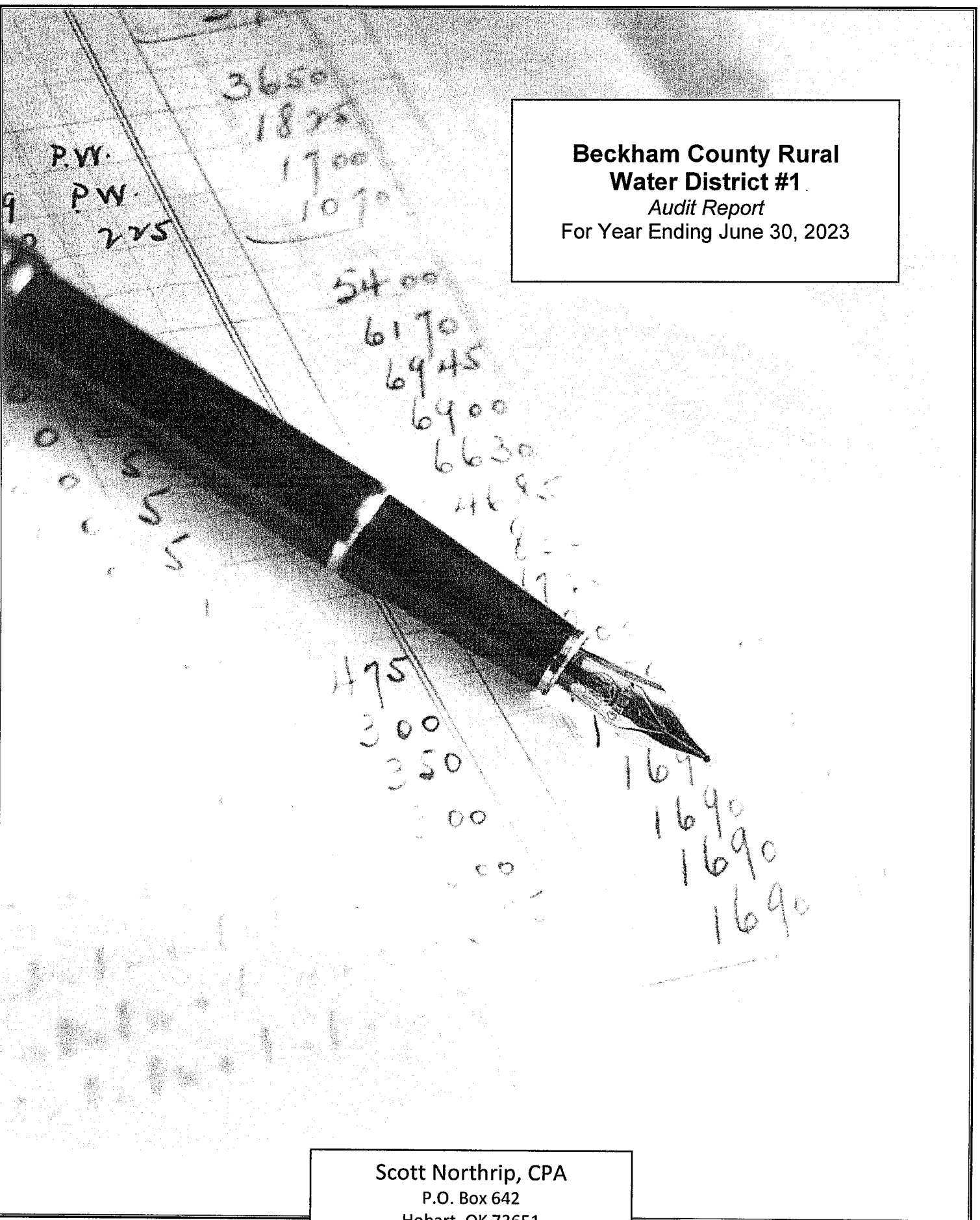


**Beckham County Rural
Water District #1**

Audit Report
For Year Ending June 30, 2023

Scott Northrip, CPA

P.O. Box 642
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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. #1
Beckham 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, Beckham County, Oklahoma (District), as of and for the years ended June 30, 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, Beckham County, Oklahoma, as of June 30, 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 July 20, 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 solely 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

