

**Logan County
Rural Water
District #1**

Audit Report
For Year Ending July 31, 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. #1
Logan 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 #1, Logan County, Oklahoma (District), as of and for the years ended July 31, 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 #1, Logan County, Oklahoma, as of July 31, 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated December 1, 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 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.

Scott Northrip, CPA

Certified Public Accountant

December 1, 2023

Rural Water, Sewer, & Solid Waste Management District #1, Logan County, Oklahoma

Comparative Statement of Net Position
As of July 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
ASSETS:		
Current Assets:		
Cash & Cash Equivalents	\$ 958,682	\$ 819,558
Investments	5,499,263	5,236,259
Accounts Receivable (Note 2)	254,112	380,210
Other Receivable	-	-
Interest Receivable	18,558	10,499
Prepaid Insurance	52,813	46,610
Inventory	222,952	116,918
Total Current Assets	<u>\$ 7,006,380</u>	<u>\$ 6,610,054</u>
Noncurrent Assets:		
Construction in Progress (Note 12)	\$ 1,462,585	\$ 138,856
Capital Assets: (Note 6)		
Land & Water Rights	501,790	501,790
Other Capital Assets, net of depreciation (Note 5)	18,851,545	19,096,105
Total Noncurrent Assets	<u>\$ 20,815,920</u>	<u>\$ 19,736,751</u>
TOTAL ASSETS	<u>\$ 27,822,300</u>	<u>\$ 26,346,805</u>
LIABILITIES AND NET POSITION:		
Current Liabilities:		
Accounts Payable	\$ 62,994	\$ 79,185
Interest Payable	143	149
Customer Deposits	209,824	193,577
Current Portion of Long-term Liabilities	192,038	188,358
Total Current Liabilities	<u>\$ 464,999</u>	<u>\$ 461,269</u>
Long-Term Liabilities: (Note 9)		
Notes Payable, net of current	<u>\$ 2,439,264</u>	<u>\$ 2,628,734</u>
Net Position:		
Restricted Fund Balance (Note 11)	\$ 16,488	\$ 16,488
Unrestricted Fund Balance	8,926,081	7,685,396
Total Fund Balance	<u>\$ 8,942,569</u>	<u>\$ 7,701,884</u>
Member Investments	5,137,511	4,907,961
Donated Assets (Note 5)	7,013,999	7,013,999
Grants	2,611,933	2,611,933
Impact Fees	1,212,025	1,021,025
TOTAL NET POSITION	<u>\$ 24,918,037</u>	<u>\$ 23,256,802</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 27,822,300</u>	<u>\$ 26,346,805</u>

See accompanying notes to the financial statements.

Rural Water, Sewer, & Solid Waste Management
District #1, Logan County, Oklahoma
Comparative Statement of Activities
For the Years Ended July 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
OPERATING REVENUES:		
Water Sales	\$ 3,196,805	\$ 3,223,932
Sewer Service Revenues	216,271	216,276
Late Fees	63,788	46,099
Connection & Convenience Charges	47,566	28,631
Royalties - Edmond	211,165	174,291
Miscellaneous Revenues	26,196	140
Total Operating Revenues	<u>\$ 3,761,791</u>	<u>\$ 3,689,369</u>
OPERATING EXPENSES:		
Salaries	\$ 502,548	\$ 473,642
Depreciation Expense	696,271	623,145
Interest Expense	80,561	85,675
Water Purchases	350,404	287,106
Utilities	196,668	147,828
Supplies & Chemicals	271,164	271,863
Repairs & Maintenance	76,359	165,643
Insurance	69,066	54,458
Legal & Professional Fees	80,103	49,736
Transportation Expense	36,322	38,290
Employee Benefits	114,487	124,597
Payroll Tax Expense	36,829	36,478
Communication Expense	11,256	10,193
Office Supplies & Postage	46,895	46,959
Bad Debt Expense	3,135	18,983
Director's Fees	7,100	7,750
Dues & Licenses	10,622	10,589
Equipment Rent	13,369	3,799
Credit Card and Bank Fees	-	279
Electronic Meter Expense	4,074	21,472
Miscellaneous Expense	9,833	8,196
Total Operating Expenses	<u>\$ 2,617,066</u>	<u>\$ 2,486,681</u>
OPERATING INCOME (LOSS)	<u>\$ 1,144,725</u>	<u>\$ 1,202,688</u>
OTHER REVENUES (EXPENSES):		
Investment Revenues	\$ 84,847	\$ 90,220
Tower Lease	11,113	8,152
Gain on Sale of Assets	-	-
Total Other Revenues(Expenses)	<u>\$ 95,960</u>	<u>\$ 98,372</u>
NET INCOME	<u>\$ 1,240,685</u>	<u>\$ 1,301,060</u>

See accompanying notes to the financial statements.

