

**Caddo County Rural  
Water District #3**

*Audit Report*  
For Year Ending June 30, 2022

P.V.  
P.W.  
275

3650  
1875  
1700  
1070

5400  
6170  
6945  
6900  
6630  
4685

475  
300  
350  
00  
00

169  
1690  
1690  
1690

**Scott Northrip, CPA**

P.O. Box 642  
Hobart, OK 73651  
(580) 726-5681

# ***SCOTT NORTHRIP, CPA***

P.O. Box 642, Hobart, Oklahoma 73651

## **Independent Auditor's Report**

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

### **Report on the Audit of the Financial Statements**

#### **Opinion**

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, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements.

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, 2022 and 2021, 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.

#### **Basis for Opinion**

I conducted the 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 (Government Auditing Standards). 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 District and to meet my other ethical responsibilities, in accordance with the relevant ethical requirements relating to the audits. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

#### **Responsibility of Management 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for 12 months after the date of the financial statements and no conditions were found that raise substantial doubt.

## **Auditor's Responsibility 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 misstatements, 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 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, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of these financial statements.

In performing an audit in accordance with GAAS, I: a) exercised professional judgement and maintained professional skepticism throughout the audit, b) 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, c) obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed, d) evaluate 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, e) conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time, and f) 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.

## **Report on Other Legal and Regulatory Requirements**

In accordance with *Government Auditing Standards*, I have also issued my report dated January 19, 2023, 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 effectiveness of the District'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 the District's internal control over financial reporting and compliance.

**Scott Northrip, CPA**

Certified Public Accountant

January 19, 2023

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

Statement of Net Position  
As of June 30, 2022 and 2021

	2022	2021
<b>ASSETS:</b>		
Current Assets:		
Cash & Equivalents	\$ 1,207,176	\$ 1,345,440
Investments & Certificates of Deposit	5,102,028	4,691,227
Accounts Receivable (Note 2)	336,207	211,259
Interest Receivable	4,461	1,978
Prepaid Insurance	52,615	43,849
<b>Total Current Assets</b>	<b>\$ 6,702,487</b>	<b>\$ 6,293,753</b>
Noncurrent Assets:		
Utility Deposits	\$ 75	\$ 75
Construction in Process	-	-
Capital Assets: (Note 5)		
Land and Water Rights	1,195,010	1,168,395
Other Capital Assets, net of depreciation	7,615,929	6,928,233
<b>Total Noncurrent Assets</b>	<b>\$ 8,811,014</b>	<b>\$ 8,096,703</b>
<b>TOTAL ASSETS</b>	<b>\$ 15,513,501</b>	<b>\$ 14,390,456</b>
<b>LIABILITIES AND NET POSITION:</b>		
Current Liabilities:		
Accounts Payable	\$ 30,566	\$ 22,441
Taxes Payable	4,085	3,901
Customer Deposits	12,547	12,572
<b>Total Current Liabilities</b>	<b>\$ 47,198</b>	<b>\$ 38,914</b>
Net Position:		
Member Investments	\$ 419,950	\$ 403,150
Grants	5,805,684	5,805,684
Donated Assets (Note 6)	2,777,650	2,245,686
Unrestricted Fund Balance	6,463,019	5,897,022
<b>TOTAL NET POSITION</b>	<b>\$ 15,466,303</b>	<b>\$ 14,351,542</b>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$ 15,513,501</b>	<b>\$ 14,390,456</b>

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, 2022 and 2021

	<b>2022</b>	<b>2021</b>
<b>OPERATING REVENUES:</b>		
Water Sales to Members	\$ 2,040,664	\$ 1,695,091
Water Sales to Municipalities	122,837	112,064
Meter Installation Revenues	123,450	78,700
Impact Fees	50,000	43,000
Fees Revenues	15,013	5,991
Meter Reading Revenues	95,750	86,075
Late Charges Revenues	25,405	16,255
Insurance Proceeds	-	-
Hydraulic Analysis	22,600	13,800
<b>Total Operating Revenues</b>	<b>\$ 2,495,719</b>	<b>\$ 2,050,976</b>
 <b>OPERATING EXPENSES:</b>		
Salaries	\$ 683,945	\$ 711,357
Water Purchases	35,406	33,768
Depreciation Expense	369,191	334,786
Utilities	171,625	138,599
System Repairs	218,388	196,762
Equipment Repairs	28,510	21,217
Director's Travel	11,262	9,347
Insurance	52,727	54,229
Legal & Professional Fees	34,435	33,570
Employee Benefits	83,046	86,206
Vehicle Expense	69,749	39,168
Office Supplies & Postage	45,232	44,765
Payroll Tax Expense	55,333	57,451
Retirement Expense	61,999	58,646
Communication Expense	8,015	7,793
Dues	4,655	4,641
Bad Debts	17,866	5,453
License & Fees	36,874	18,256
Miscellaneous Expense	4,369	342
<b>Total Operating Expenses</b>	<b>\$ 1,992,627</b>	<b>\$ 1,856,356</b>
 <b>OPERATING INCOME (LOSS)</b>	<b>\$ 503,092</b>	<b>\$ 194,620</b>
 <b>OTHER REVENUES (EXPENSES):</b>		
Investment Revenues	\$ 32,094	\$ 69,741
Rent & Oil Lease	30,811	30,811
Rebate	-	2,208
Gain on Sale of Assets	-	-
<b>Total Other Revenues(Expenses)</b>	<b>\$ 62,905</b>	<b>\$ 102,760</b>
 <b>NET INCOME</b>	<b>\$ 565,997</b>	<b>\$ 297,380</b>

