

**Caddo County Rural
Water District #3**

Audit Report
For Year Ending June 30, 2023

Scott Northrip, CPA

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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 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, 2023 and 2022, 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, 2023 and 2022, 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 18, 2024, 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 18, 2024

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

Statement of Net Position
As of June 30, 2023 and 2022

| | <u>2023</u> | <u>2022</u> |
|---|-----------------------------|-----------------------------|
| ASSETS: | | |
| Current Assets: | | |
| Cash & Equivalents | \$ 1,241,250 | \$ 1,207,176 |
| Investments & Certificates of Deposit | 5,112,376 | 5,102,028 |
| Accounts Receivable (Note 2) | 348,960 | 336,207 |
| Interest Receivable | 8,904 | 4,461 |
| Prepaid Insurance | 60,082 | 52,615 |
| Total Current Assets | <u>\$ 6,771,572</u> | <u>\$ 6,702,487</u> |
| Noncurrent Assets: | | |
| Utility Deposits | \$ 75 | \$ 75 |
| Construction in Process | - | - |
| Capital Assets: (Note 5) | | |
| Land and Water Rights | 1,202,754 | 1,195,010 |
| Other Capital Assets, net of depreciation | 8,131,134 | 7,615,929 |
| Total Noncurrent Assets | <u>\$ 9,333,963</u> | <u>\$ 8,811,014</u> |
| TOTAL ASSETS | <u>\$ 16,105,535</u> | <u>\$ 15,513,501</u> |
| LIABILITIES AND NET POSITION: | | |
| Current Liabilities: | | |
| Accounts Payable | \$ 22,922 | \$ 30,566 |
| Taxes Payable | 4,003 | 4,085 |
| Customer Deposits | 12,522 | 12,547 |
| Total Current Liabilities | <u>\$ 39,447</u> | <u>\$ 47,198</u> |
| Net Position: | | |
| Member Investments | \$ 437,500 | \$ 419,950 |
| Grants | 5,805,684 | 5,805,684 |
| Donated Assets (Note 6) | 2,809,792 | 2,777,650 |
| Unrestricted Fund Balance | 7,013,112 | 6,463,019 |
| TOTAL NET POSITION | <u>\$ 16,066,088</u> | <u>\$ 15,466,303</u> |
| TOTAL LIABILITIES AND NET POSITION | <u>\$ 16,105,535</u> | <u>\$ 15,513,501</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, 2023 and 2022

| | <u>2023</u> | <u>2022</u> |
|---------------------------------------|----------------------------|----------------------------|
| OPERATING REVENUES: | | |
| Water Sales to Members | \$ 2,122,461 | \$ 2,040,664 |
| Water Sales to Municipalities | 175,501 | 122,837 |
| Meter Installation Revenues | 122,100 | 123,450 |
| Impact Fees | 62,000 | 50,000 |
| Fees Revenues | 24,040 | 15,013 |
| Meter Reading Revenues | 114,225 | 95,750 |
| Late Charges Revenues | 25,843 | 25,405 |
| Sale of Supplies | 17,163 | - |
| Hydraulic Analysis | 24,600 | 22,600 |
| Total Operating Revenues | <u>\$ 2,687,933</u> | <u>\$ 2,495,719</u> |
| OPERATING EXPENSES: | | |
| Salaries | \$ 750,533 | \$ 683,945 |
| Water Purchases | 38,308 | 35,406 |
| Depreciation Expense | 417,131 | 369,191 |
| Utilities | 176,114 | 171,625 |
| System Repairs | 306,753 | 218,388 |
| Equipment Repairs | 19,074 | 28,510 |
| Director's Travel | 10,746 | 11,262 |
| Insurance | 66,330 | 52,727 |
| Legal & Professional Fees | 41,511 | 34,435 |
| Employee Benefits | 89,947 | 83,046 |
| Vehicle Expense | 71,315 | 69,749 |
| Office Supplies & Postage | 65,235 | 45,232 |
| Payroll Tax Expense | 60,858 | 55,333 |
| Retirement Expense | 66,498 | 61,999 |
| Communication Expense | 10,840 | 8,015 |
| Dues | 4,681 | 4,655 |
| Bad Debts | 13,267 | 17,866 |
| License & Fees | 37,869 | 36,874 |
| Miscellaneous Expense | 4,839 | 4,369 |
| Total Operating Expenses | <u>\$ 2,251,849</u> | <u>\$ 1,992,627</u> |
| OPERATING INCOME (LOSS) | <u>\$ 436,084</u> | <u>\$ 503,092</u> |
| OTHER REVENUES (EXPENSES): | | |
| Investment Revenues | \$ 58,846 | \$ 32,094 |
| Rent & Oil Lease | 28,311 | 30,811 |
| Rebate | - | - |
| Gain on Sale of Assets | 26,852 | - |
| Total Other Revenues(Expenses) | <u>\$ 114,009</u> | <u>\$ 62,905</u> |
| NET INCOME | <u>\$ 550,093</u> | <u>\$ 565,997</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, 2023 and 2022

