Rural Water, Sewer and Solid Waste Management Dist. #3, Logan 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. #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, 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 #3, Logan 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) 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 January 16, 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

January 16, 2023

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

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

ASSETS:	2022			2021		
Current Assets:						
Cash & Cash Equivalents	\$	1,466,336	\$	1,181,133		
Investments		669,952		772,512		
Accounts Receivable (Note 2)		120,066		88,880		
Other Receivable		_		-		
Interest Receivable		372		279		
Prepaid Insurance		19,892		20,469		
Inventory		39,695		27,458		
Total Current Assets	\$	2,316,313	\$	2,090,731		
Total Guitent Addets			i			
Noncurrent Assets:			_			
Construction in Progress	\$	-	\$	3,700		
Capital Assets: (Note 5)						
Land & Easements		167,850		167,850		
Other Capital Assets, net of depreciation		1,223,102		1,141,374		
Total Noncurrent Assets	_\$_	1,390,952	_\$_	1,312,924		
TOTAL ASSETS	\$	3,707,265	\$	3,403,655		
LIABILITIES AND NET POSITION:						
Current Liabilities:						
Accounts Payable	\$	51,822	\$	27,380		
Interest Payable		_		_		
Customer Deposits		27,940		27,490		
Current Portion of Long-term Liabilities		, _		· _		
Total Current Liabilities	\$	79,762	\$	54,870		
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Long-Term Liabilities: (Note 9)						
Notes Payable - OWRB, net of current	_\$_	-	_\$_	-		
Net Position:	•		•			
Restricted Fund Balance	\$	-	\$	-		
Unrestricted Fund Balance	_	865,452		628,540		
Total Fund Balance	\$	865,452	\$	628,540		
Member Investments		641,483		624,483		
Donated Assets (Note 6)		414,018		389,212		
Grants		910,000		910,000		
Gain on Acquisition of Loan		796,550		796,550		
TOTAL NET POSITION		3,627,503	_\$_	3,348,785		
TOTAL LIABILITIES AND NET POSITION	\$	3,707,265	\$	3,403,655		

See accompanying notes to the financial statements.

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

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

	2022			2021		
OPERATING REVENUES:						
Water Sales to Members	\$	837,357	\$	726,212		
Water Sales to Municipalities		145,052		91,401		
Fees, Analysis, & Reimbursement		61,773		56,136		
Insurance Proceeds		5,607		5,119		
Miscellaneous Revenues		1,755		1,484		
Total Operating Revenues		1,051,544		880,352		
OPERATING EXPENSES:						
Salaries & Service Awards	\$	200,212	\$	210,094		
Depreciation Expense		105,350		127,173		
Interest Expense		=		-		
Utilities		56,680		50,886		
Supplies		122,514		99,616		
Repairs & Maintenance		71,688		106,640		
Insurance		32,615		30,562		
Legal & Professional Fees		18,066		19,610		
Transportation Expense		47,052		44,094		
Employee Benefits		44,931		39,497		
Payroll Tax Expense		16,512		17,364		
Communication Expense		7,372		7,773		
Office Supplies & Postage		10,652		8,530		
Chemical Expense		56,059		39,603		
Travel & Per Diem		1,529		885		
Director's Fees & meetings		4,650	3,350			
Dues & Licenses		4,559	4,005			
Bad Debt Expense		1,857	13,774			
Trencher Expenses		<i>.</i> _		· -		
Water Analysis		10,226		10,983		
Tools		3,426		2,880		
Miscellaneous Expense		5,890		3,340		
Total Operating Expenses	\$	821,840	\$	840,659		
OPERATING INCOME (LOSS)	\$	229,704	_\$_	39,693		
OTHER REVENUES (EXPENSES):						
Investment Revenues	\$	6,108	\$	9,541		
Rent	Ψ	1,100	Ψ	1,100		
Gain on Sale of Assets		-				
Total Other Revenues(Expenses)	\$	7,208	\$	10,641		
NET INCOME	<u>\$</u>	236,912	\$	50,334		

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

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

	2022	2021		
Balance, November 1	\$ 3,348,785	\$ 3,281,451		
Net Income (Loss) Member Investments Donated Assets Prior Period Adjustment (Note 10)	236,912 17,000 24,806	50,334 17,000 - -		
Total Changes in Net Assets	\$ 278,718	\$ 67,334		
Balance, October 31	\$ 3,627,503	\$ 3,348,785		

