Choctaw County Rural Water, Sewer, Gas and Solid Waste Management District No. 3
Sawyer, Oklahoma

Financial Statements and Auditor's Reports

Year Ended July 31, 2022

Audited by

BLEDSOE, HEWETT & GULLEKSON
CERTIFIED PUBLIC ACCOUNTANTS, PLLLP

BROKEN ARROW, OK

Choctaw County Rural Water, Sewer, Gas and Solid Waste Management District No. 3
Sawyer, Oklahoma
July 31, 2022

BOARD OF DIRECTORS

Chairman

Bob Goodwin

Vice-Chairman

Russell Noble

Secretary

William Eaton

Treasurer

Richard Lampe

OPERATIONS MANAGER

Charles Motes

OFFICE MANAGER

Tammy Rowden

Choctaw County Rural Water, Sewer, Gas and Solid Waste Management District No. 3
Sawyer, Oklahoma
July 31, 2022

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Choctaw County Rural Water, Sewer, Gas
and Solid Waste Management District No. 3
Sawyer, Oklahoma

Report on the Audit of the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Choctaw County Rural Water, Sewer, Gas and Solid Waste Management District No. 3, Sawyer, Oklahoma (the District), as of and for the year ended July 31, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Disclaimer of Opinion

Because of the significance of the matters described in the Basis for Disclaimer of Opinion paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide for an audit opinion. Accordingly, we do not express an opinion on these financial statements.

Basis for Disclaimer of Opinion

Many of the accounting records maintained by the previous office managers were not available for us to review. We were unable to locate any supporting documentation for expenditures that cleared the District's bank account and were reported in the District's financial statements. We were also unable to identify which utility payments and deposits were made with cash, which were paid by check and what classification deposits were assigned, due to limitations in the previous office manager's record keeping. As a result, we were unable to determine whether any adjustments to the amounts reported were necessary.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, and 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.

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 twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our 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 our opinions. 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 generally accepted auditing standards 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 generally accepted auditing standards and *Government Auditing Standards*, we:

- 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 District'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.
- 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.

We are 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 we identified during the audit.

Supplementary Information

The District has not presented the Management's Discussion and Analysis that governmental accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board (GASB), who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

The prior year "memorandum only" comparative information is presented for the purposes of additional analysis and is not a required part of the basic financial statements of the District. Such information has not been subjected to the auditing procedures applied in our audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 14, 2023, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 the 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.

Bledsoe, Hewett & Gullekson

Bledsoe, Hewett & Gullekson
Certified Public Accountants, PLLLP

April 14, 2023

BLEDSOE, HEWETT & GULLEKSON
CERTIFIED PUBLIC ACCOUNTANTS, PLLLP

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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*

Board of Directors
Choctaw County Rural Water, Sewer, Gas
and Solid Waste Management District No. 3
Sawyer, Oklahoma

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States, the financial statements of the Choctaw County Rural Water, Sewer, Gas and Solid Waste Management District No. 3, Sawyer, Oklahoma (the District), as of and for the year ended July 31, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our disclaimer of opinion report thereon dated April 14, 2023.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District'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 our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of District's internal control. Accordingly, we do not express an opinion on the effectiveness of 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.

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of audit results as items 2022-1, 2022-2, 2022-

3 and 2022-4, we identified significant deficiencies in the internal controls that were considered to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance 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 our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed four instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. These items, identified as items 2022-1, 2022-2, 2022-3 and 2022-4 are shown in the accompanying schedule of audit results.

District's Response to Findings

The District's response to the findings identified in our audit are described in the accompanying schedule of audit results. The District's responses were not subjected to the auditing procedures applied in the audit on the financial statements and accordingly, we express no opinion on it.

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.

Bledsoe, Hewett & Gullekson

Bledsoe, Hewett & Gullekson
Certified Public Accountants, PLLLP

April 14, 2023

Choctaw County Rural Water, Sewer, Gas and Solid Waste Management District No. 3
Sawyer, Oklahoma
Disposition of Prior Year's Significant Deficiencies
July 31, 2022

2021-1 – Lack of Segregation of Duties

The exception related to lack of segregation of duties continued in the 2021-22 fiscal year (see Finding 2022-1).

2021-2 – Expenditure Documentation

The exception related to expenditure documentation continued in the 2021-22 fiscal year (see Finding 2022-2).