| | <u>2023</u> | <u>2022</u> |
|-------------------------------|-----------------------------|-----------------------------|
| Balance, July 1 | <u>\$ 15,466,303</u> | <u>\$ 14,351,542</u> |
| Net Income | 550,093 | 565,997 |
| Member Investments | 17,550 | 16,800 |
| Grants | - | - |
| Donated Assets | <u>32,142</u> | <u>531,964</u> |
| Total Changes in Net Position | <u>\$ 599,785</u> | <u>\$ 1,114,761</u> |
| Balance, June 30 | <u><u>\$ 16,066,088</u></u> | <u><u>\$ 15,466,303</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, 2023 and 2022

| | <u>2023</u> | <u>2022</u> |
|--|----------------------------|----------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Receipts from customers | \$ 2,675,180 | \$ 2,370,771 |
| Payments to suppliers | (882,182) | (739,595) |
| Payments to employees | (967,754) | (884,323) |
| Net Cash Provided by Operating Activities | <u><u>\$ 825,244</u></u> | <u><u>\$ 746,853</u></u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES: | | |
| Purchase of water system assets | \$ (360,101) | \$ (304,743) |
| Purchase of office furniture & fixtures | (5,625) | - |
| Purchase of equipment | (308,419) | (15,472) |
| Purchase of vehicles | (161,437) | (79,196) |
| Purchase of buildings & Improvements | (79,609) | (125,513) |
| Purchase of land & water rights | (7,744) | (26,615) |
| Payments for Construction in Process | - | - |
| Proceeds from sale of assets | 41,849 | - |
| Net Cash Used In Capital & Related Financing Activities | <u><u>\$ (881,086)</u></u> | <u><u>\$ (551,539)</u></u> |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Interest received | \$ 54,403 | \$ 29,611 |
| Proceeds from memberships | 17,550 | 16,800 |
| Land rent & oil lease & rebates | 28,311 | 30,811 |
| Net Cash Provided from Investing Activities | <u><u>\$ 100,264</u></u> | <u><u>\$ 77,222</u></u> |
| INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | <u><u>\$ 44,422</u></u> | <u><u>\$ 272,536</u></u> |
| Cash & Investments Balance - Beginning | 6,309,204 | 6,036,668 |
| CASH & INVESTMENTS BALANCE - ENDING | <u><u>\$ 6,353,626</u></u> | <u><u>\$ 6,309,204</u></u> |
| Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities: | | |
| Operating Income (Loss) | \$ 436,084 | \$ 503,092 |
| Adjustments to reconcile operating income to net cash provided (used) by Operating Activities: | | |
| Depreciation expense | 417,131 | 369,191 |
| Change in assets and liabilities: | | |
| Accounts Receivable | (12,753) | (124,948) |
| Prepaid Insurance | (7,467) | (8,766) |
| Accounts Payable | (7,644) | 8,125 |
| Taxes Payable | (82) | 184 |
| Customer Deposits | (25) | (25) |
| Net Cash Provided from Operating Activities | <u><u>\$ 825,244</u></u> | <u><u>\$ 746,853</u></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, 2023 and 2022

