Rural Water, Sewer P, W and Solid Waste **Management Dist. #5,** Garfield Co., Oklahoma Audit Report For Year Ending October 31, 2022 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 Audit of the Financial Statements

Opinion

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, 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 #5, Garfield County, Oklahoma, as of October 31, 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). 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.

Other Reporting Requirements by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated January 12, 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 on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Scott Northrip, CPA

Certified Public Accountant

January 12, 2023

Comparative Statement of Net Position As of October 31, 2022 and 2021

ASSETS:		2022		2021
Current Assets: Cash & Cash Equivalents	\$	604 930	c	600.044
Investments	Φ	601,839 1,523,399	\$	623,341
Accounts Receivable (Note 2)		55,123		1,275,380 50,172
Other Receivable		55,125		140,160
Interest Receivable		3,222		1,882
Prepaid Insurance		11,956		11,531
Inventory		41,466		28,190
Total Current Assets	\$	2,237,005	\$	2,130,656
Noncurrent Assets:				
Construction in Progress	\$	_	\$	_
Loan Origination Fees - Net (Note 9) Capital Assets: (Note 5)		9,270		11,124
Land & Water Rights		52,244		52,244
Other Capital Assets, net of depreciation		2,185,302		2,301,068
Total Noncurrent Assets	\$	2,246,816	\$	2,364,436
TOTAL ASSETS	\$	4,483,821	<u>\$</u>	4,495,092
LIABILITIES AND NET POSITION:				
Current Liabilities:				
Accounts Payable	\$	23,495	\$	31,026
Payroll Taxes Payable		4,257		2,129
Customer Deposits		15,350		15,350
Bond Premium		35,259		42,311
Current Portion of Long-term Liabilities		50,417		56,000
Total Current Liabilities	_\$_	128,778		146,816
Long-Term Liabilities: (Note 9)				
Notes Payable - net of current	\$	280,416	\$	448,166
Net Position:				
Restricted Fund Balance	\$	71,476	\$	82,936
Unrestricted Fund Balance		2,376,068		2,239,218
Total Fund Balance	\$	2,447,544	\$	2,322,154
Member Investments		357,756		333,006
Donated Assets (Note 6) Grants		370,836		346,459
TOTAL NET POSITION		898,491		898,491
- ONE RELIGION		4,074,627	_\$_	3,900,110
TOTAL LIABILITIES AND NET POSITION	\$	4,483,821	_\$_	4,495,092

Comparative Statement of Activities
For the Years Ended October 31, 2022 and 2021

	2022		2021	
OPERATING REVENUES:				
Water Sales	\$	620,051	\$	523,187
Bulk Water Sales		15,014		1,145
Sale of Supplies		10,704		6,959
Other Service Revenues		12,883		11,822
Miscellaneous Revenues		36,536		35,620
Total Operating Revenues	\$	695,188	\$	578,733
OPERATING EXPENSES:				
Salaries	\$	176,461	\$	153,005
Depreciation Expense	·	148,776	•	151,946
Interest Expense		19,785		28,104
Utilities		30,866		22,212
Supplies & Chemicals		51,227		41,939
Repairs & Maintenance		41,549		62,134
Insurance		13,206		12,589
Legal & Professional Fees		12,943		13,497
Bad Debts		1,545		-
Employee Benefits		23,960		23,909
Payroll Tax Expense		14,243		12,406
Communication Expense		8,411		8,957
Office Supplies & Postage		10,096		6,641
Employee Retirement		5,189		4,502
Transportation Expense		13,767		7,920
Travel & Per Diem		8,847		5,697
Dues, Testing & Licenses		6,439		8,010
Contract Services		199		688
Miscellaneous Expense		3,873		3,753
Total Operating Expenses	\$	591,382	\$	567,909
OPERATING INCOME (LOSS)	\$	103,806	\$	10,824
OTHER REVENUES (EXPENSES):				
Investment Revenues	\$	15,755	\$	25,130
Patronage Stock Retirement	·	631	•	1,109
Bond Premium		7,052		7,052
Amortised Loan Fees		(1,854)		(1,854)
Gain on Sale of Assets				` 120 [°]
Total Other Revenues(Expenses)	\$	21,584	\$	31,557
NET INCOME		125,390	\$	42,381

Comparative Statement of Changes in Net Position For the Years Ended October 31, 2022 and 2021

	2022	2021
Balance, November 1	\$ 3,900,110	\$ 3,824,334
Net Income (Loss) Member Investments Donated Assets Grants	125,390 24,750 24,377	42,381 15,000 18,395
Total Changes in Net Position	\$ 174,517	\$ 75,776
Balance, October 31	\$ 4,074,627	\$ 3,900,110

Comparative Statement of Cash Flows
For the Years Ended October 31, 2022 and 2021

