Rural Water, Sewer and Solid Waste Management Dist. #5, Garfield Co., Oklahoma Audit Report For Year Ending October 31, 2021 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. #5 Garfield County, Oklahoma

Report on the Financial Statements

I have audited the accompanying financial statements of Rural Water, Sewer, & Solid Waste Management District #5, Garfield County, Oklahoma (District), as of and for the years ended October 31, 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 #5, Garfield County, Oklahoma, as of October 31, 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 December 30, 2021, 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

December 30, 2021

Rural Water, Sewer, & Solid Waste Management District #5, Garfield County, Oklahoma

Statement of Net Position As of October 31, 2021 and 2020

ASSETS:		2021		2020
Current Assets:	•	000 044	œ	627 777
Cash & Cash Equivalents	\$	623,341	\$	637,777 1,247,263
Investments		1,275,380		45,174
Accounts Receivable (Note 2)		50,172		45,174 15,163
Other Receivable		140,160		8,580
Interest Receivable		1,882		11,579
Prepaid Insurance		11,531		24,001
Inventory	\$	28,190	\$	1,989,537
Total Current Assets	-	2,130,656	_Ψ_	1,909,007
Noncurrent Assets:			_	
Construction in Progress	\$	-	\$	-
Loan Origination Fees - Net (Note 9) Capital Assets: (Note 5)		11,124		12,978
Land & Water Rights		52,244		52,244
Other Capital Assets, net of depreciation		2,301,068		2,408,649
Total Noncurrent Assets	\$	2,364,436	\$	2,473,871
Total Noticulient Assets	Ψ_	2,00-1,-100		2, 170,011
TOTAL ASSETS	\$	4,495,092	\$	4,463,408
LIABILITIES AND NET POSITION: Current Liabilities:				
Accounts Payable	\$	31,026	\$	16,459
Payroll Taxes Payable		2,129		2,736
Customer Deposits		15,350		15,350
Bond Premium		42,311		49,363
Current Portion of Long-term Liabilities		56,000		51,417
Total Current Liabilities	\$	146,816	\$	135,325
Long-Term Liabilities: (Note 9)				
Notes Payable - net of current	\$	448,166	\$	503,749
Net Position:				
Restricted Fund Balance	\$	82,936	\$	83,338
Unrestricted Fund Balance		2,239,218		2,196,435
Total Fund Balance	\$	2,322,154	\$	2,279,773
Member Investments		333,006		318,006
Donated Assets (Note 6)		346,459		328,064
Grants		898,491		898,491
TOTAL NET POSITION		3,900,110		3,824,334
TOTAL LIABILITIES AND NET POSITION	\$	4,495,092	\$	4,463,408

Rural Water, Sewer, & Solid Waste Management District #5, Garfield County, Oklahoma

Comparative Statement of Activities
For the Years Ended October 31, 2021 and 2020

		2021		2020
OPERATING REVENUES:				
Water Sales	\$	523,187	\$	533,923
Bulk Water Sales		1,145		870
Sale of Supplies		6,959		9,534
Other Service Revenues		11,822		12,260
Miscellaneous Revenues		35,620_	,	7,252
Total Operating Revenues		578,733		563,839
OPERATING EXPENSES:				
Salaries	\$	153,005	\$	148,198
Depreciation Expense		151,946		150,573
Interest Expense		28,104		31,767
Utilities		22,212		21,645
Supplies & Chemicals		41,939		34,146
Repairs & Maintenance		62,134		45,640
Insurance		12,589		12,671
Legal & Professional Fees		13,497		13,200
Bad Debts		-		165
Employee Benefits		23,909		24,128
Payroll Tax Expense		12,406		11,898
Communication Expense		8,957		11,681
Office Supplies & Postage		6,641		8,592
Employee Retirement		4,502		4,364
Transportation Expense		7,920		13,262
Travel & Per Diem		5,697		5,601
Dues, Testing & Licenses		8,010		9,555
Contract Services		688		588
Miscellaneous Expense		3,753		4,532
Total Operating Expenses		567,909	\$	552,206
OPERATING INCOME (LOSS)	\$	10,824	\$	11,633
OTHER REVENUES (EXPENSES):				
Investment Revenues	\$	25,130	\$	29,695
Patronage Stock Retirement		1,109		975
Bond Premium		7,052		7,052
Amortised Loan Fees		(1,854)		(1,854)
Gain on Sale of Assets		120		_
Total Other Revenues(Expenses)	_\$	31,557	_\$	35,868
NET INCOME	\$	42,381	\$	47,501