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, 2023 and 2022, the District served approximately 3,834 and 3,724 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 327,785,301 for the year ending June 30, 2023. The accounts receivable balances as of June 30, 2023 and 2022 were \$356,513 and \$343,760, respectively with the allowance for doubtful accounts amounting to \$7,553 and \$7,553 for respective years making a net accounts receivable balance of \$348,960 and \$336,207 for the years ending June 30, 2023 and 2022, 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 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, 2023 and 2022

Note 5 - Change in Fixed Assets

| | Balance 7/1/2022 | Additions | Disposed | Balance 6/30/2023 |
|--------------------------------|---------------------|-------------------|--------------------|----------------------|
| Cost of Fixed Assets: | | | | |
| Water System Phase I | \$ 4,701,082 | \$ 32,142 | \$ - | \$ 4,733,224 |
| 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 | 4,452,562 | 129,220 | - | 4,581,782 |
| 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. | 1,182,254 | 89,999 | - | 1,272,253 |
| Strecker Booster Improvements | 204,568 | - | - | 204,568 |
| Line Relocate Projects | 246,217 | - | - | 246,217 |
| I.H.S. Line Extention | 175,049 | - | - | 175,049 |
| Tank Maintenance | 476,787 | 140,883 | - | 617,670 |
| 12" Line Extension | 466,753 | - | - | 466,753 |
| Office Furniture & Fixtures | 142,575 | 5,625 | - | 148,200 |
| Equipment | 426,246 | 308,419 | - | 734,665 |
| Vehicles | 327,623 | 161,437 | (21,425) | 467,635 |
| Buildings | 378,939 | 79,609 | - | 458,548 |
| Total Fixed Assets | \$19,005,146 | \$ 947,334 | \$ (21,425) | \$ 19,931,055 |

Accumulated Depreciation:

| | | | | |
|----------------------------------|---------------------|-------------------|-------------------|-------------------|
| Water System Phase I | \$ 2,768,142 | \$ 58,527 | \$ - | \$ 2,826,669 |
| Water System Phase II | 4,442,330 | - | - | 4,442,330 |
| Water System Phase II Mounts | 49,859 | 1,419 | - | 51,278 |
| Water System Phase II River | 133,615 | 5,433 | - | 139,048 |
| Water System Phase III Wells | 1,531,818 | 114,813 | - | 1,646,631 |
| Water System Phase III Fees | 17,233 | 455 | - | 17,688 |
| Water System Phase III Const. | 533,449 | 28,249 | - | 561,698 |
| Water System Phase III Improv. | 478,074 | 30,974 | - | 509,048 |
| Strecker Booster Improvements | 98,632 | 5,115 | - | 103,747 |
| Line Relocate Projects | 86,912 | 6,155 | - | 93,067 |
| I.H.S. Line Extention | 162,752 | 4,376 | - | 167,128 |
| Tank Maintenance | 292,694 | 20,367 | - | 313,061 |
| 12" Line Extension | 18,008 | 11,669 | - | 29,677 |
| Office Furniture & Fixtures | 106,608 | 5,825 | - | 112,433 |
| Equipment | 287,684 | 42,330 | - | 330,014 |
| Vehicles | 185,477 | 66,939 | (6,428) | 245,988 |
| Buildings | 195,930 | 14,486 | - | 210,416 |
| Total Accum. Depreciation | \$11,389,217 | \$ 417,132 | \$ (6,428) | 11,799,921 |

| | | | | |
|-------------------------|---------------------|-------------------|--------------------|---------------------|
| Net Fixed Assets | \$ 7,615,929 | \$ 530,202 | \$ (14,997) | \$ 8,131,134 |
|-------------------------|---------------------|-------------------|--------------------|---------------------|

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, 2023 and 2022 were \$32,142 and \$531,964, respectively.

