water system and revenues. | 6,958,858 |
| BancFirst - Interest only interim financing for construction loan 4.125% interest. The note is secured by the water system and revenues. | 2,780,139 |
| Central National Bank - Payments are made monthly in the amount \$3,175 inclusive of interest of 4.00%. The loan is secured by equipment. | 73,863 |
| Total long-term debt | \$32,476,544 |
| Less: current maturities | \$ 3,450,101 |
| Total long-term debt | \$ 29,026,443 |

7. Long-Term Debt (continued)

Principal payments of long term debt is scheduled to be repaid as follows:

| March 31, | Principal |
|----------------------|-------------------|
| 2024 | 3,484,010 |
| 2025 | 723,202 |
| 2026 | 711,131 |
| 2027 | 725,597 |
| 2028 | 745,385 |
| 2029 | 734,903 |
| Thereafter | 25,352,316 |
| Less Current Portion | (3,450,101) |
| Total | <u>29,026,443</u> |

8. Other Assets

On June 28, 2017, the Association entered into a contract with the Department of the Army for permanent water and water storage rights. The contract gave the Association the right to utilize a portion of the usable conservation space of Tenkiller Ferry Lake to supply and store water. The Association prepaid these rights during the year ended March 31st, 2018 for a total of \$2,151,578. These rights are shown as other assets related to storage rights on the statement of net position and will be amortized over a period of thirty six years. Water storage rights amortization expense for the fiscal year ended March 31, 2023 was \$59,760.

10. Benefit Plan

The Association has adopted an IRA plan which covers substantially all employees. Employees can make pre-tax salary contributions to the plan and Association will match up to 3% of the employee's contributions. Employer contributions to this plan for the years ended March 31, 2023 were \$14,297.

11. Concentrations of Risk

A. Revenues and Receivables

Another financial instrument that potentially subjects the Association to credit risk consist of accounts receivable. The Association sells only to its members within a defined geographic region.

B. Water Supply System

The Association purchases its water from the Cities of Van Buren and Roland Utility Authority as well as utilizing Tenkiller Lake as a source of water for treatment. If the cost of the water were to increase or the possibility of the Association to have to obtain water from other suppliers was to occur, this may have an effect on the Association's ability to continue in its current state.

12. Risk Management

The Association is exposed to various levels of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Association carries commercial insurance and workers compensation insurance through various Insurance Company's.

There has been no significant reduction in the Association's insurance coverage from the previous year. In addition, there have been no settlements in excess of the Association's coverage in any of the prior three fiscal years.

13. Subsequent Events

The Association has evaluated events and transactions for subsequent events that would impact the financial statements for the year ended March 31, 2023, the date the financial statements were available to be issued.

SUPPLEMENTAL INFORMATION

SEQUOYAH COUNTY WATER ASSOCIATION
ADDITIONAL COMMENTS REQUIRED BY RURAL DEVELOPMENT

Water Rate Schedule

| | |
|------------------|-------------|
| 0 - 2,000 | \$45.00 |
| 2,001 - 4,000 | 5.65/1000 |
| 4,001 - 6,000 | \$5.80/1000 |
| 6,001 - 10,000 | \$6.10/1000 |
| 10,001 - 12,500 | \$6.30/1000 |
| 12,501 - 15,000 | \$6.55/1000 |
| 15,001 - 20,000 | \$6.85/1000 |
| 20,001 and above | \$7.20/1000 |

Board Of Directors

| <u>Name</u> | <u>Title</u> |
|------------------|---------------------|
| Dan Ollie | President |
| Bruce Tabor | Vice President |
| R E Anglen | Secretary/Treasurer |
| John Ellis | Board Member |
| John Prewett | Board Member |
| Charles Garrison | Board Member |
| Lyndon Emberton | Board Member |

Accounting Records and Control Over Physical Assets

The Association's accounting records, with the exception of normal adjusting entries, are in agreement with these financial statements. The accounting records of the Association are adequate. The Association's control over physical assets is adequate.

Material Or Unusual Adjustments

The accounting records of the Association incurred no unusual adjustments. Material adjustments, however not unusual in nature, included adjusting for depreciation expense and interest expense of the long-term debt.

See independent auditor's report.

ADDITIONAL REQUIRED REPORTS

DREW KIMBLE
Certified Public Accountant

104 S. Muskogee Ave
Tahlequah, OK 74464
(918) 575 - 1873

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

Board of Directors
Sequoyah County Water Association
Sallisaw, Oklahoma

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the accompanying financial statements of the Sequoyah County Water Association (the Association), Sallisaw, Oklahoma, as of and for the year ended March 31, 2023, and the related notes to the financial statements, which collectively comprise the Association's basic financial statements and have issued our report thereon dated June 19, 2023.

Internal Control Over Financial Reporting

Management of the Association is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit of the financial statements, we considered the Association's internal control over financial reporting in order to determine our auditing procedures that are appropriate 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 Association's internal control. Accordingly, we do not express an opinion on the effectiveness of the Association's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph 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 identified no deficiencies in the internal controls that we considered to be material weaknesses.

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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Association'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.

Compliance

As part of obtaining reasonable assurance about whether the Association's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance 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 Association'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 Association's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Drew Kimble, CPA
Tahlequah, Oklahoma
June 19, 2023

**SEQUOYAH COUNTY WATER ASSOCIATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED MARCH 31ST, 2023**

| <u>Grant: Federal Grantor/Program Title</u> | <u>Federal CFDA Number</u> | <u>Agency or Pass-through Entity</u> | <u>Year</u> | <u>Amount of Expenditures</u> |
|---|--------------------------------|--|-------------|-----------------------------------|
| <u>U.S. DEPARTMENT OF AGRICULTURE</u> | | | | |
| Water & Waste Water Disposal Systems for Rural Communities | 10.760 | Direct Award | 3/31/2023 | \$ 111,590 |
| Water & Waste Water Disposal | | | | |
| Total Federal Grants and Assistance | | | | \$ 111,590 |

Notes to Schedules:

There were no amounts passed to subrecipients.

The expenditures are presented using the cash basis of accounting.

Grantor provides adequate insurance coverage against loss on assets purchased with Federal Awards.

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