July 20, 2023

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

Comparative Statement of Net Position
As of June 30, 2023 and 2022

ASSETS:	<u>2023</u>	<u>2022</u>
Current Assets:		
Cash & Cash Equivalents (Note 8)	\$ 683,037	\$ 1,038,457
Accounts Receivable-Net (Note 2)	99,323	90,029
Interest Receivable	893	84
Prepaid Insurance	39,253	38,868
Other Receivable	-	-
Inventory	181,999	166,762
Total Current Assets	<u>\$ 1,004,505</u>	<u>\$ 1,334,200</u>
Noncurrent Assets:		
Construction in Progress	\$ 1,527,730	\$ 50,056
Other Noncurrent Assets	2,975	2,975
Capital Assets:		
Land & Water Rights	292,647	292,647
Other Capital Assets, net of depreciation (Note 6)	5,314,177	5,469,279
Total Noncurrent Assets	<u>\$ 7,137,529</u>	<u>\$ 5,814,957</u>
TOTAL ASSETS	<u><u>\$ 8,142,034</u></u>	<u><u>\$ 7,149,157</u></u>
LIABILITIES AND NET POSITION:		
Current Liabilities:		
Accounts Payable	\$ 41,438	\$ 59,005
Interest Payable	4,496	4,239
Customer Deposits	13,500	13,900
Line of credit - Southwest State Bank	1	1
Current Portion of Long-term Liabilities	78,725	75,428
Total Current Liabilities	<u>\$ 138,160</u>	<u>\$ 152,573</u>
Long-Term Liabilities: (Note 10)		
Notes Payable - net of current portion	<u>\$ 3,604,872</u>	<u>\$ 2,701,150</u>
Net Position:		
Restricted Fund Balance	\$ 200,000	\$ 200,000
Unrestricted Fund Balance	1,012,041	912,889
Total Fund Balance	<u>\$ 1,212,041</u>	<u>\$ 1,112,889</u>
Member Investments	589,000	589,000
Donated Assets (Note 7)	1,073,084	1,073,084
Gain on Acquisition of Loans (Note 12)	894,056	894,056
Grants	630,821	626,405
TOTAL NET POSITION	<u>\$ 4,399,002</u>	<u>\$ 4,295,434</u>
TOTAL LIABILITIES AND NET POSITION	<u><u>\$ 8,142,034</u></u>	<u><u>\$ 7,149,157</u></u>

See accompanying notes to the financial statements.

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

Comparative Statement of Activities
For the Years Ended June 30, 2023 and 2022

	2023	2022
OPERATING REVENUES:		
Water Sales	\$ 1,277,669	\$ 1,218,675
Sale of Supplies	8,003	7,566
Installation & Fees	5,429	6,369
Total Operating Revenues	\$ 1,291,101	\$ 1,232,610
OPERATING EXPENSES:		
Salaries	\$ 282,168	\$ 271,124
Depreciation Expense	235,087	224,251
Interest Expense	117,498	120,611
Utilities	83,625	82,096
Installation & Supplies	163,662	86,897
Director's Fees, Travel & Benefits	11,769	9,423
Insurance	49,027	41,518
Employee Benefits	64,622	64,915
Outside Services	33,296	33,556
Transportation Expense	62,121	50,912
Office Supplies & Postage	18,408	15,000
Legal & Professional Fees	16,669	8,942
Dues & Licenses	12,401	9,713
Payroll Tax Expense	23,300	22,156
Water Purchases	30,147	19,711
Bad Debts Expense	-	-
Leak Detection Expense	-	-
Miscellaneous Expense	3,992	7,001
Communication Expense	8,155	6,496
Advertising Expense	296	380
Total Operating Expenses	\$ 1,216,243	\$ 1,074,702
OPERATING INCOME (LOSS)	\$ 74,858	\$ 157,908
OTHER REVENUES (EXPENSES):		
Investment Revenues	\$ 10,595	\$ 2,323
Donations	(5,250)	-
Insurance & FEMA Refunds	15,389	221,143
Other Income	860	5,137
Gain on Sale of Assets	2,700	-
Total Other Revenues(Expenses)	\$ 24,294	\$ 228,603
NET INCOME	\$ 99,152	\$ 386,511

See accompanying notes to the financial statements.

