

**Caddo County Rural
Water District #3**
Audit Report
For Year Ending June 30, 2021

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Independent Auditor's Report

To The Board of Directors of
Rural Water, Sewer, & Solid Waste Management Dist. #3
Caddo County, Oklahoma

Report on the Financial Statements

I have audited the accompanying financial statements of Rural Water, Sewer, & Solid Waste Management District #3, Caddo County, Oklahoma (District), as of and for the years ended June 30, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair representation of these financial statements in accordance accounting principle generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted the 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 of material misstatement.

An audit involves performing procedures to obtain audit evidence supporting the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Auditor's Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Rural Water, Sewer, & Solid Waste Management District #3, Caddo County, Oklahoma, as of June 30, 2021 and 2020, and the respective changes in financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Requirements by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, I have also issued my report dated January 20, 2022, on my consideration of the District's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Scott Northrip, CPA

Certified Public Accountant

January 20, 2022

**Rural Water, Sewer, and Solid Waste Management
District #3, Caddo County, Oklahoma**

Statement of Net Position
As of June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
ASSETS:		
Current Assets:		
Cash & Equivalents	\$ 1,345,440	\$ 1,441,162
Investments & Certificates of Deposit	4,691,227	4,670,095
Accounts Receivable (Note 2)	211,259	289,699
Interest Receivable	1,978	3,698
Prepaid Insurance	43,849	45,320
Total Current Assets	<u>\$ 6,293,753</u>	<u>\$ 6,449,974</u>
Noncurrent Assets:		
Utility Deposits	\$ 75	\$ 75
Construction in Process	-	-
Capital Assets: (Note 5)		
Land and Water Rights	1,168,395	1,147,550
Other Capital Assets, net of depreciation	6,928,233	5,861,632
Total Noncurrent Assets	<u>\$ 8,096,703</u>	<u>\$ 7,009,257</u>
TOTAL ASSETS	<u><u>\$ 14,390,456</u></u>	<u><u>\$ 13,459,231</u></u>
LIABILITIES AND NET POSITION:		
Current Liabilities:		
Accounts Payable	\$ 22,441	\$ 21,077
Taxes Payable	3,901	3,044
Customer Deposits	12,572	12,597
Total Current Liabilities	<u>\$ 38,914</u>	<u>\$ 36,718</u>
Net Position:		
Member Investments	\$ 403,150	\$ 393,100
Grants	5,805,684	5,805,684
Donated Assets (Note 6)	2,245,686	1,624,087
Unrestricted Fund Balance	5,897,022	5,599,642
TOTAL NET POSITION	<u>\$ 14,351,542</u>	<u>\$ 13,422,513</u>
TOTAL LIABILITIES AND NET POSITION	<u><u>\$ 14,390,456</u></u>	<u><u>\$ 13,459,231</u></u>

See accompanying notes to the financial statements.

Rural Water, Sewer, and Solid Waste Management District #3, Caddo County, Oklahoma

Comparative Statement of Activities
For the Years Ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
OPERATING REVENUES:		
Water Sales to Members	\$ 1,695,091	\$ 1,722,277
Water Sales to Municipalities	112,064	111,889
Meter Installation Revenues	78,700	130,900
Impact Fees	43,000	81,000
Fees Revenues	5,991	3,168
Meter Reading Revenues	86,075	79,650
Late Charges Revenues	16,255	17,710
Insurance Proceeds	-	-
Hydraulic Analysis	13,800	24,600
Total Operating Revenues	<u>\$ 2,050,976</u>	<u>\$ 2,171,194</u>
OPERATING EXPENSES:		
Salaries	\$ 711,357	\$ 683,680
Water Purchases	33,768	32,247
Depreciation Expense	334,786	329,651
Utilities	138,599	126,812
System Repairs	196,762	129,012
Equipment Repairs	21,217	16,927
Director's Travel	9,347	11,486
Insurance	54,229	53,149
Legal & Professional Fees	33,570	30,684
Employee Benefits	86,206	89,983
Vehicle Expense	39,168	44,069
Office Supplies & Postage	44,765	41,795
Payroll Tax Expense	57,451	55,044
Retirement Expense	58,646	58,282
Communication Expense	7,793	7,000
Dues	4,641	864
Bad Debts	5,453	2,499
License & Fees	18,256	37,064
Miscellaneous Expense	342	94
Total Operating Expenses	<u>\$ 1,856,356</u>	<u>\$ 1,750,342</u>
OPERATING INCOME (LOSS)	<u>\$ 194,620</u>	<u>\$ 420,852</u>
OTHER REVENUES (EXPENSES):		
Investment Revenues	\$ 69,741	\$ 97,505
Rent & Oil Lease	30,811	28,311
Rebate	2,208	10,568
Gain on Sale of Assets	-	-
Total Other Revenues(Expenses)	<u>\$ 102,760</u>	<u>\$ 136,384</u>
NET INCOME	<u>\$ 297,380</u>	<u>\$ 557,236</u>

See accompanying notes to the financial statements.

