

AUDIT REPORT

OKFUSKEE COUNTY RURAL WATER DISTRICT #3
OKEMAH, OKLAHOMA

NOVEMBER 30, 2023



April Adams CPA PLLC
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OKFUSKEE COUNTY RURAL WATER DISTRICT #3
OKEMAH, OKLAHOMA
NOVEMBER 30, 2023

Table of Contents

	<u>Page</u>
Introductory Section:	
Board of Directors (Unaudited).....	3
Independent Auditor's Report.....	4-6
Basic Financial Statements:	
Exhibit A - Statement of Net Position - Modified Cash Basis.....	7
Exhibit B - Statement of Revenues, Expenses, and Changes in Net Position - Modified Cash Basis.....	8
Exhibit C - Statement of Cash Flows - Modified Cash Basis.....	9
Notes to the Financial Statements.....	10-18
Report Required by <i>Government Auditing Standards</i> :	
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>	19-20
Other Supplementary Information:	
Schedule of Water Rates & Customers (Unaudited).....	21

OKFUSKEE COUNTY RURAL WATER DISTRICT #3
OKEMAH, OKLAHOMA
NOVEMBER 30, 2023

BOARD OF DIRECTORS

<u>NAME</u>	<u>POSITION</u>
Shirley Nero	Chairman
Morris Sowder	Vice-Chairman
Claud Evans	Secretary/Treasurer
Tim Williams	Member
Catherine Wilson	Member
Mike Choate	Member
Kevin Winn	Member

EMPLOYEES

Nancy Dodson	District Manager
Joshua Mosley	Field Manager

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Okfuskee County Rural Water District #3
Okemah, Oklahoma

Report on the Audit of the Financial Statements

Opinion

I have audited the modified cash-basis financial statements of Okfuskee County Rural Water District #3, as of and for the year ended November 30, 2023, and the related notes to the financial statements, as listed in the table of contents.

In my opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective modified cash-basis financial position of the Okfuskee County Rural Water District #3 as of November 30, 2023, and the respective changes in modified cash-basis financial position and, where applicable, cash flows thereof for the year then ended in accordance with modified cash basis of accounting described in Note 1.

Basis for Opinion

I conducted my 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*, issued by the Comptroller General of the United States. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of the Okfuskee County Rural Water District #3 and to meet my other ethical responsibilities, in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Emphasis of Matter - Basis of Accounting

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

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Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the modified cash basis of accounting described in Note 1, and for determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. 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 Responsibilities for the Audit of the Financial Statements

My 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 my opinion. 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, I

- Exercise professional judgment 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 the Okfuskee County Rural Water District #3'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.

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- Conclude whether, in my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Okfuskee County Rural Water District #3's ability to continue as a going concern for a reasonable period of time.

I am 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 I identified during the audit.


Other Matters

Supplementary and Other Information

The introductory and other supplementary information sections listed in the accompanying table of contents are presented for the purpose of additional analysis and are 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 my audit of the basic financial statements, and accordingly, I do not express an opinion or provide an assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated January 23, 2024, on my consideration of the Okfuskee County Rural Water District #3's internal control over financial reporting and on my 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 my 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 Okfuskee County Rural Water District #3's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in compliance with *Government Auditing Standards* in considering Okfuskee County Rural Water District #3's internal control over financial reporting and compliance.



April Adams CPA PLLC
Ponca City, Oklahoma

January 23, 2024

OKFUSKEE COUNTY RURAL WATER DISTRICT #3
OKEMAH, OKLAHOMA
STATEMENT OF NET POSITION - MODIFIED CASH BASIS
NOVEMBER 30, 2023

