

MAJOR COUNTY RURAL WATER
DISTRICT #1,

Audit Report

For the Year Ending December 31, 2022

Prepared by:
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Independent Auditor's Report

To the Board of Directors of
Rural Water, Sewer, and Solid Waste Management District #1
Major County, Oklahoma

Report on the Audit of the Financial Statements

Opinion

I have audited the accompanying financial statements of Rural Water, Sewer, and Solid Waste Management District #1, Major County, Oklahoma (District), as of and for the years ended December 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, and Solid Waste Management District #1, Major County, Oklahoma as of December 31, 2022 and 2021, and the respective changes in its net position and its cash flows for the years then ended in accordance with the modified cash basis of accounting as described in Note 1 of the financial statements.

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 Requirements by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, I have also issued my report dated May 19, 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

May 19, 2023

**Rural Water Sewer, & Solid Waste Management
District #1, Major County, OK**

Statement of Net Position (Modified Cash Basis)

As of December 31, 2022 and 2021

| ASSETS: | 2022 | 2021 |
|---|----------------------------|----------------------------|
| Current Assets: | | |
| Cash & Cash Equivalents (Note 6) | \$ 795,177 | \$ 781,605 |
| Investments (Note 7) | 1,000 | 1,000 |
| Total Current Assets | \$ 796,177 | \$ 782,605 |
| Noncurrent Assets: | | |
| Easements | \$ 12,963 | \$ 12,963 |
| Capital Assets: (Note 5) | | |
| Other Capital Assets, net of depreciation | 1,600,619 | 1,598,769 |
| Total Noncurrent Assets | \$ 1,613,582 | \$ 1,611,732 |
| TOTAL ASSETS | <u>\$ 2,409,759</u> | <u>\$ 2,394,337</u> |
| LIABILITIES AND NET POSITION: | | |
| Current Liabilities: | | |
| Accounts Payable | \$ - | \$ - |
| Interest Payable | - | - |
| Current Portion of Long-term Liabilities | - | - |
| Total Current Liabilities | \$ - | \$ - |
| Long-Term Liabilities: | | |
| Notes Payable - net of current portion | \$ - | \$ - |
| Net Assets: | | |
| Invested in Capital Assets | \$ 1,613,582 | \$ 1,611,732 |
| Unrestricted Fund Balance | 796,177 | 782,605 |
| Total Fund Balance | \$ 2,409,759 | \$ 2,394,337 |
| TOTAL NET POSITION | \$ 2,409,759 | \$ 2,394,337 |
| TOTAL LIABILITIES AND NET POSITION | <u>\$ 2,409,759</u> | <u>\$ 2,394,337</u> |

See accompanying notes to the financial statements.

Rural Water Sewer, & Solid Waste Management
District #1, Major County, OK
 Combined Statement of Revenues & Expenses (Modified Cash Basis)
 For the Years Ended December 31, 2022 and 2021

| | <u>2022</u> | <u>2021</u> |
|---------------------------------------|-----------------------------------|-----------------------------------|
| OPERATING REVENUES: | | |
| Water Sales | \$ 542,935 | \$ 574,216 |
| Late Fees | 1,664 | 1,850 |
| Sale of Supplies | 12,290 | 9,863 |
| Miscellaneous Revenues | 1,010 | 594 |
| Total Operating Revenues | <u>\$ 557,899</u> | <u>\$ 586,523</u> |
| OPERATING EXPENSES: | | |
| Salaries | \$ 141,194 | \$ 146,041 |
| Depreciation Expense | 97,250 | 109,376 |
| Utilities | 49,580 | 42,526 |
| Repairs & Supplies | 160,303 | 114,881 |
| Insurance | 11,733 | 13,222 |
| Legal & Professional Fees | 4,833 | 3,100 |
| Transportation Expense | 21,956 | 15,796 |
| Contract Services | - | 9,185 |
| Chemicals | 4,534 | 4,692 |
| Communication Expenses | 4,680 | 5,027 |
| Office Supplies & Postage | 12,696 | 7,167 |
| Dues & Licenses | 3,033 | 3,545 |
| Director's Fees | 3,964 | 1,990 |
| Employee Benefits & Taxes | 25,676 | 25,098 |
| Rent | 4,000 | - |
| Travel | 1,950 | 3,769 |
| Miscellaneous Expense | 3,921 | 3,865 |
| Total Operating Expenses | <u>\$ 551,303</u> | <u>\$ 509,280</u> |
| OPERATING INCOME (LOSS) | <u>\$ 6,596</u> | <u>\$ 77,243</u> |
| OTHER REVENUES (EXPENSES): | | |
| Interest Revenues | \$ 3,406 | \$ 1,516 |
| Gain on Sale of Assets | - | 20,585 |
| Proceeds from Benefit Units | 5,420 | 18,000 |
| Total Other Revenues(Expenses) | <u>\$ 8,826</u> | <u>\$ 40,101</u> |
| NET INCOME | <u>\$ 15,422</u> | <u>\$ 117,344</u> |
| Net Position, beginning of year | <u>2,394,337</u> | <u>2,276,993</u> |
| Net Position, end of year | <u><u>\$ 2,409,759</u></u> | <u><u>\$ 2,394,337</u></u> |

See accompanying notes to the financial statements.