2021-3 – Adjustments to Customer Accounts / Deposits

The exception related to adjustments to customer accounts and deposits continued in the 2021-22 fiscal year (see Finding 2022-3).

Choctaw County Rural Water, Sewer, Gas and Solid Waste Management District No. 3
Sawyer, Oklahoma
Schedule of Audit Results
July 31, 2022

Section 1 – Summary of Auditor's Results:

1. A disclaimer of opinion report was issued on the financial statements because inadequate accounting records precluded us from performing sufficient audit procedures on the financial statements.

2. The audit disclosed four reportable conditions in the internal controls, items 2022-1, 2022-2, 2022-3 and 2022-4, which were considered to be material weaknesses.

3. The audit disclosed four instances of noncompliance which were material to the financial statements, items 2022-1, 2022-2, 2022-3 and 2022-4.

Section 2 – Findings relating to the financial statements required to be reported in accordance with GAGAS:

2022-1 – Lack of Segregation of Duties

Condition: The inherent limitations resulting from a small number of employees performing functions that would normally be divided among employees were a larger number available prevent a proper segregation of accounting functions, which is necessary in order to assure adequate internal accounting controls.

Criteria: An organization should ensure that there is a proper segregation of duties regarding cash collections and the payment of expenses.

Cause / Effect: The District is not large enough to justify the hiring of additional personnel. There is always the possibility that not all collections are actually receipted or deposited, and the possibility that funds expended are not used for actual District obligations.

Recommendation: We recommend the Board be actively involved in the operations of the District if it is not economically feasible to hire additional personnel.

Response: Additional personnel will be hired when the actual funds are available. The Board will take a more active role in reviewing the financial reports and overall operations of the District.

2022-2 – Expenditure Documentation

Condition: We were unable to examine any of the supporting documents (invoices, pay stubs, receiving reports, etc.) for District expenditures that we requested. Since these records could not be located, we are unable to express an opinion on the District's compliance or noncompliance in this area.

Criteria: Oklahoma Statutes require each rural water district to have an annual independent audit. Records should be properly maintained by the District to ensure any records requested by the auditor can be examined.

Cause / Effect: The office staff employed by the District during the 2021-22 fiscal year no longer works for the District. Efforts were made by the current office staff to search for the records requested, however, the specific expenditures we selected for examination could not be located.

Recommendation: We recommend that procedures be put in place to ensure that accounting records are properly maintained and filed in a manner in which they are easily located. Training should be provided to all current and new employees so that they understand the importance of record keeping and are aware of what records need to be on file and the rules for record retention.

Response: The District is attempting to obtain proper training on accounting software and current office staff will establish an organized filing system to ensure accounting records are maintained and accessible to auditors.

2022-3 – Adjustments to Customer Accounts / Deposits

Condition: During the audit, we observed several adjusting entries made to customer accounts. These adjustments were credits to customer accounts and were made in lieu of a utility payment from the customer. While these adjustments might have been necessary due to a clerical error or an authorized leak adjustment, we did not observe any supporting documentation explaining the adjustments. In addition, the adjustments were not approved in the Board minutes. The following adjustments were recorded in the accounting software during the 2021-22 fiscal year:

Adjustment Code	Amount
Bill Adjustments	$ 14,644.54
Leak Adjustments	8,841.84
Pool Adjustments	1,543.23
Total	$ 25,029.61

In addition, the District did not maintain a ledger regarding customer meter deposits and did not maintain a separate bank account for these deposits.

Further, there was a large discrepancy between what was recorded in the accounting software for water deposits and what was actually deposited in the District's bank account. This discrepancy is detailed as follows:

	Amount
Software Deposit List	$ 133,655.89
Bank Deposits	113,394.49
Variance	$ 20,261.40

While reviewing the accounting software's login activity, we noted several deleted transactions in the accounting software. Beginning in November 2021, there were approximately 172 deleted transactions involving customer accounts. The accounting software was not updated to the most current version, which records all activity by user, until November 2021, therefore, we were unable to examine the user login data prior to November. Deleting previously input accounting transactions indicates a misappropriation of assets by embezzlement is highly possible. In addition, while reviewing the deposits for several of the days where deleted transactions occurred, we found that no cash deposits were made at the bank and several customers paid by cash.

Criteria: It is the responsibility of the District to properly report and account for all financial information, including adjustments to customer accounts and customer meter deposits. In addition, a good system of internal control and sound accounting practices requires that bank statements be reconciled to the accounting records and in a timely manner, and as required by Oklahoma Statutes.