**Rural Water, Sewer, and Solid Waste Management
District #3, Caddo County, Oklahoma**

Comparative Statement of Changes in Net Position
For the Years Ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Balance, July 1	<u>\$ 13,422,513</u>	<u>\$ 12,759,637</u>
Net Income	297,380	557,236
Member Investments	10,050	17,850
Grants	-	-
Donated Assets	<u>621,599</u>	<u>87,790</u>
Total Changes in Net Position	<u>\$ 929,029</u>	<u>\$ 662,876</u>
Balance, June 30	<u><u>\$ 14,351,542</u></u>	<u><u>\$ 13,422,513</u></u>

See accompanying notes to the financial statements.

Rural Water, Sewer, and Solid Waste Management District #3, Caddo County, Oklahoma

Comparative Statement of Cash Flows
For the Years Ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers	\$ 2,129,416	\$ 2,122,616
Payments to suppliers	(605,075)	(540,945)
Payments to employees	(912,803)	(886,989)
Net Cash Provided by Operating Activities	<u>\$ 611,538</u>	<u>\$ 694,682</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Purchase of water system assets	\$ (779,787)	\$ (131,454)
Purchase of office furniture & fixtures	-	(8,464)
Purchase of equipment	-	(36,959)
Purchase of vehicles	-	(92,276)
Purchase of buildings & Improvements	-	-
Purchase of land & water rights	(20,845)	(158,774)
Payments for Construction in Process	-	-
Proceeds from sale of assets	-	-
Net Cash Used In Capital & Related Financing Activities	<u>\$ (800,632)</u>	<u>\$ (427,927)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest received	\$ 71,436	\$ 96,475
Proceeds from memberships	10,050	17,850
Land rent & oil lease & rebates	33,019	38,879
Net Cash Provided from Investing Activities	<u>\$ 114,505</u>	<u>\$ 153,204</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	\$ (74,589)	\$ 419,959
Cash & Investments Balance - Beginning	<u>6,111,257</u>	<u>5,691,298</u>
CASH & INVESTMENTS BALANCE - ENDING	<u>\$ 6,036,668</u>	<u>\$ 6,111,257</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:		
Operating Income (Loss)	\$ 194,620	\$ 420,852
Adjustments to reconcile operating income to net cash provided (used) by Operating Activities:		
Depreciation expense	334,786	329,651
Change in assets and liabilities:		
Accounts Receivable	78,440	(48,578)
Prepaid Insurance	1,471	(1,893)
Accounts Payable	1,364	(227)
Taxes Payable	857	(5,123)
Customer Deposits	-	-
Net Cash Provided from Operating Activities	<u>\$ 611,538</u>	<u>\$ 694,682</u>

See accompanying notes to the financial statements.

Rural Water, Sewer, and Solid Waste Management District #3, Caddo County, Oklahoma

Notes to the Financial Statements
For the Years Ended June 30, 2021 and 2020

Note 1 - Significant Accounting Policies

Organization:

Rural Water, Sewer, and Solid Waste Management District #3, Caddo County, Oklahoma (District) was formed in 1971 for the purpose of supplying water to the rural areas in and around Caddo County, Oklahoma. The District is governed by a Board of Directors who have been elected from and by the members of the District at the annual membership meeting. As of June 30, 2021 and 2020, the District served approximately 3,587 and 3,331 meters, respectively.

Basis of Accounting:

The District is a proprietary fund type of entity and uses the accrual method of accounting which reports revenues when earned and expenses when incurred. The District is not legally required to adopt a budget or report on budget comparisons in this report.

Fixed Assets and Depreciation:

The District records its fixed assets at their historical cost or donated value. Depreciation is calculated on each individual asset using the straight-line method of depreciation at the asset's estimated useful life. The assets of the District estimate the useful lives based on the type of asset. The lives range from 5 to 40 years.