**Rural Water, Sewer & Solid Waste Management
District #1, Beckham County, Oklahoma**
Comparative Statement of Changes in Net Position
For the Years Ended June 30, 2023 and 2022

	2023	2022
Balance, July 1	\$ 4,295,434	\$ 3,791,723
Net Income (Loss)	99,152	386,511
Prior Period Adjustment (Note 11)	-	-
Member Investments	-	4,000
Donated Assets (Note 7)	-	13,167
Grants	4,416	100,033
Total Changes in Net Position	\$ 103,568	\$ 503,711
Balance, June 30	\$ 4,399,002	\$ 4,295,434

See accompanying notes to the financial statements.

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

Comparative Statement of Cash Flows
For the Years Ended June 30, 2023 and 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers	\$ 1,281,807	\$ 1,224,538
Payments to suppliers	(527,157)	(416,037)
Payments to employees	(370,090)	(358,195)
Net Cash Provided by Operating Activities	\$ 384,560	\$ 450,306
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Purchase of capital assets	\$ (79,985)	\$ (220,501)
Donated Assets	-	13,167
Payments for Construction in Progress	(1,477,674)	(50,056)
Loan Proceeds	1,004,950	-
Principal payments on notes payable	(97,931)	(72,131)
Interest paid on notes payable	(117,241)	(120,721)
Proceeds from Grants	4,416	100,033
Proceeds from sale of assets	2,700	-
Net Cash Used In Capital & Related Financing Activities	\$ (760,765)	\$ (350,209)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment Receipts	\$ 9,786	\$ 2,339
Other Proceeds & Disbursements	10,999	226,280
Proceeds from memberships	-	4,000
Net Cash Provided from Investing Activities	\$ 20,785	\$ 232,619
INCREASE (DECREASE) IN CASH AND INVESTMENTS	\$ (355,420)	\$ 332,716
Cash and Investment Balance - Beginning	1,038,457	705,741
CASH AND INVESTMENT BALANCE - ENDING	\$ 683,037	\$ 1,038,457
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:		
Operating Income (Loss)	\$ 74,858	\$ 157,908
Adjustments to reconcile operating income to net cash provided (used):		
Interest Expense	117,498	120,611
Depreciation expense	235,087	224,251
Change in assets and liabilities:		
Accounts Receivable	(9,294)	(8,072)
Other Receivables	-	-
Prepaid Insurance	(385)	(8,613)
Inventory	(15,237)	(39,140)
Accounts Payable	(17,567)	2,561
Customer Deposits	(400)	800
Net Cash Provided from Operating Activities	\$ 384,560	\$ 450,306

See accompanying notes to the financial statements.

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

Notes to the Financial Statements
For the Years Ended June 30, 2023 and 2022

Note 1 - Significant Accounting Policies

Organization:

Rural Water, Sewer & Solid Waste Management District #1, Beckham Co., OK, (District) was formed under the Oklahoma Rural Water Act to provide water in a designated area in and around Beckham County, Oklahoma to individuals and businesses that purchase a membership. The District served 1,225 and 1,226 meters at June 30, 2023 and 2022.

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 50 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 June plus any unpaid balances from the previous months. The District uses the direct method to account for bad debts. No provision for an allowance has been made based on the history of the District's bad debts being very small or nonexistent. The accounts receivable balances at June 30, 2023 and 2022 were \$101,308 and \$92,014. The meters are read monthly.

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 has no contingencies to report other than what are already presented in this report.

Note 5 - Restricted Assets

The District has restricted certificates of deposit in the amount of \$200,000 for debt service as required by Rural Development's mortgage as of June 30, 2023 and 2022.

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

Notes to the Financial Statements
For the Years Ended June 30, 2023 and 2022

Note 6 - Changes in Capital Assets

	Balance 7/1/2022	Additions	Disposed	Balance 6/30/2023
Water System Plant Assets	\$ 9,523,995	\$ 22,000	\$ -	\$ 9,545,995
Office Furniture & Fixtures	46,131	-	-	46,131
Equipment	269,145	5,095	-	274,240
Vehicles	137,232	52,890	-	190,122
Buildings & Improvements	298,778	-	-	298,778
Total Assets	\$ 10,275,281	\$ 79,985	\$ -	\$ 10,355,266
Accumulated Depreciation				
Water System Plant Assets	4,281,493	189,248		4,470,741
Office Furniture & Fixtures	41,965	974		42,939
Equipment	172,416	18,096		190,512
Vehicles	106,271	15,627		121,898
Buildings & Improvements	203,857	11,142		214,999
Total Accum. Depreciation	\$ 4,806,002	\$ 235,087	\$ -	\$ 5,041,089
Net Fixed Assets	\$ 5,469,279	\$ (155,102)	\$ -	\$ 5,314,177

Note 7 - 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 June 30, 2023 and 2022 were \$0 and \$13,166, respectively.