Cause / Effect: Without proper approval and documentation for customer adjustments, we are unable to determine whether the adjustments were made in accordance with Board policy or made as a means to misappropriate District funds.

In addition, without an updated ledger of customer deposits, customers could potentially not receive proper reimbursement on their deposit and the District's balance sheet could be incorrect with respect to the deposit liability reported.

Further, the District did not have procedures in place to adequately review and reconcile revenues/deposits. Failure to reconcile the bank statements to the accounting records increases the risk of error, fraud, and inaccurate financial information, which will not be detected in a timely manner.

The deleting of accounting software transactions without any reasonable explanation and documentation can cause the revenues reported to be misleading, in addition to there being a high risk that fraud could occur without being detected.

Recommendation: We recommend the District Board approve all adjustments made to customer accounts at each monthly Board meeting. We also recommend the District record and account for the balance of customer deposits.

We also recommend that procedures be implemented that would require the bank statements be reconciled monthly and that an individual that is independent of the process review the reconciliations for accuracy and completeness.

We also recommend that an individual independent from the receipt process review user login activity and investigate any unusual activity or deleted transactions.

Given the repeated audit findings from the 2018-2022 fiscal year audits, all dated April 14, 2023, and the nature and magnitude of the questionable accounting practices, we recommend the District contact law enforcement to investigate whether these questionable transactions were a result of an embezzlement of District funds.

Response: The District is attempting to obtain proper training on accounting software and current office staff will establish an organized filing system to ensure accounting records are maintained and accessible to auditors. In addition, the current office staff will reconcile the bank statements each month and the Board will review the bank reconciliation at each monthly Board meeting. The Board will approve all adjustments made to customer accounts at each monthly Board meeting and will review user login activity and investigate any deleted transactions. In addition, customer deposits will be properly recorded in the accounting software so that an accurate balance of customer deposits can be presented on the financial statements.

The Board has also been in contact with law enforcement regarding these audit concerns and will continue to cooperate with any and all agencies regarding this matter.

2022-4 – Payroll / IRS Obligations

Condition: We were unable to determine if the District has filed the required IRS Form 941 quarterly reports since 2018. Further, timely payments to the IRS and the Oklahoma Tax Commission were not made on a consistent basis during the 2022 fiscal year.

As of the date of this audit report, the District is not aware of an amount due to the IRS and the State of Oklahoma, but it is assumed that penalties and interest will be assessed against the District for these late submissions and the failure to file the 941 forms.

Criteria: Internal Revenue Service *Publication 15 Employers Tax Guide (Circular E),* establishes rules to determine what type of depositor an entity is and when tax withholding deposits are due. In addition, year-end forms should be submitted to the IRS by January 31 following the year covered. The Oklahoma Tax Commission also requires all employers to withhold and remit Oklahoma income tax payments, as determined by the *Income Withholding Tax Law of Oklahoma.*

Cause / Effect: The District did not have any internal controls over the payroll function, and therefore, by not paying the withholding taxes or submitting the quarterly 941 forms in a timely manner, the District will be subjected to penalty assessments and interest.

Recommendation: We recommend the District implement procedures where an individual independent of the payroll function review the monthly payroll registers and reconciliations, and/or submits the applicable withholdings to the Internal Revenue Service through the *Electronic Funds Transfer Payment System* as required, and reconcile the monthly withholdings to ensure that withholding are being paid in timely manner. Further, we recommend that the District contact a tax consultant to get these past items properly filed.

Response: The District is attempting to obtain proper training on payroll procedures and will contact a tax consultant to get all of these items filed and up to date.

Choctaw County Rural Water, Sewer, Gas and Solid Waste Management District No. 3
Sawyer, Oklahoma
Statement of Net Position
July 31, 2022