		<u>2023</u>
<u>ASSETS</u>		
<u>Current Assets:</u>		
Cash and Cash Equivalents - Unrestricted	\$	974,643
Cash and Cash Equivalents - Restricted		75,213
ORWAAG Reserve Certificate		1,000
Prepaid Insurance		12,689
Inventory		47,989
		<hr/>
Total Current Assets		1,111,535
<u>Capital Assets:</u>		
Property and equipment		3,948,099
Less: Accumulated Depreciation		(1,978,113)
		<hr/>
Total Capital Assets		1,969,986
		<hr/>
TOTAL ASSETS		3,081,521
<u>LIABILITIES & NET POSITION</u>		
<u>Current Liabilities:</u>		
Other Current Liabilities		-
Payroll Taxes Payable		3,825
Renter Deposits Payable		6,878
Notes Payable - Current Portion		11,341
		<hr/>
Total Current Liabilities		22,044
<u>Long-term Liabilities:</u>		
Notes Payable		722,410
Less: Current Portion of Long-Term Debt		(11,341)
		<hr/>
Total Long-term Liabilities		711,069
		<hr/>
TOTAL LIABILITIES		733,113
<u>Net Position:</u>		
Net investment in capital assets		1,236,235
Restricted for debt service		76,213
Unrestricted		1,035,960
		<hr/>
TOTAL NET POSITION	\$	<u>2,348,408</u>

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

**OKFUSKEE COUNTY RURAL WATER DISTRICT #3
OKEMAH, OKLAHOMA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION - MODIFIED CASH BASIS
FOR THE TWELVE MONTHS ENDED NOVEMBER 30, 2023**

	2023
<u>Operating Revenue:</u>	
Water Sales, Tap Fees and Other User Fees	\$ 932,172
Miscellaneous Revenue	23,234
Total Operating Revenue	955,407
<u>Operating Expenses:</u>	
Water Purchased	311,849
Wages	209,188
Electric	9,717
Repairs & Maintenance	38,553
Vehicle & Mileage Expenditures	13,958
Professional fees	3,433
Office Supplies and Postage	9,727
Insurance	20,328
Taxes, Licenses & Fees	687
Payroll Taxes	15,695
Employee Benefits	47,453
Water Testing & Chemicals	3,642
Telephone	9,885
Miscellaneous	55
Contracted Services	34,699
Publications	-
Bank Charges	2,005
Dues & Subscriptions	4,867
Returned Check Expense	812
Meeting Expense	3,174
Depreciation Expense	82,056
Total Operating Expenses	821,781
Operating Income (Loss)	133,625
Other Revenues and (Expenses):	
Interest Income	39,213
Interest Expense	(23,665)
Gain(Loss) on Disposal of Assets	-
Total Other Revenues and (Expenses)	15,548
Net Income (Loss) Before Contributions	149,174
Capital Contributions	100,000
Change in Net Position	249,174
Total Net Position, Beginning of Year	2,099,234
Total Net Position, Prior Year Adjustment	-
Total Net Position, End of Year	\$ 2,348,408

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

OKFUSKEE COUNTY RURAL WATER DISTRICT #3
OKEMAH, OKLAHOMA
STATEMENT OF CASH FLOWS - MODIFIED CASH BASIS
FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2023

	2023
<u>Cash Flows from Operating Activities:</u>	
Cash Receipts from Customers	\$ 955,407
Payments to Suppliers for Goods & Services	(530,537)
Payments to Employees & Laborers	(210,034)
Receipts of Renter Deposits, Net of Refunds	-
Net Cash Provided (Used) by Operating Activities	214,836
<u>Cash Flows from Capital & Related Financing Activities:</u>	
Additions to Capital Assets	(165,206)
Capital Contributions	100,000
Proceeds from Disposal of Capital Assets	-
Loan Proceeds	-
Principal paid on Debt	(10,667)
Interest paid on Debt	(23,665)
Net Cash Provided (Used) by Capital & Related Financing Activities	(99,538)
<u>Cash Flows from Investing Activities:</u>	
Interest Income	39,213
Net Cash Provided (Used) by Investing Activities	39,213
Net Increase (Decrease) in Cash and Cash Equivalents	154,512
Cash & Cash Equivalents, Beginning of Year	895,344
Cash & Cash Equivalents, Prior Year Adjustment	-
Cash & Cash Equivalents, End of Year	\$ 1,049,856
<u>Reconciliation of operating income (loss) to net cash provided</u>	
<u>operating activities:</u>	
Operating Income (Loss)	\$ 133,625
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities	
Depreciation	82,056
(Increase)Decrease in Prepaid Insurance	(516)
(Increase)Decrease in Inventory	-
Increase(Decrease) in Other Current Liabilities	-
Increase(Decrease) in Payroll Taxes Payable	(330)
Increase(Decrease) in Renter Deposits Payable	-
Net Cash Provided (Used) by Operating Activities	\$ 214,836