		2022		2021
CASH FLOWS FROM OPERATING ACTIVITIES:				
Receipts from customers	\$	830,397	\$	573,735
Payments to suppliers		(222,072)		(309,395)
Payments to employees Net Cash Provided by Operating Activities	_	(219,853)	•	(194,429)
Net Cash Provided by Operating Activities	\$	388,472	\$	69,911
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIV	ITIES	S:		
Purchase of fixed assets	\$	(33,010)	\$	(44,365)
Donated assets		24,377		18,395
Payment of construction in progress		-		-
Proceeds from bond premium		-		-
Principal payments on notes payable		(173,333)		(51,000)
Interest paid on notes payable		(20,321)		(27,317)
Proceeds from sale of assets		-		120
Proceeds from loans Net Cash Used In Capital & Related Financing Activities	_	(202 207)	•	(404 407)
Net Cash Osed in Capital & Related Financing Activities	\$	(202,287)	\$	(104,167)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest Received	\$	14,952	\$	31,827
Other Revenues		631	·	1,109
Proceeds from memberships		24,750		15,000
Net Cash Provided from Investing Activities	\$	40,333	\$	47,936
INCREASE (DECREASE) IN CASH AND INVESTMENTS	\$	226,518	\$	13,680
Cash and Investment Balance - Beginning		1,898,720		1,885,040
CASH AND INVESTMENT BALANCE - ENDING	\$	2,125,238	\$	1 909 720
	<u>Ψ</u>	2,123,230	-	1,898,720
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:				
Operating Income (Loss)	\$	103,806	\$	10,824
Adjustments to reconcile operating income to net cash provided (used) by Operating Activities:				
Interest Expense		19,785		28,104
Depreciation expense		148,776		151,946
Change in assets and liabilities:				
Accounts Receivable		(4,951)		(4,998)
Other Receivable		140,160		(124,997)
Prepaid Insurance Inventory		(425)		48
Accounts Payable		(13,276)		(4,189)
Payroll Taxes Payable		(7,531)		13,780
Customer Deposits		2,128		(607)
Net Cash Provided from Operating Activities	\$	388,472	\$	69,911
	<u> </u>	333,772		00,011

See accompanying notes to the financial statements.

Notes to the Financial Statements
For the Years Ended October 31, 2022 and 2021

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 820 and 806 meters at October 31, 2022 and 2021, 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, 2022 and 2021 amounted to \$55,522 and \$50,571, 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.

Notes to the Financial Statements For the Years Ended October 31, 2022 and 2021

Note 5 - Changes in Fixed Assets

	Balance			Balance
Total Fixed Assets:	11/1/2021	Additions	Disposed	10/31/2022
Water System Plant Assets	\$ 4,221,836	\$ 31,313	\$ -	\$ 4,253,149
Green Valley Plant Assets	844,124	-	-	844,124
Office Furniture & Computers	45,132	1,697	-	46,829
Equipment	106,748	-	_	106,748
Vehicles	61,767	-	-	61,767
Buildings	54,429		_	54,429
Total Assets	\$ 5,334,036	\$ 33,010	\$ -	\$ 5,367,046
Total Accumulated Depreciation:				
Water System Plant Assets	2,372,480	107,543	-	2,480,023
Green Valley Plant Assets	473,061	21,103	-	494,164
Office Furniture & Fixtures	34,378	2,015	-	36,393
Equipment	57,722	9,767	-	67,489
Vehicles	40,898	8,348	-	49,246
Buildings	54,429	-		54,429
Total Accumulated Deprec.	3,032,968	148,776	_	3,181,744
Net Fixed Assets	\$ 2,301,068	\$ (115,766)	\$ -	\$ 2,185,302

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, 2022 and 2021 were \$24,377 and \$18,396, respectively.

Note 7 - Components of Cash and Investments

	Date of	Interest	Balance
	Maturity	Rate	10/31/2022
Checking - Interbank	-	0.05%	\$ 132,455
Petty Cash	-	0.00%	265
Hi-Fi Account - Banc Central	~	1.21%	222,209
Hi-Fi Account - NBC	-	1.67%	246,910
CD - Alva State Bank	9/14/2023	0.70%	242,266
CD - Banc Central	12/18/2023	0.60%	250,059
CD - NBC	2/20/2023	0.50%	212,516
CD - Gateway 1st Bank	3/24/2024	0.85%	280.815
CD - Bank of Kremlin	10/4/2023	0.65%	216.267
CD - Edward Jones	9/7/2023	3.15%	8,000
CD - Edward Jones	9/22/2023	3.25%	242,000
OWRB Reserve Acct - Stride Bank	-	0.92%	71,476 Restricted
Total Cash and Investments			\$ 2,125,238

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

Notes to the Financial Statements
For the Years Ended October 31, 2022 and 2021

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
9/16/2020	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%	5,422.50
3/16/2022	9/15/2022	2.81%	5,390.38
9/16/2022	3/15/2023	2.81%	5,636.67

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 and paid the note in full during year ending 10-31-22.

Semi-annı	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

Notes to the Financial Statements
For the Years Ended October 31, 2022 and 2021

Note 9 - Long Term Liabilities - Continued

		Balance 0/31/2022	Balance 10/31/2021	
OWRB - 2013 OWRB - 07	\$ 330,833		\$	376,250 127,916
	\$	330,833	\$	504,166
Less: Current Portion		50,417		56,000
Net Long-term Liabilities	\$	280,416	\$	448,166
	•			

Current Portion:		OWRB-13				TOTAL
Year Ending	10/31/2022	50,417	_		-	50,417
Year Ending	10/31/2023	55,000	-	_	-	55,000
Year Ending	10/31/2024	55,417	_	_	-	55,417
Year Ending	10/31/2025	60,417	-	-	-	60,417
Year Ending	10/31/2026	59,583	-	-	_	59,583

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 \$5,189 and 4,502 for the years ending October 31, 2022 and 2021.

Note 11 - Evaluation of Subsequent Events

The subsequent events of the District were evaluated through January 12, 2023, 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, 2022 and 2021, and have issued my report thereon dated January 12, 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 12, 2023