	2022	-Memorandum- -Only- 2021
ASSETS		
Current Assets:		
Cash in bank - unrestricted	$ 90,393	$ 96,644
Cash in bank - restricted (debt service)	7,390	7,341
Accounts receivable	12,925	12,413
Prepaid insurance	2,725	0
Total current assets	113,433	116,398
Capital Assets:		
Water system & lines	742,902	742,902
Transportation equipment	14,000	14,000
Equipment and tools	25,899	25,899
Office furniture & equipment	8,746	8,746
Buildings	41,625	41,625
Total capital assets	833,172	833,172
Less: accumulated depreciation	(402,381)	(380,059)
Capital assets, net	430,791	453,113
TOTAL ASSETS	**$ 544,224**	**$ 569,511**
LIABILITIES		
Current Liabilities:		
Accounts payable	$ 2,959	$ 2,133
Interest payable	228	239
Current maturities of long-term debt	3,717	3,553
Total current liabilities	6,904	5,925
Non-Current Liabilites:		
Long-Term Debt, less current maturities-	70,325	74,041
Total Liabilities	77,229	79,966
NET POSITION		
Net investment in capital assets	353,562	373,147
Restricted for debt service	7,390	7,341
Unrestricted assets	106,043	109,057
Total Net Position	466,995	489,545
TOTAL LIABILITIES AND NET POSITION	**$ 544,224**	**$ 569,511**

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

Choctaw County Rural Water, Sewer, Gas and Solid Waste Management District No. 3
Sawyer, Oklahoma
Statement of Revenues, Expenses and Changes in Net Position
For The Year Ended July 31, 2022

	2022	-Memorandum- -Only- 2021
Revenue from Operations:		
Water sales & Benefit Units	$ 111,439	$ 106,478
Other income and fees	2,468	786
Total revenue from operations	113,907	107,264
Expenses from Operations:		
Water purchases	24,645	33,669
Salary and taxes	35,774	28,187
Contract labor	12,516	11,352
Insurance	4,085	0
System maintenance and repair	14,256	17,428
Office and postage	4,790	1,295
Professional fees	0	1,746
Utilities and telephone	3,954	4,847
Vehicle expenses	128	0
Water testing	2,811	815
Miscellaneous	5,493	4,316
Depreciation	22,322	22,321
Dues and fees	120	1,482
Travel	2,257	1,322
Total expenses from operations	133,151	128,780
Operating Income (Loss)	(19,244)	(21,516)
Non-operating income:		
Interest earnings	103	8
Litigation settlement	0	79,125
Total other income	103	79,133
Non-operating expenses:		
Unidentified expenses	0	3,482
Interest paid on debt	(3,409)	(3,564)
Total other expenses	(3,409)	(82)
Change in Net Position	(22,550)	57,535
Total Net Position, beginning of period	489,545	432,010
Total Net Position, end of period	**$ 466,995**	**$ 489,545**

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

Choctaw County Rural Water, Sewer, Gas and Solid Waste Management District No. 3
Sawyer, Oklahoma
Statement of Cash Flows
For Year Ended July 31, 2022

	2022	-Memorandum- -Only- 2021
Cash Flows from Operating Activities:		
Receipts from customers	$ 113,395	$ 103,847
Payments to employees	(34,948)	(31,080)
Payments to vendors	(77,791)	(75,482)
Net cash provided by operating activities	656	(2,715)
Cash Flows from Capital and Related Financial Activities:		
Unidentified expenses	0	3,482
Principal payments on long-term debt	(3,552)	(3,397)
Interest payments on long-term debt	(3,409)	(3,564)
Settlement	0	79,125
Net cash provided by (used in) capital and relayed financial activities	(6,961)	75,646
Cash Flows from Investing Activities:		
Interest revenue	103	8
Net cash provided by (used in) investing activities	103	8
Net increase (decrease) in cash and equivalents	(6,202)	72,939
Cash and cash equivalents, beginning of period	103,985	31,046
Cash and cash equivalents, end of period	**$ 97,783**	**$ 103,985**

Reconciliation of operating net income (loss) to net cash provided by operating activities:		
Net income (loss) from operations	$ (19,244)	$ (21,516)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation Expense	22,322	22,321
(Increase) decrease in accounts receivable	(512)	(3,417)
(Increase) decrease in prepaid expenses	(2,725)	2,801
Increase (decrease) in accruals	(11)	(11)
Increase (decrease) in accounts payable	826	(2,893)
Net Cash Provided by Operating Activities	$ 656	$ (2,715)

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

Note A – Significant Accounting Policies

Nature of Organization

The Choctaw County Rural Water, Sewer, Gas and Solid Waste Management District No. 3 (the District) was created under the provisions of Title 82 of Oklahoma Statutes, Section 1324.1 – 1324.35 and the Laws of the State of Oklahoma. The purpose of this District is to provide water services to users. Membership in the District consists of water users who have paid the required membership and connection fees.