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

OKFUSKEE COUNTY RURAL WATER DISTRICT #3
OKEMAH, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
NOVEMBER 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES & OPERATIONS

As discussed further in Note 1.C, these financial statements are presented 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 (GAAP) established by the Governmental Accounting Standards Board (GASB). These modified cash-basis financial statements generally meet the presentation and disclosure requirements applicable to GAAP, in substance, but are limited to the elements presented in the financial statements and the constraints of the measurement and recognition criteria of the modified cash basis of accounting.

A. Reporting Entity

Rural Water District #3, Okfuskee County (the "District") was incorporated and organized in accordance with Title Eighty-two of the Oklahoma Statutes, on August 18, 1969. The District maintains a water distribution system located in Okfuskee County and Hughes County, State of Oklahoma, and provides potable water to the rural families and business in its service area.

B. 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 position, 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).

OKFUSKEE COUNTY RURAL WATER DISTRICT #3
OKEMAH, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
NOVEMBER 30, 2023

C. Measurement Focus and Basis of Accounting

Measurement Focus

The District utilizes an economic resources measurement focus within the limitations of the modified cash basis of accounting. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), net financial position, and cash flows. All assets, deferred outflows, liabilities, and deferred inflows (whether current or noncurrent or financial or nonfinancial) associated with their activities are generally reported within the limitations of the modified cash basis of accounting.

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 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, 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 assets and their related revenues (such as accounts receivable and revenue billed or provided services not yet collected and other accrued revenue and receivables) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid and other accrued expenses and liabilities) are not recorded in these financial statements. In addition, 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 adjustment to fair value.

If the District utilized the basis of accounting recognized as generally accepted in the United States, the fund financial

OKFUSKEE COUNTY RURAL WATER DISTRICT #3
OKEMAH, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
NOVEMBER 30, 2023

statements for proprietary fund types would use the accrual basis of accounting.

D. Budgetary Data

The District prepares an annual budget for internal bookkeeping purposes.

E. Cash and Investments

The District considers all highly liquid investments with an original maturity of three months or less to be a cash equivalent. The District does not consider restricted cash to be a cash equivalent.

F. Inventory

The District maintains inventory records of parts and supplies purchased and still on hand at yearend.

G. Capital Assets (Property, Plant & Equipment)

The District's capital assets are stated at cost. Depreciation is computed using the straight-line method over the estimated useful life of the assets. Expenditures for major renewals and betterments which extend the useful lives of the fixed assets are capitalized. Expenditures for maintenance and repairs are expensed as incurred.

<u>Class of Asset</u>	<u>Estimated Useful Life</u>
Water Distribution Systems	40 years
Equipment	5 years

Capitalization Policy - Purchases of capital items in excess of \$500.00 that increase the capacity or operation efficiency or extend the useful life of any asset are capitalized. Repairs and maintenance are expensed as incurred.

H. Income Taxes

As an Internal Revenue Service Code Section 501(C)(12), non-profit corporation, the District is not required to pay Federal or State of Oklahoma Income Taxes.