Income Tax:

The District is exempt from federal and state income taxes for entities considered as agencies of the State of Oklahoma under IRS Code Section 115 (a).

Note 2 - Accounts Receivable

The accounts receivable represents the water usage and service revenues for June plus any unpaid balances from the previous months. The District sold 272,740,237 gallons of water during the year ending June 30, 2021 and 245,093,672 for the year ending June 30, 2020. The accounts receivable balances as of June 30, 2021 and 2020 were \$216,585 and \$295,025, respectively with the allowance for doubtful accounts amounting to \$5,326 for both year making a net accounts receivable balance of \$211,259 and \$289,699 for the years ending June 30, 2021 and 2020, respectively.

Note 3 - Use of Estimates

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

Note 4 - Contingencies

The District has contracted for \$231,255 to make upgrades to their SCADA system and \$95,200 to make improvements to the office building. Neither project had started by the end of June 30, 2021.

Rural Water, Sewer, and Solid Waste Management

District #3, Caddo County, Oklahoma

Notes to the Financial Statements
For the Years Ended June 30, 2021 and 2020

Note 5 - Change in Fixed Assets

	Balance 7/1/2020	Additions	Disposed	Balance 6/30/2021
<u>Cost of Fixed Assets:</u>				
Water System Phase I	\$ 3,694,141	\$ 474,977	\$ -	\$ 4,169,118
Water System Phase II	4,442,330	-	-	4,442,330
Water System Phase II Mounts	55,362	1,385	-	56,747
Water System Phase II River	217,316	-	-	217,316
Water System Phase III Wells	3,785,777	406,297	-	4,192,074
Water System Phase III Fees	18,175	-	-	18,175
Water System Phase III Const.	1,089,923	-	-	1,089,923
Water System Phase III Improv.	1,081,012	65,629	-	1,146,641
Strecker Booster Improvements	198,126	-	-	198,126
Line Relocate Projects	246,217	-	-	246,217
I.H.S. Line Extension	175,049	-	-	175,049
Tank Maintenance	468,037	6,550	-	474,587
12" Line Extension	20,205	446,548	-	466,753
Office Furniture & Fixtures	142,575	-	-	142,575
Equipment	410,774	-	-	410,774
Vehicles	273,748	-	-	273,748
Buildings	253,426	-	-	253,426
Total Fixed Assets	\$16,572,193	\$1,401,386	\$ -	\$17,973,579
<u>Accumulated Depreciation:</u>				
Water System Phase I	\$ 2,665,993	\$ 44,425	\$ -	\$ 2,710,418
Water System Phase II	4,441,546	784	-	4,442,330
Water System Phase II Mounts	47,022	1,419	-	48,441
Water System Phase II River	122,749	5,433	-	128,182
Water System Phase III Wells	1,319,604	100,311	-	1,419,915
Water System Phase III Fees	16,325	454	-	16,779
Water System Phase III Const.	476,953	28,248	-	505,201
Water System Phase III Improv.	419,195	28,994	-	448,189
Strecker Booster Improvements	88,565	4,953	-	93,518
Line Relocate Projects	74,601	6,155	-	80,756
I.H.S. Line Extension	153,999	4,376	-	158,375
Tank Maintenance	257,578	17,503	-	275,081
12" Line Extension	253	6,087	-	6,340
Office Furniture & Fixtures	95,758	5,530	-	101,288
Equipment	234,983	25,964	-	260,947
Vehicles	115,710	47,304	-	163,014
Buildings	179,727	6,845	-	186,572
Total Accum. Depreciation	\$10,710,561	\$ 334,785	\$ -	11,045,346
Net Fixed Assets	\$ 5,861,632	\$1,066,601	\$ -	\$ 6,928,233

Note 6 - Donated Assets

Donated assets is the estimated value of water lines installed by members from the existing lines of the system to the member's property. The value of the lines donated to the District for the years ending June 30, 2021 and 2020 were \$621,599 and \$87,790, respectively.