Fund Accounting

The District is accounted for within the framework of enterprise fund accounting. Propriety Fund Type Enterprise Funds are used to account for operations that are operated in a manner similar to private business enterprises wherein the intent of the District's Board of Directors is to recover the cost of providing goods and services through user charges.

Basis of Accounting

The accrual basis of accounting is followed for all accounts. Revenues are recorded when earned and accrued liabilities are recognized when incurred. This policy is in accordance with generally accepted accounting principles.

Cash

The District's cash accounts at July 31, 2022 are detailed as follows:

Operating & Maint. account (First United)	$ 15,377
Savings account (included in "cash")	75,016
Reserve account (Edward Jones)	7,390
Total	$ 97,783

Accounts Receivable

Billings for accounts receivable (water) at July 31, 2022 were $12,925. An allowance for doubtful accounts was not computed on this balance. The direct write-off method is used by the District for bad accounts, which is not materially different from computing an allowance.

Note A – Significant Accounting Policies – cont'd

Inventory

The District does not include an inventory amount in its financial statements. All items purchased for inventory are expensed immediately.

Capital Assets

Capital ("fixed") assets are valued at cost; depreciation is computed by use of the straight-line method. The activity for capital assets (any item over $1,000) are as follows:

	8/1/2021 Amount	Additions	Deletions	7/31/2022 Amount
Office furn. & fixt.	$ 8,746	-	-	8,746
Equipment & tools	25,899	-	-	25,899
Transportation equip.	14,000	-	-	14,000
Water & sewer sys.	742,902	-	-	742,902
Buildings	41,625	-	-	41,625
Total Fixed Assets	833,172	-	-	833,172
Less: Accumulated Depreciation	(380,059)	(22,322)	-	(402,381)
Total	$ 453,113	(22,322)	-	430,791

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 constructional provisions or enabling legislation.

Note A – Significant Accounting Policies – cont'd

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 in 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.

Federal Income Tax

The District is exempt from federal and state income taxes.

Statement of Cash Flows

For purposes of the statement of cash flows, the District considers all highly liquid investments, such as certificates of deposit and savings accounts, as cash equivalents.

Memorandum Totals

Prior year "memorandum only" financial statement information is shown for comparative purposes only.

Note B – Cash and Investments

Oklahoma Statutes authorize the District to invest in certificates of deposit, repurchase agreements, passbooks, bankers' acceptances, and other available bank investments provided that all deposits are fully covered by approved securities pledged to secure those funds. In addition, the District can invest in direct debt securities of the United States unless such an investment is expressly prohibited by law.

Bank deposits are held at several financial institutions and are carried at cost. For purposes of statements of cash flows, the District considers cash and all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Custodial Credit Risk - At July 31, 2022 the District held deposits of approximately $97,783 at financial institutions. The District's cash deposits, including interest-bearing certificates of deposit, are entirely 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.

Note B – Cash and Investments – cont'd

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

Note C – Accumulated Unpaid Vacation and Sick Pay

At July 31, 2022 no determination of the aggregate dollar value of vacation or sick pay had been made.

Note D – Long-Term Debt

Long-term debt at July 31, 2021 is summarized as follows:

Rural Development Note Payable, issued for $126,500, dated September 4, 1997, interest rate of 4.5%, payable in monthly principal and interest installments of $581, final payment due January 15, 2037	$ 74,042

Note D – Long-Term Debt – cont'd

The estimated maturities for long-term debt mortgages for the next five years, and in five year totals thereafter, are detailed as follows:

Year Ending October 31,	Rural Dev.
2023	$ 3,716
2024	3,887
2025	4,065
2026	4,252
2027	4,447
2028-32	25,496
2033-37	28,179
Total	$ 74,042

Reserve Account

According to the loan agreements with Rural Development, the District is required to make monthly deposits of $581 to a designated account known as a reserve account. A total balance of $6,972 is to be accumulated in the reserve account, which represents a balance equal to one annual payment on each loan. The District maintains a savings account at Edward Jones as a reserve account. At July 31, 2022 the Reserve account had a balance of $7,390.

Note E – Other Contingencies

Risk Management

The District is exposed to various levels of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District carrier commercial blanket of coverage and worker's compensation for risk of loss.

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

Litigation

There are no known threatened or unasserted claims against the District.

Note E – Other Contingencies

Subsequent Events

Management has evaluated subsequent events through April 14, 2023, which is the date the financial statements were available to be issued and have determined that no additional information needs to be added to the financial statements.