Rural Water, Sewer and Solid Waste Management Dist. #3, Logan Co., Oklahoma Audit Report For Year Ending October 31, 2023 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. #3 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 #3, Logan County, Oklahoma (District), as of and for the years ended October 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 #3, Logan County, Oklahoma, as of October 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 27, 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 27, 2023

Rural Water, Sewer, & Solid Waste Management District #3, Logan County, Oklahoma Comparative Statement of Net Position As of October 31, 2023 and 2022

| ASSETS: | | 2023 | | 2022 |
|---|-----------|----------------------|-----|--------------------|
| Current Assets: | | 4 005 070 | | 4 400 000 |
| Cash & Cash Equivalents | \$ | 1,305,978 | \$ | 1,466,336 |
| Investments | | 1,213,201 112,808 | | 669,952 120,066 |
| Accounts Receivable (Note 2) | | 112,000 | | 120,000 |
| Other Receivable | | 24,833 | | 372 |
| Interest Receivable | | 20,926 | | 19,892 |
| Prepaid Insurance Inventory | | 39,695 | | 39,695 |
| Total Current Assets | \$ | 2,717,441 | \$ | 2,316,313 |
| Total Culterit Assets | _Ψ_ | 2,111,441 | _Ψ_ | 2,010,010 |
| Noncurrent Assets: | | | | |
| Construction in Progress | \$ | - | \$ | _ |
| Capital Assets: (Note 5) | - | | | |
| Land, Water Rights & Easements | | 167,850 | | 167,850 |
| Other Capital Assets, net of depreciation | | 1,198,164 | | 1,223,102 |
| Total Noncurrent Assets | \$ | 1,366,014 | \$ | 1,390,952 |
| | | | | |
| TOTAL ASSETS | \$ | 4,083,455 | \$ | 3,707,265 |
| LIABILITIES AND NET POSITION: | | | | |
| Current Liabilities: | Φ. | 00.050 | | |
| Accounts Payable | \$ | 22,058 | \$ | 51,822 |
| Interest Payable | | - 20 270 | | 27.040 |
| Customer Deposits | | 28,270 | | 27,940 |
| Current Portion of Long-term Liabilities Total Current Liabilities | \$ | 50,328 | \$ | 79,762 |
| Total Current Liabilities | φ_ | 50,526 | Ψ_ | 19,102 |
| Long-Term Liabilities: | | | | |
| Notes Payable | \$ | | \$ | _ |
| 1101001 ayablo | | | | |
| Net Position: | | | | |
| Restricted Fund Balance | \$ | - | \$ | · |
| Unrestricted Fund Balance | | 1,249,076 | | 865,452 |
| Total Fund Balance | \$ | 1,249,076 | \$ | 865,452 |
| Member Investments | | 663,483 | | 641,483 |
| Donated Assets (Note 6) | | 414,018 | | 414,018 |
| Grants | | 910,000 | | 910,000 |
| Gain on Acquisition of Loan | | 796,550 | | 796,550 |
| TOTAL NET POSITION | \$ | 4,033,127 | \$ | 3,627,503 |
| TOTAL LIABILITIES AND NET POSITION | <u>\$</u> | 4,083,455 | \$ | 3,707,265 |

Rural Water, Sewer, & Solid Waste Management District #3, Logan County, Oklahoma

Comparative Statement of Activities
For the Years Ended October 31, 2023 and 2022

| | | 2023 | 2022 | | |
|---------------------------------|---|-------------------|------|----------|--|
| OPERATING REVENUES: | | 3 | | | |
| Water Sales to Members | | \$ 838,714 | \$ | 837,357 | |
| Water Sales to Municipalities | | 169,557 | | 145,052 | |
| Fees, Analysis, & Reimbursement | | 65,755 | | 61,773 | |
| Insurance Proceeds | | 5,948 | | 5,607 | |
| Miscellaneous Revenues | | 1,990 | | 1,755 | |
| Total Operating Revenues | | \$ 1,081,964 | \$ 1 | ,051,544 | |
| OPERATING EXPENSES: | | | | | |
| Salaries & Service Awards | | \$ 191,346 | \$ | 200,212 | |
| Depreciation Expense | | 110,063 | | 105,350 | |
| Interest Expense | | , - * | | - | |
| Utilities | * | 50,378 | | 56,680 | |
| Supplies | | 54,930 | | 122,514 | |
| Repairs & Maintenance | | 96,279 | | 71,688 | |
| Insurance | | 32,112 | | 32,615 | |
| Legal & Professional Fees | | 20,516 | | 18,066 | |
| Transportation Expense | | 32,275 | | 47,052 | |
| Employee Benefits | | 41,022 | | 44,931 | |
| Payroll Tax Expense | | 15,616 | | 16,512 | |
| Communication Expense | | 7,554 | | 7,372 | |
| Office Supplies & Postage | | 15,226 | | 10,652 | |
| Chemical Expense | | 50,146 | | 56,059 | |
| Travel & Per Diem | | 406 | | 1,529 | |
| Director's Fees & meetings | | 4,450 | | 4,650 | |
| Dues & Licenses | | 4,230 | | 4,559 | |
| Bad Debt Expense | | 4,949 | | 1,857 | |
| Trencher Expenses | | | | - | |
| Water Analysis | | 9,604 | | 10,226 | |
| Tools | | 2,055 | | 3,426 | |
| Miscellaneous Expense | | 4,377 | | 5,890 | |
| Total Operating Expenses | | \$ 747,534 | \$ | 821,840 | |
| OPERATING INCOME (LOSS) | | <u>\$ 334,430</u> | \$ | 229,704 | |
| | | | | | |
| OTHER REVENUES (EXPENSES): | | | | 0.400 | |
| Investment Revenues | | \$ 48,094 | \$ | 6,108 | |
| Rent | | 1,100 | | 1,100 | |
| Gain on Sale of Assets | | <u> </u> | | - 7.000 | |
| Total Other Revenues(Expenses) | | <u>\$ 49,194</u> | \$ | 7,208 | |
| NET INCOME | | \$ 383,624 | \$ 2 | 236,912 | |