Rural Water, Sewer, & Solid Waste Management District #5, Garfield County, Oklahoma

Comparative Statement of Changes in Net Position For the Years Ended October 31, 2021 and 2020

	2021	2020
Balance, November 1	\$ 3,824,334	\$ 3,765,456
Net Income (Loss) Member Investments Donated Assets Grants	42,381 15,000 18,395	47,501 6,250 5,127
Total Changes in Net Position	\$ 75,776	\$ 58,878
Balance, October 31	\$ 3,900,110	\$ 3,824,334

Rural Water, Sewer & Solid Waste Management District #5, Garfield County, Oklahoma

Comparative Statement of Cash Flows For the Years Ended October 31, 2021 and 2020

		2021		2020
CASH FLOWS FROM OPERATING ACTIVITIES:				
Receipts from customers	\$	573,735	\$	560,736
Payments to suppliers		(309,395)		(208,889)
Payments to employees		(194,429)		(185,852)
Net Cash Provided by Operating Activities	\$	69,911	\$	165,995
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIV	ITIES	S:		
Purchase of fixed assets	\$	(44,365)	\$	(48,377)
Donated assets		18,395		5,127
Payment of construction in progress		-		-
Proceeds from bond premium		-		-
Principal payments on notes payable		(51,000)		(58,500)
Interest paid on notes payable		(27,317)		(31,767)
Proceeds from sale of assets		120		-
Proceeds from loans				_
Net Cash Used In Capital & Related Financing Activities		(104,167)	\$	(133,517)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest Received	\$	31,827	\$	24,111
Other Revenues		1,109		975
Proceeds from memberships		15,000		6,250
Net Cash Provided from Investing Activities	\$	47,936	\$	31,336
INCREASE (DECREASE) IN CASH AND INVESTMENTS	\$	13,680	\$	63,814
Cash and Investment Balance - Beginning		1,885,040		1,821,226
CASH AND INVESTMENT BALANCE - ENDING	\$	1,898,720	\$	1,885,040
Reconciliation of Operating Income (Loss) to Net Cash Provided				
by Operating Activities:				
Operating Income (Loss)	\$	10,824	\$	11,633
Adjustments to reconcile operating income to net cash provided (used)	Ψ	10,024	Ψ	11,000
by Operating Activities:				
Interest Expense		28,104		31,767
Depreciation expense		151,946		150,573
Change in assets and liabilities:		•		
Accounts Receivable		(4,998)		(3,103)
Other Receivable		(124,997)		(15,163)
Prepaid Insurance		48		(574)
Inventory		(4,189)		2,346
Accounts Payable		13,780		(14,220)
Payroll Taxes Payable		(607)		2,736
Customer Deposits Net Cash Provided from Operating Activities	\$	69,911	\$	165,995
Net Cash Frovided noth Operating Activities	<u>Ψ</u>	00,011	Ψ	100,000

See accompanying notes to the financial statements.

Rural Water, Sewer & Solid Waste Management District #5, Garfield County, Oklahoma

Notes to the Financial Statements
For the Years Ended October 31, 2021 and 2020

Note 1 - Significant Accounting Policies

Organization:

Rural Water, Sewer, and Solid Waste Management District #5, Garfield County, Oklahoma (District) is an Oklahoma trust formed under the Oklahoma Rural Water Act to provide water, sewer, and solid waste management in a designated area in and around Garfield County, Oklahoma to individuals and businesses that purchase a membership. The District served 806 and 795 meters at October 31, 2021 and 2020, 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 District estimates the useful lives of the assets 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 under IRS Code Section 115 (a) as an agency of the State of Oklahoma.