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, 2022 and 2021

	<b>2022</b>	<b>2021</b>
<b>Balance, July 1</b>	\$ 14,351,542	\$ 13,422,513
Net Income	565,997	297,380
Member Investments	16,800	10,050
Grants	-	-
Donated Assets	531,964	621,599
Total Changes in Net Position	\$ 1,114,761	\$ 929,029
<b>Balance, June 30</b>	<b>\$ 15,466,303</b>	<b>\$ 14,351,542</b>

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, 2022 and 2021

	2022	2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Receipts from customers	\$ 2,370,771	\$ 2,129,416
Payments to suppliers	(739,595)	(605,075)
Payments to employees	(884,323)	(912,803)
<b>Net Cash Provided by Operating Activities</b>	<b>\$ 746,853</b>	<b>\$ 611,538</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Purchase of water system assets	\$ (304,743)	\$ (779,787)
Purchase of office furniture & fixtures	-	-
Purchase of equipment	(15,472)	-
Purchase of vehicles	(79,196)	-
Purchase of buildings & Improvements	(125,513)	-
Purchase of land & water rights	(26,615)	(20,845)
Payments for Construction in Process	-	-
Proceeds from sale of assets	-	-
<b>Net Cash Used In Capital &amp; Related Financing Activities</b>	<b>\$ (551,539)</b>	<b>\$ (800,632)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Interest received	\$ 29,611	\$ 71,436
Proceeds from memberships	16,800	10,050
Land rent & oil lease & rebates	30,811	33,019
<b>Net Cash Provided from Investing Activities</b>	<b>\$ 77,222</b>	<b>\$ 114,505</b>
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>\$ 272,536</b>	<b>\$ (74,589)</b>
Cash & Investments Balance - Beginning	6,036,668	6,111,257
<b>CASH &amp; INVESTMENTS BALANCE - ENDING</b>	<b>\$ 6,309,204</b>	<b>\$ 6,036,668</b>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:</b>		
Operating Income (Loss)	\$ 503,092	\$ 194,620
Adjustments to reconcile operating income to net cash provided (used) by Operating Activities:		
Depreciation expense	369,191	334,786
Change in assets and liabilities:		
Accounts Receivable	(124,948)	78,440
Prepaid Insurance	(8,766)	1,471
Accounts Payable	8,125	1,364
Taxes Payable	184	857
Customer Deposits	(25)	-
<b>Net Cash Provided from Operating Activities</b>	<b>\$ 746,853</b>	<b>\$ 611,538</b>

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, 2022 and 2021

## **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, 2022 and 2021, the District served approximately 3,677 and 3,587 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 324,136,848 gallons of water during the year ending June 30, 2022 and 272,740,237 for the year ending June 30, 2021. The accounts receivable balances as of June 30, 2022 and 2021 were \$343,760 and \$295,025, respectively with the allowance for doubtful accounts amounting to \$7,553 and \$5,326 for respective years making a net accounts receivable balance of \$345,153 and \$289,699 for the years ending June 30, 2022 and 2021, 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 affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

## **Note 4 - Contingencies**

The District has no contingencies as of the date of the report.