Rural Water, Sewer, & Solid Waste Management
District #1, Logan County, Oklahoma
Comparative Statement of Changes in Net Position
For the Years Ended July 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Balance, August 1	<u>\$ 23,256,802</u>	<u>\$ 20,708,334</u>
Net Income (Loss)	1,240,685	1,301,060
Member Investments	229,550	258,000
Donated Assets	-	779,408
Impact Fees	191,000	210,000
Grants	<u>-</u>	<u>-</u>
Total Changes in Net Assets	<u>\$ 1,661,235</u>	<u>\$ 2,548,468</u>
Balance, July 31	<u><u>\$ 24,918,037</u></u>	<u><u>\$ 23,256,802</u></u>

See accompanying notes to the financial statements.

Rural Water, Sewer & Solid Waste Management District #1, Logan County, Oklahoma

Comparative Statement of Cash Flows
For the Years Ended July 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers	\$ 3,887,889	\$ 3,543,432
Payments to suppliers	(1,298,551)	(1,132,299)
Payments to employees	(653,864)	(634,717)
Net Cash Provided by Operating Activities	<u>\$ 1,935,474</u>	<u>\$ 1,776,416</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Purchase of fixed assets	\$ (451,711)	\$ (3,983,413)
Payments for Construction in Progress	(1,323,729)	(66,600)
Donated Assets	-	779,408
Principal payments on notes payable	(185,790)	(183,976)
Interest paid on notes payable	(80,567)	(86,101)
Proceeds from long-term notes	-	-
Proceeds from grant	-	-
Proceeds from sale of assets	-	-
Net Cash Used In Capital & Related Financing Activities	<u>\$ (2,041,797)</u>	<u>\$ (3,540,682)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment Receipts	\$ 76,788	\$ 96,358
Tower Lease	11,113	8,152
Proceeds from impact fees	191,000	210,000
Proceeds from memberships	229,550	258,000
Net Cash Provided from Investing Activities	<u>\$ 508,451</u>	<u>\$ 572,510</u>
INCREASE (DECREASE) IN CASH AND INVESTMENTS	\$ 402,128	\$ (1,191,756)
Cash and Investment Balance - Beginning	6,055,817	7,247,573
CASH AND INVESTMENT BALANCE - ENDING	<u>\$ 6,457,945</u>	<u>\$ 6,055,817</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:		
Operating Income (Loss)	\$ 1,144,725	\$ 1,202,688
Adjustments to reconcile operating income to net cash provided (used) by Operating Activities:		
Interest Expense	80,561	85,675
Depreciation expense	696,271	623,145
Change in assets and liabilities:		
Accounts Receivable	126,098	(145,937)
Prepaid Insurance	(6,203)	(10,340)
Inventory	(106,034)	8,241
Accounts Payable	(16,191)	10,830
Customer Deposits	16,247	2,114
Net Cash Provided from Operating Activities	<u>\$ 1,935,474</u>	<u>\$ 1,776,416</u>

See accompanying notes to the financial statements.

Rural Water, Sewer & Solid Waste Management District #1, Logan County, Oklahoma

Notes to the Financial Statements
For the Years Ended July 31, 2023 and 2022

Note 1 - Significant Accounting Policies

Organization:

Rural Water, Sewer, and Solid Waste Management District #1, Logan 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 Logan County, Oklahoma to individuals and businesses that purchase a benefit unit. The District served 4,330 and 4,238 meters at July 31, 2023 and 2022 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 4 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 July 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 July 31, 2023 and 2022 amounted to \$385,312 and \$239,375, and the allowance for bad debts in the amount of \$5,102 and \$5,102, 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 did not have any contingencies as of the date of the audit.

Note 5 - 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 July 31, 2023 and 2022 were \$0 and \$779,408, respectively.

Rural Water, Sewer & Solid Waste Management District #1, Logan County, Oklahoma

Notes to the Financial Statements
For the Years Ended July 31, 2023 and 2022

Note 6 - Changes in Fixed Assets

Cost:	Balance 8/1/2022	Additions	Disposed	Balance 7/31/2023
Water System	\$ 24,645,298	\$ 254,687	\$ -	\$ 24,899,985
Equipment	364,215	83,604	-	447,819
Vehicles	193,921	103,916	-	297,837
Buildings	2,193,939	9,504	-	2,203,443
Total Assets	\$ 27,397,373	\$ 451,711	\$ -	\$ 27,849,084
Less: Accumulated Depreciation				
Water System	\$ 7,737,251	\$ 572,473	\$ -	\$ 8,309,724
Equipment	182,442	23,912	-	206,354
Vehicles	157,880	32,528	-	190,408
Buildings	223,695	67,358	-	291,053
Total Accumulated Depreciation	8,301,268	696,271	-	8,997,539
Net Fixed Assets	\$ 19,096,105	\$ (244,560)	\$ -	\$ 18,851,545

Note 7 - Components of Cash and Investments

	Date of Maturity	Interest Rate	7/31/2023 Balance	7/31/2022 Balance
Petty Cash	-	0.00%	\$ 573	\$ 440
Hi-Fi Account - Oklahoma State Bank	-	0.05%	958,009	819,018
Construction Checking - Oklahoma State Bank	-	0.00%	100	100
Savings - Bancfirst	-	0.01%	-	-
Certificate - ORWAAG	-	4.10%	1,000	1,000
CD's & MM- Edward Jones	Various	Avg 3.25%	5,078,709	4,816,873
CD - Oklahoma State Bank	9/17/2023	3.75%	113,000	113,000
CD - Oklahoma State Bank	7/18/2024	3.75%	56,554	55,374
CD - Farmers & Merchants Bank	6/23/2024	4.30%	125,000	125,006
CD - Farmers & Merchants Bank	3/23/2023	4.30%	125,000	125,006
Total Cash and Investments			\$ 6,457,945	\$ 6,055,817