Note 2 - Accounts Receivable

The accounts receivable represents the water usage and service revenues for October plus any unpaid balances from the previous months. The District uses the reserve method to account for bad debts. No provision was made since the allowance is more than the the accounts receivable balances over 90 days old. The accounts receivable balances at October 31, 2021 and 2020 amounted to \$50,571 and \$45,797, respectively with the allowance in the amount of \$399 for both years. The District changed billing procedures from members reading meters and sending in with previous months payment, to reading the meters electonically and sending bills to members.

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 didn't have any contingencies as of the date of the audit.

Rural Water, Sewer & Solid Waste Management District #5, Garfield County, Oklahoma

Notes to the Financial Statements For the Years Ended October 31, 2021 and 2020

Note 5 - Changes in Fixed Assets

	Balance			Balance
Total Fixed Assets:	11/1/2020	Additions	Disposed	10/31/2021
Water System Plant Assets	\$ 4,178,170	\$ 43,666	\$ -	\$ 4,221,836
Green Valley Plant Assets	844,124	_	-	844,124
Office Furniture & Computers	44,433	699	_	45,132
Equipment	106,748	_	_	106,748
Vehicles	61,767	-	-	61,767
Buildings	54,429		-	54,429
Total Assets	\$ 5,289,671	\$ 44,365	\$ -	\$ 5,334,036
Total Accumulated Depreciation:				
Water System Plant Assets	2,265,486	106,994	-	2,372,480
Green Valley Plant Assets	451,957	21,104	-	473,061
Office Furniture & Fixtures	32,236	2,142	-	34,378
Equipment	47,835	9,887	-	57,722
Vehicles	29,079	11,819	-	40,898
Buildings	54,429	-	<u> </u>	54,429
Total Accumulated Deprec.	2,881,022	151,946	-	3,032,968
Net Fixed Assets	\$ 2,408,649	\$ (107,581)	\$ -	\$ 2,301,068

Note 6 - Donated Assets

Donated assets are the estimated value of water lines installed by members from the existing lines of the system to the member's meter. The value of the lines donated to the District for the years ending October 31, 2021 and 2020 were \$18,396 and \$5,127, respectively.

Note 7 - Components of Cash and Investments

	Date of	Interest	Balance
	Maturity	Rate	10/31/2021_
Checking - Interbank	-	0.05%	\$ 292,776
Petty Cash	-	0.00%	265
Hi-Fi Account - Banc Central	-	0.30%	84,937
Money Market - US Bank	-	0.01%	-
Hi-Fi Account - NBC	-	0.30%	245,363
CD - Alva State Bank	9/14/2023	0.70%	240,577
CD - Banc Central	12/19/2021	2.25%	247,547
CD - NBC	2/20/2023	0.50%	212,516
CD - Gateway 1st Bank	3/22/2022	2.25%	276,937
CD - Bank of Kremlin	10/4/2023	0.65%	214,866
OWRB Reserve Acct - Stride Bank	-	0.01%	70,741 Restricted
OWRB Reserve Acct - Stride Bank	-	0.01%	12,195 Restricted
	-	0.00%	<u>-</u> _
Total Cash and Investments			\$ 1,898,720

The Hi-Fi accounts and certificates of deposit are reserved for future water system improvements.

Rural Water, Sewer & Solid Waste Management District #5, Garfield County, Oklahoma

Notes to the Financial Statements For the Years Ended October 31, 2021 and 2020

Note 8 - Budget Comparison

The District is a proprietary fund type of governmental entity and is not legally required to adopt a budget or include a report on budget comparison to actual expenditures in this basic financial statement.