Rural Water, Sewer, & Solid Waste Management District #3. Logan County, Oklahoma

District #3, Logan County, Oklahoma
Comparative Statement of Changes in Net Position
For the Years Ended October 31, 2023 and 2022

| | 2023 | 2022 | |
|---|-----------------------------|-----------------------------|--|
| Balance, November 1 | \$ 3,627,503 | \$ 3,348,785 | |
| Net Income (Loss) Member Investments Donated Assets Prior Period Adjustment (Note 10) | 383,624 22,000 - - | 236,912 17,000 24,806 | |
| Total Changes in Net Assets | \$ 405,624 | \$ 278,718 | |
| Balance, October 31 | \$ 4,033,127 | \$ 3,627,503 | |

Rural Water, Sewer, & Solid Waste Management District #3, Logan County, Oklahoma

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

| | 2023 | | 2022 | |
|---|----------|--------------|----------|-----------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | • | 1 000 000 | • | 4 000 050 |
| Receipts from customers | \$ | 1,089,222 | \$ | 1,020,258 |
| Payments to suppliers | | (418,955) | | (441,603) |
| Payments to employees | <u> </u> | (248,984) | <u> </u> | (261,655) |
| Net Cash Provided by Operating Activities | | 421,283 | | 317,000 |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES: | | | | |
| Purchase of fixed assets | \$ | (85,125) | \$ | (187,078) |
| Donated Assets | | - | | 24,806 |
| Payments for Construction in Progress | | - | | 3,700 |
| Purchase of land | | - | | - |
| Principal payments on notes payable | | - | | - |
| Interest paid on notes payable | | . · · | | - |
| Proceeds from sale of assets | | | | - |
| Net Cash Used In Capital & Related Financing Activities | \$ | (85,125) | \$ | (158,572) |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | | | |
| Investment Revenues | \$ | 23,633 | \$ | 6,115 |
| Rent | Ψ | 1,100 | Ψ | 1,100 |
| Proceeds from memberships | | 22,000 | | 17,000 |
| Net Cash Provided from Investing Activities | \$ | 46,733 | \$ | 24,215 |
| Net Cash Florided from investing Activities | Ψ | 40,100 | Ψ | 24,210 |
| INCREASE (DECREASE) IN CASH AND INVESTMENTS | \$ | 382,891 | \$ | 182,643 |
| Cash and Investment Balance - Beginning | | 2,136,288 | | 1,953,645 |
| CASH AND INVESTMENT BALANCE - ENDING | \$ | 2,519,179 | \$ | 2,136,288 |
| Reconciliation of Operating Income (Loss) to Net Cash Provided | | | | |
| by Operating Activities: | | | | |
| Operating Income (Loss) | \$ | 334,430 | \$ | 229,704 |
| Adjustments to reconcile operating income to net cash provided (used) | | | | |
| by Operating Activities: | | | | |
| Depreciation expense | | 110,063 | | 105,350 |
| Change in assets and liabilities: | | | | |
| Accounts Receivable | | 7,258 | | (31,286) |
| Other Receivable | | - | | - |
| Prepaid Insurance | | (1,034) | | 577 |
| Inventory | | - | | (12,237) |
| Accounts Payable | | (29,764) | | 24,442 |
| Customer Deposits | | 330 | | 450 |
| Net Cash Provided from Operating Activities | \$ | 421,283 | \$ | 317,000 |

See accompanying notes to the financial statements.

Rural Water, Sewer & Solid Waste Management District #3, Logan County, Oklahoma

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

Note 1 - Significant Accounting Policies

Organization:

Rural Water, Sewer, and Solid Waste Management District #3, 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 membership. The District served 1,088 meters at October 31, 2023 and billed 95.3 million gallons during the year.

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.

Inventory:

The District carries an inventory of supplies used to upgrade and repair the water system. The inventory is not being counted annually and is estimated by management of the District.

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, 2023 and 2022 amounted to \$115,266 and \$122,722, respectively with the allowance in the amount of \$2,656 and \$2,656.