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

Notes to the Financial Statements  
For the Years Ended June 30, 2022 and 2021

## **Note 5 - Change in Fixed Assets**

	Balance 7/1/2021	Additions	Disposed	Balance 6/30/2022
<b><u>Cost of Fixed Assets:</u></b>				
Water System Phase I	\$ 4,169,118	\$ 531,964	\$ -	\$ 4,701,082
Water System Phase II	4,442,330	-	-	4,442,330
Water System Phase II Mounts	56,747	-	-	56,747
Water System Phase II River	217,316	-	-	217,316
Water System Phase III Wells	4,192,074	260,488	-	4,452,562
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.	1,146,641	35,613	-	1,182,254
Strecker Booster Improvements	198,126	6,442	-	204,568
Line Relocate Projects	246,217	-	-	246,217
I.H.S. Line Extention	175,049	-	-	175,049
Tank Maintenance	474,587	2,200	-	476,787
12" Line Extension	466,753	-	-	466,753
Office Furniture & Fixtures	142,575	-	-	142,575
Equipment	410,774	15,472	-	426,246
Vehicles	273,748	79,196	(25,321)	327,623
Buildings	253,426	125,513	-	378,939
<b>Total Fixed Assets</b>	<b>\$17,973,579</b>	<b>\$1,056,888</b>	<b>\$ (25,321)</b>	<b>\$19,005,146</b>
<b><u>Accumulated Depreciation:</u></b>				
Water System Phase I	\$ 2,710,418	\$ 57,724	\$ -	\$ 2,768,142
Water System Phase II	4,442,330	-	-	4,442,330
Water System Phase II Mounts	48,441	1,418	-	49,859
Water System Phase II River	128,182	5,433	-	133,615
Water System Phase III Wells	1,419,915	111,903	-	1,531,818
Water System Phase III Fees	16,779	454	-	17,233
Water System Phase III Const.	505,201	28,248	-	533,449
Water System Phase III Improv.	448,189	29,885	-	478,074
Strecker Booster Improvements	93,518	5,114	-	98,632
Line Relocate Projects	80,756	6,156	-	86,912
I.H.S. Line Extention	158,375	4,377	-	162,752
Tank Maintenance	275,081	17,613	-	292,694
12" Line Extension	6,340	11,668	-	18,008
Office Furniture & Fixtures	101,288	5,320	-	106,608
Equipment	260,947	26,737	-	287,684
Vehicles	163,014	47,784	(25,321)	185,477
Buildings	186,572	9,358	-	195,930
<b>Total Accum. Depreciation</b>	<b>\$11,045,346</b>	<b>\$ 369,192</b>	<b>\$ (25,321)</b>	<b>11,389,217</b>
<b>Net Fixed Assets</b>	<b>\$ 6,928,233</b>	<b>\$ 687,696</b>	<b>\$ -</b>	<b>\$ 7,615,929</b>

## **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, 2022 and 2021 were \$531,964 and \$621,599, respectively.

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

Notes to the Financial Statements  
For the Years Ended June 30, 2022 and 2021

## Note 7 - Components of Cash and Investments

	Date of Maturity	Interest Rate	6/30/2022 Balance
Petty Cash	-	0.00%	\$ 687
Checking - Shamrock Bank, Mt. View, OK	-	0.03%	1,089,027
Checking - Shamrock Bank, Mt. View, OK	-	0.03%	108,399
Savings - Farmers Bank, Carnegie, OK	-	0.15%	9,064
CD - Community Bank	1/23/2023	0.75%	100,000
CD - Great Plains Nat'l Bank	8/12/2022	0.45%	100,000
CD - Great Plains Nat'l Bank	3/14/2023	0.45%	150,170
CD - 1st National, Cyril	9/30/2022	0.25%	103,049
CD - Liberty National Bank	12/16/2022	0.25%	100,000
CD - Washita Valley Bank	2/17/2023	0.45%	100,000
CD - Midfirst Bank	4/4/2023	0.39%	106,170
CD - Liberty National Bank	7/27/2023	0.30%	100,000
CD - Shamrock Bank	12/16/2022	0.45%	118,389
CD - All American Bank	12/21/2022	0.86%	100,000
CD - Shamrock Bank	1/2/2023	0.45%	102,919
CD - Bank of Commerce	4/14/2023	0.75%	100,000
CD - Farmers Bank	2/4/2023	0.50%	90,000
CD - Farmers Bank	7/8/2022	0.55%	100,000
CD - Washita Valley Bank	10/19/2022	0.45%	100,000
CD - Liberty National Bank	2/8/2023	0.25%	100,000
CD - All American Bank	8/30/2022	0.40%	51,253
CD - Shamrock Bank	2/3/2023	0.45%	281,621
CD - Shamrock Bank	2/3/2023	0.45%	281,621
CD - Community Bank	8/27/2022	0.65%	150,000
CD - Bank of Commerce	8/20/2023	0.30%	150,000
CD - 1st National, Cyril	9/29/2022	0.25%	154,585
CD - Washita Valley Bank	8/20/2022	0.45%	50,000
CD - Washita Valley Bank	8/21/2022	0.45%	100,000
CD - Washita Valley Bank	8/30/2022	0.45%	100,000
CD - Shamrock Bank	8/28/2022	0.45%	150,000
CD - Shamrock Bank	7/28/2022	0.45%	163,625
CD - Shamrock Bank	7/28/2022	0.45%	163,625
CD - Shamrock Bank	2/7/2023	0.45%	250,000
CD - Shamrock Bank	2/7/2023	0.45%	250,000
CD - First State Bank	4/2/2023	0.65%	100,000
CD - First State Bank	7/28/2022	0.65%	140,000
CD - Frazer Bank	7/3/2022	0.20%	250,000
CD - All American Bank	3/29/2023	0.50%	100,000
CD - Community Bank	4/2/2023	0.50%	100,000
CD - Community Bank	2/20/2023	0.75%	150,000
CD - Interbank	6/22/2023	0.45%	250,000
Reserve Certificates - ORWAAG	-	4.10%	45,000
<b>Total Cash and Investments</b>			<u><u>\$ 6,309,204</u></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, 2022 and 2021

**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, 2022 and 2021 were \$61,999 and \$47,215.

**Note 9 - Evaluation of Subsequent Events**

The subsequent events of the District were evaluated through December 31, 2021.

# **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, 2022 and 2021, and have issued my report thereon dated January 19, 2023.

### **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 19, 2023