Note 9 - Long Term Liabilities

OWRB - Series 2013

The District borrowed \$740,000 from Oklahoma Water Resources Board for system improvements to the Green Valley area of the District. The loan was financed through the sale of bonds administered by the Central National Bank of Enid, Oklahoma. Note payments are made the Bank monthly. Interest is variable and is adjusted semi-annually which changes the amount of the monthly payments since the principle is fixed. The note is secured by the system assets of the District. The note was refinanced and increased to fund line extension project during 2013. The note is extended until 9-15-2028. The interest is fixed but will increase to 5.4% in 2021.

		Interest	Monthly
Begin	End	Rate	Payment
9/16/2019	3/15/2020	2.81%	5,486.63
3/16/2020	9/15/2020	2.81%	5,040.79
9/16/2020	3/15/2021	2.81%	5,612.48
3/16/2021	9/15/2021	2.81%	5,560.02
9/16/2021	3/15/2022	2.81%	5,560.02

Dept. of Commerce

The District borrowed \$150,000 from the Oklahoma Department of Commerce for funding of the Carrier Project. The note is a non-interest bearing note payable in monthly installments of \$625 for 20 years beginning in November, 2000.

OWRB -07

The District borrowed \$195,000 from Oklahoma Water Resources Board for system improvements to the District. The loan was financed through the sale of bonds administered by the Central National Bank of Enid, Oklahoma. Note payments are made to the Bank monthly. Interest is variable and is adjusted semi-annually which changes the amount of the monthly payments since the principle is fixed. The note is secured by the system assets of the District. The District began making payments in January, 2008 until the final payment in September, 2036.

Semi-anni	ual Period	Interest	Monthly
Begin	End	Rate	Payment
10/1/2019	3/31/2020	3.795%	940.17
4/1/2020	9/30/2020	3.795%	940.17
10/1/2020	3/31/2021	3.795%	940.17
4/1/2021	9/30/2021	3.795%	940.17
10/1/2021	3/31/2022	3.795%	940.17

Rural Water, Sewer & Solid Waste Management District #5, Garfield County, Oklahoma

Notes to the Financial Statements For the Years Ended October 31, 2021 and 2020

Note 9 - Long Term Liabilities - Continued

	Balance 0/31/2021	Balance 0/31/2020
OWRB - 2013 Dept of Commerce	\$ 376,250 - 127,916	\$ 421,250 - 133,916
OWRB - 07	\$ 504,166	\$ 555,166
Less: Current Portion	56,000	 51,417
Net Long-term Liabilities	\$ 448,166	\$ 503,749

Current Portion:		OWRB-13	Dept Com	OWRB-07	TOTAL
Year Ending	10/31/2021	50,000	-	6,000	56,000
Year Ending	10/31/2022	50,417	-	7,000	57,417
Year Ending	10/31/2023	55,000	_	7,000	62,000
Year Ending	10/31/2024	55,417	-	7,000	62,417
Year Ending	10/31/2024	60,417	-	8,000	68,417

Amortization of Loan Origination fees and Bond Premium

The District paid loan origination fees on the OWRB Series 2013 note of \$27,810 which will be amortized over the life of the note or 15 years. Each year's amortization amounts to \$1,854. The District also received a bond premium on the refinance with OWRB of \$105,777 which will also be amortized over the life of the note and each year's premium will be \$7,052.

Note 10 - Retirment

The District provides a SIMPLE-IRA retirement plan for its participating employees. The District matches up to 3% of the wages of the employees. The District matched contributions to the plan in the amounts of \$4,502 and 4,364 for the years ending October 31, 2021 and 2020.

Note 11 - Evaluation of Subsequent Events

The subsequent events of the District were evaluated through December 30, 2021, the date of the report.

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. #5 Garfield 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 #5, Garfield County, Oklahoma (District), as of and for the years ending October 31, 2021 and 2020, and have issued my report thereon dated December 30, 2021.

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

December 30, 2021