OKFUSKEE COUNTY RURAL WATER DISTRICT #3
OKEMAH, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
NOVEMBER 30, 2023

I. Long-Term Debt

Long-term debt is reported at face value, net of applicable discounts and deferred loss on refunding. Costs related to the issuance of debt are deferred and amortized over the lives of various debt issues.

J. 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.
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 amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment of 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.

K. 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

OKFUSKEE COUNTY RURAL WATER DISTRICT #3
OKEMAH, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
NOVEMBER 30, 2023

not related to capital and related financing, noncapital financing, or investing activities.

NOTE 2 - CASH AND INVESTMENTS

Custodial Credit Risk

At November 30, 2023, the District held deposits of approximately \$1,050,856 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.

OKFUSKEE COUNTY RURAL WATER DISTRICT #3
 OKEMAH, OKLAHOMA
 NOTES TO FINANCIAL STATEMENTS
 NOVEMBER 30, 2023

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

NOTE 3 - RESTRICTED ASSETS

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 (\$34,332), after which deposits may be suspended, except to replace withdrawals. The District cannot withdraw funds from the reserve account without USDA approval. As of November 30, 2023, the District was required to have at least \$15,163.30 set aside in the reserve account; as of that date the account balance for the reserve account was \$75,212.67, which complies with the covenants of the loan agreement.

NOTE 4 - CAPITAL ASSETS

Capital asset activity, for the fiscal year ended November 30, 2023, was as follows:

	Balance at Nov. 30, 2022	Additions	Deductions	Balance at Nov. 30, 2023
Property & Equipment	\$ 3,782,894	\$ 165,206	\$ -	\$ 3,948,099
Work-in-progress	-	-	-	-
Subtotal	3,782,894	165,206	-	3,948,099
Less: Accum. Depr.	(1,896,057)	(82,056)	-	(1,978,113)
Total Capital Assets (Net of Depreciation)	<u>\$ 1,886,837</u>	<u>\$ 83,149</u>	<u>\$ -</u>	<u>\$ 1,969,986</u>

NOTE 5 - MORTGAGE PAYABLE

<u>Terms and Collateral</u>	<u>Outstanding Debt</u> <u>Nov. 30, 2023</u>
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Promissory Note to the USDA Rural Development in the Amount \$767,000 with an interest rate of 3.25%. The note is being retired through monthly payment of \$2,861 including principal and interest beginning July 12, 2019 until the note matures on June 12, 2059. The note is for the purpose of financing the water distribution system improvements. All loan proceeds have been received as of November 30, 2019.

\$722,410.34

Total Mortgage Payable Outstanding

\$722,410.34

OKFUSKEE COUNTY RURAL WATER DISTRICT #3
 OKEMAH, OKLAHOMA
 NOTES TO FINANCIAL STATEMENTS
 NOVEMBER 30, 2023

Changes in Long-Term Debt

The following is a summary of changes in long-term debt for the year ended November 30, 2023:

	Balance at November 30, 2022	Additions	Deductions	Balance at November 30, 2023
Mortgage Payable	\$ 733,077	\$ -	\$ 10,667	\$ 722,410
Total Long-Term Debt	<u>\$ 733,077</u>	<u>\$ -</u>	<u>\$ 10,667</u>	<u>\$ 722,410</u>

Debt Services Requirements to Maturity

The annual debt service requirements to maturity, including principal and interest, for long-term debt, as of November 30, 2023, are as follows:

Year Ending November 30,	Mortgage Payable - USDA RD 91-10		
	Principal	Interest	Total
2024	\$ 11,341	\$ 22,991	\$ 34,332
2025	11,710	22,622	34,332
2026	12,091	22,241	34,332
2027	12,484	21,848	34,332
2028	12,890	21,442	34,332
2029-2033	71,020	100,640	171,660
2034-2038	83,348	88,312	171,660
2039-2043	97,816	73,844	171,660
2044-2048	114,795	56,865	171,660
2049-2053	134,721	36,939	171,660
2054-2058	158,106	13,554	171,660
2059	2,088	6	2,093
Total	<u>\$ 722,410</u>	<u>\$ 481,303</u>	<u>\$ 1,203,713</u>

NOTE 6 - EMPLOYEE RETIREMENT PLAN

During the fiscal year ended November 30, 2005, the District began providing a pension plan to its employees in the form of a Simple IRA. The District must match employee contributions dollar for dollar up to 3% of the employees' compensation. The total employer and employee contributions for the year ended November 30, 2023, were \$5,617.43 and \$5,617.43, respectively.