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

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

	2022		2021	
CASH FLOWS FROM OPERATING ACTIVITIES:				
Receipts from customers	\$	1,020,258	\$	896,832
Payments to suppliers		(441,603)		(463,816)
Payments to employees	\$	(261,655) 317,000	\$	(266,955) 166,061
Net Cash Provided by Operating Activities	<u> </u>	317,000	<u> </u>	100,001
CASH FLOWS FROM CAPITAL AND RELATED				
FINANCING ACTIVITIES:			_	(400.004)
Purchase of fixed assets	\$	(187,078)	\$	(123,084)
Donated Assets		24,806 3,700		(3,700)
Payments for Construction in Progress		3,700		(3,700)
Purchase of land		- -		(0,000)
Principal payments on notes payable Interest paid on notes payable		_		-
Proceeds from sale of assets		-		-
Net Cash Used In Capital & Related Financing Activities	\$	(158,572)	\$	(129,784)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Investment Revenues	\$	6,115	\$	9,589
Rent	•	1,100	,	1,100
Proceeds from memberships		17,000		17,000
Net Cash Provided from Investing Activities	\$	24,215	\$	27,689
INCREASE (DECREASE) IN CASH AND INVESTMENTS	\$	182,643	\$	63,966
Cash and Investment Balance - Beginning		1,953,645		1,889,679
CASH AND INVESTMENT BALANCE - ENDING	\$	2,136,288	\$	1,953,645
Reconciliation of Operating Income (Loss) to Net Cash Provided				
by Operating Activities:				
Operating Income (Loss)	\$	229,704	\$	39,693
Adjustments to reconcile operating income to net cash provided (used)		,		,
by Operating Activities:				
Depreciation expense		105,350		127,173
Change in assets and liabilities:		(04.000)		40.400
Accounts Receivable Other Receivable		(31,286)		16,480
Prepaid Insurance		- 577		(1,722)
Inventory		(12,237)		(1,122)
Accounts Payable		24,442		(16,073)
Customer Deposits		450		510
Net Cash Provided from Operating Activities	\$	317,000	_\$_	166,061

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, 2022 and 2021

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 1,068 meters at October 31, 2022 and billed 93.2 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, 2022 and 2021 amounted to \$122,722 and \$91,030, respectively with the allowance in the amount of \$2,656 and \$2,150.

Note 3 - <u>Use of Estimates</u>

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, 2022 and 2021

Note 5 - Changes in Fixed Assets

	Balance				Balance
Fixed Assets:	11/1/2021	Α	dditions	Disposed	10/31/2021
Water System Plant Assets	\$ 5,629,326	\$	94,032	\$ -	\$ 5,723,358
Water Rights & Easements	56,050		-	-	56,050
Office Furniture & Fixtures	37,612		-	-	37,612
Equipment	213,201		93,046	-	306,247
Vehicles	197,940		-	-	197,940
Loan Origination Fees	112,829		-	-	112,829
Buildings	56,351			_	56,351
Total Assets	\$ 6,303,309	\$	187,078	\$ -	\$ 6,490,387
Accumulated Depreciation:					
Water System Plant Assets	\$ 4,664,284	\$	60,669	\$ -	4,724,953
Water Rights & Easements	41,256		1,424	-	42,680
Office Furniture & Fixtures	31,208		2,102	-	33,310
Equipment	139,219		19,115	-	158,334
Vehicles	142,771		20,587	-	163,358
Loan Origination Fees	112,829		-	-	112,829
Buildings	30,368		1,453		31,821_
Less: Accumulated Depreciation	5,161,935		105,350		5,267,285
Net Fixed Assets	¢ 1 1/1 27/	¢	91 729	c	\$ 1,223,102
Net Fixed Assets	\$ 1,141,374	\$	81,728	\$ -	φ 1,223,102

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 \$24,806 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, 2022 or 2021.

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

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

Note 9 - Components of Cash and Investments

	Date of	Interest	10/31/2022	
	Maturity	Rate	Balance	_
Checking - Farmers & Merchants Bank	-	0.00%	\$ 121,893	.
Hi-Fi Account - Community State Bank	-	0.05%	245,626	Reserved
Money Market - Simmons Bank	-	0.01%	246,676	Reserved
Savings - Farmers & Merchants Bank	-	0.15%	11,414	Reserved
Market Investors - Farmers & Merchants	-	0.20%	215,926	Reserved
MMDA - Exchange Bank	-	0.20%	122,853	Reserved
MMKT - Exchange Bank	-	0.15%	245,903	Reserved
MMDA - First Bank & Trust	-	0.45%	98,553	Reserved
Now Acct - Interbank	-	0.10%	156,293	
Petty Cash	-	0.00%	200	
CD - Interbank	6/14/2023	0.35%	112,140	Reserved
CD - Interbank	4/2/2023	0.35%	17,721	Reserved
CD - First Bank & Trust	6/11/2023	0.65%	136,864	Reserved
CD - Exchange Bank	12/24/2022	0.75%	112,918	Reserved
CD - Interbank	9/29/2022	0.50%	-	
CD - Interbank	9/9/2023	0.50%	53,193	Reserved
CD - Oklahoma State Bank	7/25/2023	0.50%	105,657	
CD - Oklahoma State Bank	9/4/2023	0.50%	131,458	
Reserve Certificates - ORWAAG	-	4.10%	1,000	Reserved
Total Cash and Investments			\$ 2,136,288	=

The accounts marked reserved have been reserved for future 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, 2022 and 2021, and have issued my report thereon dated January 16, 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 16, 2023