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

Notes to the Financial Statements
For the Years Ended June 30, 2023 and 2022

Note 7 - Components of Cash and Investments

| | Date of Maturity | Interest Rate | 6/30/2023 Balance |
|--|---------------------|------------------|----------------------|
| Petty Cash | - | 0.00% | \$ 687 |
| Checking - Shamrock Bank, Mt. View, OK | - | 0.055% | 1,154,468 |
| Checking - Shamrock Bank, Mt. View, OK | - | 0.055% | 77,008 |
| Savings - Farmers Bank, Carnegie, OK | - | 0.15% | 9,087 |
| CD - Community Bank | 7/23/2024 | 3.15% | 100,000 |
| CD - Great Plains Nat'l Bank | 8/12/2023 | 1.10% | 100,000 |
| CD - Great Plains Nat'l Bank | 3/14/2024 | 3.45% | 150,170 |
| CD - 1st National, Cyril | 9/30/2023 | 1.10% | 103,968 |
| CD - Liberty National Bank | 12/16/2023 | 3.50% | 100,000 |
| CD - Washita Valley Bank | 8/21/2023 | 1.50% | 100,000 |
| CD - Midfirst Bank | 4/7/2024 | 4.30% | 107,247 |
| CD - Liberty National Bank | 7/27/2023 | 0.75% | 100,000 |
| CD - Shamrock Bank | 12/16/2023 | 3.25% | 118,389 |
| CD - All American Bank | 12/21/2023 | 3.33% | 100,000 |
| CD - Shamrock Bank | 1/2/2024 | 3.25% | 102,919 |
| CD - Bank of Commerce | 10/14/2024 | 4.55% | 100,000 |
| CD - Farmers Bank | 2/4/2024 | 4.00% | 90,000 |
| CD - Farmers Bank | 7/8/2023 | 0.65% | 100,000 |
| CD - Washita Valley Bank | 10/26/2023 | 1.90% | 100,000 |
| CD - Liberty National Bank | 5/20/2024 | 3.60% | 100,000 |
| CD - All American Bank | 8/30/2023 | 1.58% | 51,253 |
| CD - Shamrock Bank | 2/3/2024 | 0.50% | 282,938 |
| CD - Shamrock Bank | 2/3/2024 | 0.50% | 282,938 |
| CD - Community Bank | 8/20/2024 | 3.15% | 150,000 |
| CD - Bank of Commerce | 8/20/2023 | 0.30% | 150,000 |
| CD - 1st National, Cyril | 9/29/2023 | 1.10% | 155,952 |
| CD - Washita Valley Bank | 8/15/2023 | 1.50% | 50,000 |
| CD - Washita Valley Bank | 2/17/2024 | 3.25% | 100,000 |
| CD - Washita Valley Bank | 8/30/2023 | 1.50% | 100,000 |
| CD - Shamrock Bank | 8/28/2023 | 1.40% | 150,000 |
| CD - Shamrock Bank | 7/28/2023 | 1.40% | 165,801 |
| CD - Shamrock Bank | 7/28/2023 | 1.40% | 165,801 |
| CD - Shamrock Bank | 2/7/2024 | 3.60% | 250,000 |
| CD - Shamrock Bank | 2/7/2024 | 3.60% | 250,000 |
| CD - First State Bank | 4/2/2024 | 4.30% | 100,000 |
| CD - First State Bank | 10/28/2023 | 1.20% | 140,000 |
| CD - Frazer Bank | 7/3/2023 | 0.20% | 250,000 |
| CD - All American Bank | 3/29/2024 | 3.44% | 100,000 |
| CD - Community Bank | 4/2/2024 | 3.50% | 100,000 |
| CD - Community Bank | 8/27/2023 | 3.15% | 150,000 |
| CD - Interbank | 6/22/2024 | 4.01% | 250,000 |
| Reserve Certificates - ORWAAG | - | 6.36% | 45,000 |
| Total Cash and Investments | | | \$ 6,353,626 |

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, 2023 and 2022

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, 2023 and 2022 were \$66,498 and \$61,999.

Note 9 - Evaluation of Subsequent Events

The subsequent events of the District were evaluated through December 31, 2023.

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, 2023 and 2022, and have issued my report thereon dated January 18, 2024.

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 18, 2024