Rural Water Sewer, & Solid Waste Management District #1, Major County, OK

Comparative Statement of Cash Flows (Modified Cash Basis)
For the Years Ended December 31, 2022 and 2021

| | <u>2022</u> | <u>2021</u> |
|--|---------------------------|----------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Receipts from customers | \$ 557,899 | \$ 586,523 |
| Payments to suppliers | (287,183) | (228,765) |
| Payments to employees | (166,870) | (171,139) |
| Net Cash Provided by Operating Activities | <u><u>\$ 103,846</u></u> | <u><u>\$ 186,619</u></u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES: | | |
| Purchase of capital assets | \$ (99,100) | \$ (170,700) |
| Easements | - | 37 |
| Principal payments on notes payable | - | - |
| Interest paid on notes payable | - | - |
| Proceeds from sale of assets | - | 56,705 |
| Net Cash Used In Capital & Related Financing Activities | <u><u>\$ (99,100)</u></u> | <u><u>\$ (113,958)</u></u> |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Investment Receipts | \$ 3,406 | \$ 1,516 |
| Proceeds from benefit units | 5,420 | 18,000 |
| Net Cash Provided from Investing Activities | <u><u>\$ 8,826</u></u> | <u><u>\$ 19,516</u></u> |
| INCREASE (DECREASE) IN CASH AND INVESTMENTS | <u><u>\$ 13,572</u></u> | <u><u>\$ 92,177</u></u> |
| Cash and Investment Balance - Beginning | <u>782,605</u> | <u>690,428</u> |
| CASH AND INVESTMENT BALANCE - ENDING | <u><u>\$ 796,177</u></u> | <u><u>\$ 782,605</u></u> |
| Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities: | | |
| Operating Income (Loss) | \$ 6,596 | \$ 77,243 |
| Adjustments to reconcile operating income to net cash provided (used) by Operating Activities: | | |
| Depreciation expense | 97,250 | 109,376 |
| Change in current assets and liabilities: | | |
| Accounts Receivable | - | - |
| Accounts Payable | - | - |
| Net Cash Provided from Operating Activities | <u><u>\$ 103,846</u></u> | <u><u>\$ 186,619</u></u> |

See accompanying notes to the financial statements.

Rural Water, Sewer and Solid Waste Management District #1, Major County, OK

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

Note 1 - Significant Accounting Policies

Organization:

Rural Water, Sewer, and Solid Waste Management District #1, Major County, OK, was formed under the provisions of the Rural Water District Act, Title 82 of the laws of the State of Oklahoma. The District was formed for the purpose of constructing a water and distribution system to provide water for the designated area in Major County, OK to all members that have purchased a benefit unit. The District is governed by a board of directors elected by the members of the District.

Basis of Accounting:

The District is a proprietary fund type of entity and uses the modified cash basis of accounting which reports revenues when received and expenses when paid. The District is not required by state law to adopt a budget or report on budget comparisons in this report. This basis of accounting is considered as a comprehensive basis other than accounting principles generally accepted in the United States of America.

Capital Assets and Depreciation:

The District records its capital assets at their historical cost. 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 - Prior Period Adjustments

There were no prior period adjustments in the financial statements for the years ending December 31, 2022 or 2021.

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 entered into a Consent Order with the Water Quality Division of DEQ to eliminate effluent permit violations on the water system. The District agreed to pursue all possible options to bring their system into compliance.

Rural Water, Sewer and Solid Waste Management District #1, Major County, OK

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

Note 5 - Capital Assets

| | Balance 1/1/2022 | Additions | Discarded | Balance 12/31/2022 |
|--------------------------------|---------------------|---------------|-----------|-----------------------|
| Water System | \$ 3,088,634 | 75,292 | - | \$ 3,163,926 |
| Buildings | 94,737 | 7,899 | - | 102,636 |
| Vehicles | 75,994 | - | - | 75,994 |
| Equipment | 121,587 | 15,250 | - | 136,837 |
| Office Furniture | 8,374 | 659 | - | 9,033 |
| Total Assets | 3,389,326 | 99,100 | - | 3,488,426 |
| Less: Accumulated Depreciation | 1,790,557 | 97,250 | - | 1,887,807 |
| Net Fixed Assets | \$ 1,598,769 | 1,850 | - | \$ 1,600,619 |

Note 6 - Components of Cash and Equivalents

| | Date of Maturity | Interest Rate | Balance |
|-----------------------------------|---------------------|------------------|-------------------|
| Petty Cash | - | 0.00% | \$ 176 |
| Checking - CNB of Okarche | - | 0.00% | 73,215 |
| Money Market - CNB of Okarche | - | 0.35% | 157,396 |
| Savings - CNB of Okarche (CDBG) | - | 0.26% | 538 |
| CD - Wells Fargo Bank | 11/14/2023 | 4.70% | 200,000 |
| CD - Frontier State Bank | 8/15/2023 | 2.15% | 213,852 |
| CD - UBS Bank | 11/18/2024 | 4.90% | 150,000 |
| | - | | |
| Total Cash and Investments | | | \$ 795,177 |

CNB of Okarche has pledged securitites of \$500,000 to insure balance over FDIC protection.

Note 7 - Investments

The District invested \$1,000 in the ORWAAG Insurance program. The investment is interest bearing and received \$16.22 and \$20.99 during the years ending Decembr 31, 2022 and 2021, respectively.

Note 8 - Retirement Benefits

The District contributes to the participating employees 401K plan at a rate of 3% of the wages. The plan is administered by Primerica Shareholder Serives.

Note 9 - Evaluation of Subsequent Events

The District's subsequent events have been evaluated through May 19, 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 District #1
Major 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, Major County, Oklahoma (District), as of and for the years ending December 31, 2022 and 2021, and have issued my report thereon dated May 19, 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

May 19, 2023