Note 8 - Retirement

The District provides a Simplified Employee Plan (SEP) retirement plan for its participating employees. The plan is administered by Edward Jones. The District contributions up to 5% of the employee wages until October, 2018 when the board approved a rate of 8%. The District contributed \$37,791 and \$37,197 during the years ending July 31, 2023 and 2022.

Rural Water, Sewer & Solid Waste Management District #1, Logan County, Oklahoma

Notes to the Financial Statements
For the Years Ended July 31, 2023 and 2022

Note 9 - Long Term Liabilities

Oklahoma Water Resources Board

The District has borrowed \$584,566 from Oklahoma Water Resources Board for system booster station and extension as of July 31, 2012. The maximum loan is \$637,500. The note matures on 9-15-31. The note has accrued interest at a fixed rate of 3.03%. Interest and administrative fees of \$7,606.92 during construction has been capitalized .

The District borrowed \$1,250,000 from Oklahoma Water Resources Board for the new water tower and for the installation of electronic read meters. The note has a term of 20 years and accrues interest at a fixed rate of 2.46%. The District makes monthly payments of \$5,618.16.

The District borrowed \$1,200,000 from Oklahoma Water Resources Board for constructing new water lines. The note has a term of 20 years and accrues interest at a fixed rate of 2.6%. The District began monthly payments on April 15, 2016 in the amount of \$6,396.41. Interest of \$6,212.58 was capitalized during year ending 7-31-15.

The District borrowed \$1,000,000 from Oklahoma Water Resources Board for constructing new water tank and booster pump station. The note has a term of 20 years and accrues at a fixed rate of 2.81%. The District capitalized interest of \$11,428.93 during the construction of the project. The District began making payments on March 15, 2020 until March 15, 2035 at a fixed rate of 2.6%. The District received a reduction of principal grant of \$25,000 at the completion of the project. The District received proceeds of \$83,415.56 during July 31, 2020.

Rural Development

The District borrowed \$300,000 for the construction of a new water tower and water well. The District began making monthly payments of \$1,374 on May 1, 2003. The interest accrues at a fixed rate of 4.625% annually. The note is secured by the assets.

Note Number	Balance 7/31/2023	Balance 7/31/2022	Annual Payment
Rural Development	187,851	195,458	16,488
OWRB - Series 2009	282,380	312,923	40,080
OWRB - Series 2011	568,217	620,298	67,418
OWRB - Series 2015	767,340	822,859	76,846
OWRB - Series 2018	825,514	865,554	65,525
TOTAL	2,631,302	2,817,092	266,357
Less: Current Portion	192,038	188,358	
NET LONG-TERM NOTES	<u>\$ 2,439,264</u>	<u>\$ 2,628,734</u>	

The District's OWRB loans Series 2009 and 2011 received a reduction of debt because the OWRB refinanced the bonds and is sharing the savings from the refinance with the District. The savings amounted to \$8,060 on series 2009 and \$15,194 on series 2011.

Rural Water, Sewer & Solid Waste Management District #1, Logan County, Oklahoma

Notes to the Financial Statements
For the Years Ended July 31, 2023 and 2022

Note 9 - Long Term Liabilities - continued

Current Portion:	OWRB09	RD	OWRB11	OWRB 15	OWRB 18
Year Ending 7-31-24	31,465	7,980	53,349	56,937	42,307
Year Ending 7-31-25	32,462	8,358	54,367	58,502	43,585
Year Ending 7-31-25	33,467	8,753	55,920	60,055	44,836
Year Ending 7-31-26	34,504	9,168	57,508	61,649	46,123
Year Ending 7-31-27	35,559	9,601	58,928	63,247	47,394

Note 10 - Prior Period Adjustment

The District didn't make any prior period adjustments during the years ending July 31, 2023 or 2022.

Note 11 - Restricted and Reserved Assets

Restricted for Debt Service

	\$ -
CD's for Rural Development loan	<u>16,488</u>
Total Restricted Assets	<u>\$ 16,488</u>

Reserved for Future Improvements

CD's for System Improvements & Water rights	<u>5,078,709</u>
Total Reserved Assets	<u>5,078,709</u>

Note 12 - Construction in Progress

The District has 7 projects in progress as of July 31, 2023 which were not completed as of the end of the year. The projects will be capitalized and begin depreciating upon completion of the projects.

Note 13 - Evaluation of Subsequent Events

The subsequent events of the District were reviewed through December 1, 2023, the date of the financial statements.

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. #1
Logan 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 #1, Logan County, Oklahoma (District), as of and for the years ending July 31, 2023 and 2022, and have issued my report thereon dated December 1, 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

December 1, 2023