Rural Water, Sewer, and Solid Waste Management

District #3, Caddo County, Oklahoma

Notes to the Financial Statements
For the Years Ended June 30, 2021 and 2020

Note 7 - Components of Cash and Investments

	Date of Maturity	Interest Rate	6/30/2021 Balance
Petty Cash	-	0.00%	\$ 343
Checking - Shamrock Bank, Mt. View, OK	-	0.03%	1,221,867
Checking - Shamrock Bank, Mt. View, OK	-	0.03%	114,180
Savings - Farmers Bank, Carnegie, OK	-	0.15%	9,050
CD - Community Bank	7/23/2021	2.00%	100,000
CD - Great Plains Nat'l Bank	8/7/2020	2.00%	100,000
CD - 1st National, Cyril	9/30/2022	0.40%	102,755
CD - Liberty National Bank	12/16/2021	0.30%	100,000
CD - Washita Valley Bank	2/17/2022	0.45%	100,000
CD - Midfirst Bank	6/28/2021	0.20%	106,011
CD - Liberty National Bank	7/27/2021	0.55%	100,000
CD - Shamrock Bank	12/16/2021	0.50%	118,389
CD - All American Bank	12/21/2021	1.06%	100,000
CD - Shamrock Bank	1/2/2022	0.50%	102,919
CD - Bank of Commerce	10/14/2021	1.14%	100,000
CD - Farmers Bank	2/4/2022	0.55%	90,000
CD - Farmers Bank	7/8/2021	0.65%	100,000
CD - Washita Valley Bank	10/19/2021	2.20%	100,000
CD - Liberty National Bank	2/8/2022	0.30%	100,000
CD - Liberty National Bank	8/30/2021	0.65%	51,253
CD - Shamrock Bank	2/3/2022	1.85%	277,737
CD - Shamrock Bank	2/3/2022	1.85%	277,737
CD - Community Bank	8/27/2021	0.65%	150,000
CD - Bank of Commerce	5/20/2022	0.55%	150,000
CD - 1st National, Cyril	9/29/2021	0.40%	154,143
CD - Washita Valley Bank	8/20/2021	2.20%	50,000
CD - Washita Valley Bank	8/21/2021	2.20%	100,000
CD - Washita Valley Bank	8/30/2021	2.20%	100,000
CD - Shamrock Bank	8/28/2021	2.20%	150,000
CD - Shamrock Bank	7/28/2021	2.30%	162,642
CD - Shamrock Bank	7/28/2021	2.30%	162,642
CD - Shamrock Bank	2/7/2022	0.50%	250,000
CD - Shamrock Bank	2/7/2022	0.50%	250,000
CD - First State Bank	7/28/2022	0.65%	140,000
CD - First State Bank	1/3/2022	0.95%	100,000
CD - Frazer Bank	7/3/2021	0.65%	250,000
CD - All American Bank	3/29/2022	1.00%	100,000
CD - Community Bank	4/2/2022	1.00%	100,000
CD - Community Bank	8/20/2021	1.85%	150,000
Reserve Certificates - ORWAAG	-	2.06%	45,000
Total Cash and Investments			<u>\$ 6,036,668</u>

Shamrock Bank & Liberty Bank pledge securities for amounts over FDIC limits.
Certificates of Deposit are reserved for future improvements and purchase of water rights.

**Rural Water, Sewer, and Solid Waste Management
District #3, Caddo County, Oklahoma**

Notes to the Financial Statements
For the Years Ended June 30, 2021 and 2020

Note 8 - Retirement

The District provides a money purchase retirement plan for its full time employees after six months of employment. The plan is administered by Northwestern Mutual Life. The employees will become 20% invested after the 2nd year, 40% after the 3rd, 60% after the 4th, 80% after the 5th, and 100% vested after the 6th year of participation. The normal retirement age to receive benefits is 65 years of age. No loans to the participants from the plan is allowed. The contributions by the District for the years ending June 30, 2021 and 2020 were \$47,215 and \$58,282.

Note 9 - Evaluation of Subsequent Events

The subsequent events of the District were evaluated through December 31, 2020.

SCOTT NORTHRIP, CPA

P.O. Box 642, Hobart, Oklahoma 73651

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND INTERNAL CONTROL OVER FINANCIAL REPORTING PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors of
Rural Water, Sewer, and Solid Waste Management Dist. #3
Caddo County, Oklahoma

I 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 basic financial statements of Rural Water, Sewer, and Solid Waste Management District #3, Caddo County, Oklahoma (District), as of and for the years ending June 30, 2021 and 2020, and have issued my report thereon dated January 20, 2022.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, I performed test 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, 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*.

Internal Control over Financial Reporting

In planning and performing my audit of the financial statements, I considered the District's internal control over financial reporting (internal control) to determine the auditing 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 District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Report on Compliance and Internal Controls-Continued

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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.

Scott Northrip

Certified Public Accountant

January 20, 2022