OKFUSKEE COUNTY RURAL WATER DISTRICT #3
OKEMAH, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
NOVEMBER 30, 2023

NOTE 7 - COMPENSATED ABSENCES

All Full-Time employees will earn vacation benefits based on the anniversary employment date and the number of service years. After the first year, each Full-Time employee will be entitled to one week of paid vacation, after two full years of employment, each Full-Time employee is entitled to two weeks of paid vacation and after ten full years of employment, each Full-Time employee will be entitled to three weeks of paid vacation. (A week of vacation is equivalent to the number of days worked per week.) You must wait until after your anniversary date to take your paid vacation. Advance notice is required when scheduling vacation time, unless there is an emergency or an unforeseen need. If a recognized holiday for which you would normally be paid falls within your vacation period, you will receive an additional day of vacation. The holiday will not be charged against your available vacation time. If for some reason you must leave the District's employment without having taken your accrued vacation time and you have completed a full year of continuous employment, you will be entitled to just compensation. Vacation days must be taken in the year following their accrual and cannot be carried over into future years. If you must take a leave of absence, you will not accumulate further vacation time until returning to work.

All Full-Time employees are entitled to three paid days of personal time each year for any reason, accruing at a rate of one day for each full four months of employment. Advance notice is requested when scheduling personal time unless in the case of illness or an emergency. Unused personal time may not be carried over from year to year nor paid upon termination.

All Full-Time employees are entitled to five paid days of sick leave each year, accruing at a rate of one day for each full month for the first five months of the year. Unused sick leave may be carried over from year to year but each employee can at no time have more than five days of accrued sick leave in one year.

NOTE 8 - COMMITMENTS AND CONTINGENCIES

Litigation

According to the District's management, there were no known contingent liabilities at November 30, 2023, which would have a material effect on the financial statements.

OKFUSKEE COUNTY RURAL WATER DISTRICT #3
OKEMAH, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
NOVEMBER 30, 2023

Grant Program Involvement

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 9 - INSURANCE COVERAGE

The District maintains the following insurance coverage:

- Auto Liability
- Property Coverage
- Comprehensive General Liability
- Errors or Omissions
- Employment Related Practices Liability
- Employee Dishonesty and Crime Coverage
- Workers Compensation

NOTE 10 - WATER PURCHASES

The District purchases water from the following source:

- Okemah Utility Authority

NOTE 11 - SUBSEQUENT EVENTS

The District did not have any subsequent events through January 23, 2024, which is the date the financial statements were issued, for events requiring recording or disclosure in the financial statements for the year ending November 30, 2023.

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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
Okfuskee County Rural Water District #3
Okemah, Oklahoma

I 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, and in accordance with Oklahoma Statutes, the modified cash basis financial statements of the Okfuskee County Rural Water District #3, as of and for the year ended November 30, 2023, and the related notes to the financial statements, which were prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles, and have issued my report thereon dated January 23, 2024.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered the Okfuskee County Rural Water District #3'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 my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Okfuskee County Rural Water District #3's internal control. Accordingly, I do not express an opinion on the effectiveness of Okfuskee County Rural Water District #3'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 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.

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify

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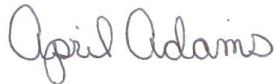
all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Okfuskee County Rural Water District #3's financial statements are free of material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is intended solely to describe the scope of my 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.



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Ponca City, Oklahoma

January 23, 2024