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 #3, Logan County, Oklahoma

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

Note 5 - Changes in Fixed Assets

| | Balance | | | Balance |
|--------------------------------|--------------|-------------|-----------------|--------------|
| Fixed Assets: | 11/1/2022 | Additions | Disposed | 10/31/2023 |
| Water System Plant Assets | \$ 5,723,358 | \$ 33,561 | \$ - | \$ 5,756,919 |
| Water Rights & Easements | 56,050 | - | | 56,050 |
| Office Furniture & Fixtures | 37,612 | - | | 37,612 |
| Equipment | 306,247 | 4,400 | . - | 310,647 |
| Vehicles | 197,940 | 47,164 | - | 245,104 |
| Loan Origination Fees | 112,829 | - | - | 112,829 |
| Buildings | 56,351 | | _ | 56,351 |
| Total Assets | \$ 6,490,387 | \$ 85,125 | \$ - | \$ 6,575,512 |
| Accumulated Depreciation: | | | | |
| Water System Plant Assets | \$ 4,724,953 | \$ 62,986 | \$ - | 4,787,939 |
| Water Rights & Easements | 42,680 | 1,425 | - · | 44,105 |
| Office Furniture & Fixtures | 33,310 | 1,350 | | 34,660 |
| Equipment | 158,334 | 21,188 | - | 179,522 |
| Vehicles | 163,358 | 21,661 | · · · · · · · - | 185,019 |
| Loan Origination Fees | 112,829 | | ; | 112,829 |
| Buildings | 31,821 | 1,453 | : <u>-</u> | 33,274 |
| Less: Accumulated Depreciation | 5,267,285 | 110,063 | - | 5,377,348 |
| | | | | |
| Net Fixed Assets | \$ 1,223,102 | \$ (24,938) | \$ - | \$ 1,198,164 |

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, 2023 and 2022 were \$0 and \$0, respectively.

Note 7 - Retirement

The District provides a Simple IRA retirement plan for its participating employees. The plan is administered by the American Funds.

Note 8 - Prior Period Adjustment

There were no prior period adjustments for the years ending October 31, 2023 or 2022.

Rural Water, Sewer & Solid Waste Management District #3, Logan County, Oklahoma

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

Note 9 - Components of Cash and Investments

| Note 9 - Components of Cash and investments | | | | | | |
|---|---|------------------|----------|--------------|----------|--|
| | | Date of | Interest | 10/31/2023 | | |
| | _ | Maturity | Rate | Balance | _ | |
| Checking - Farmers & Merchants Bank | | | 0.00% | \$ 25,304 | | |
| Checking - F B & T | | - | 0.00% | 2,733 | | |
| Money Market - Edward Jones | | · | 0.75% | 818 | | |
| Savings - Farmers & Merchants Bank | | - | 0.05% | 11,459 | | |
| Market Investors - Farmers & Merchants | | - | 0.40% | 640,930 | Reserved | |
| Checking - Exchange Bank | | _ | 2.00% | 124,202 | | |
| MMDA - Exchange Bank | | - | 3.76% | 324,130 | Reserved | |
| HiFe - Community State Bank | | | 0.75% | 77,449 | Reserved | |
| MMDA - First Bank & Trust | | - | 2.02% | 99,571 | Reserved | |
| Petty Cash | | · - | 0.00% | 200 | | |
| CD -Charles Swaab | | 12/14/2023 | 4.80% | 100,000 | Reserved | |
| CD - First Bank & Trust | | 7/11/2024 | 3.90% | 139,258 | Reserved | |
| CD - First Bank & Trust | | 7/26/2024 | 3.90% | 113,510 | Reserved | |
| CD - Exchange Bank | | 12/24/2023 | 2.50% | 115,266 | Reserved | |
| CD - PNC Bank | | 12/15/2023 | 4.80% | 100,000 | Reserved | |
| CD - Manufacturers & Traders Bank | | 12/15/2023 | 4.80% | 46,000 | Reserved | |
| CD - Oklahoma State Bank | | 7/25/2024 | 3.44% | 107,643 | Reserved | |
| CD - Oklahoma State Bank | | 7/25/2024 | 3.44% | 133,706 | Reserved | |
| CD - Wells Fargo Bank | | 12/22/2023 | 4.70% | 156,000 | Reserved | |
| CD - PNC Bank | | 1/11/2024 | 4.50% | 107,000 | Reserved | |
| CD - Bank National Assn | | 1/12/2024 | 4.60% | 13,000 | Reserved | |
| CD - Wells Fargo Bank | | 1/12/2024 | 4.60% | 80,000 | Reserved | |
| Reserve Certificates - ORWAAG | | - - ,,,,, | 6.10% | | Reserved | |
| Total Cash and Investments | | | | \$ 2,519,179 | • | |
| | | | | | : | |

The accounts marked reserved have been reserved for future capital improvements.

Note 10 - Evaluation of Subsequent Events

The subsequent events were evaluated through January 16, 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. #3 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 #3, Logan County, Oklahoma (District), as of and for the years ending October 31, 2023 and 2022, and have issued my report thereon dated December 27, 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 27, 2023