Note 8 - Components of Cash and Investments

	Date of Maturity	Interest Rate	6/30/2023 Balance
Petty Cash	-	0.00%	\$ 200
Checking - All American Bank	-	1.25%	127,979
Super Now - All American Bank	-	1.25%	174,758
Construction Acct - All American Bank	-	0.00%	100
CD - All American Bank	2/14/2024	4.50%	70,000
CD - All American Bank	2/14/2024	4.50%	70,000
CD - All American Bank	2/14/2024	4.50%	100,000
CD - All American Bank	2/14/2024	4.50%	100,000
CD - All American Bank	9/2/2023	4.50%	40,000
Total Cash and Investments			\$ 683,037

The District has pledges from All American Bank that covers amount not insured by FDIC.

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

Notes to the Financial Statements
For the Years Ended June 30, 2023 and 2022

Note 9 - Retirement

The District provides a 401(k) retirement plan for its employees and matches contributions up to 5%. The District contributed \$10,142 and \$10,300 for the years June 30, 2023 and 2022, respectively.

Note 10 - Long Term Liabilities

The District has five 40 year notes with Rural Development, an agency of the United States Department of Agriculture. The loans are fixed interest notes. The notes are secured by the assets of the District. Rural Development requires the District to reserve enough funds to pay an amount equal to a year's total payments. The District makes monthly payments on the notes. The District received advances on Note 9103, 9105 and 9107 during the year ending 6-30-23 of \$1,004,950. The new notes have \$135,050 of funds available. Interest paid on the new notes have been capitalized with the cost of the new projects in the amount of \$7,316.80 for the year ending 6-30-23. The annual payments and principal payments have not been set as of the date of the audit.

Note Number	Date of Note	Annual Payments	Balance 6/30/2023	Balance 6/30/2022	Interest Rate
91-01	11/17/2006	\$ 135,408	\$ 1,903,700	\$ 1,956,962	4.250%
91-02	11/17/2006	57,444	797,594	819,616	4.375%
91-03	9/22/2022	*	403,355	-	1.875%
91-05	9/22/2022	*	185,007	-	1.875%
91-07	9/22/2022	*	393,941	-	1.500%
		\$ 192,852	\$ 3,683,597	\$ 2,776,578	
Less: Current Portion			78,725	75,428	
Net Long-Term Balance			\$ 3,604,872	\$ 2,701,150	

Current Portion:	Note 9101	Note 9102	Note 9103	Note 9105	Note 9107
Year Ending 6-30-24	55,675	23,050	*	*	*
Year Ending 6-30-25	58,088	24,079	*	*	*
Year Ending 6-30-26	60,605	25,153	*	*	*
Year Ending 6-30-27	63,231	26,276	*	*	*
Year Ending 6-30-28	65,971	27,449	*	*	*

Note 11 - Prior Period Adjustments

There were no prior period adjustments in the financial statements for the year ending June 30, 2023 or 2022.

Note 12 - Gain on Acquisition of Loans

The District purchased notes from FmHA through the Farmers Home Administration Discount Purchase Program on July 7, 1988. The discounted principal plus accrued interest was \$894,056 less than the carrying value of the notes which resulted in a gain from acquisition.

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

Notes to the Financial Statements
For the Years Ended June 30, 2023 and 2022

Note 13 - Grants

The District received proceeds from SWODA REAP Grant for the purchase of a new 80KW generator at a water well in the amount of \$49,992 during the year ending June 30, 2022. The District received grant proceeds from the Bureau of Reclamation for line relocates in the Hicks Mountain area in the amount of \$50,040 during the year ending June 30, 2022.

Note 14 - Construction in Progress

The District has five construction projects in progress during the year ending June 30, 2023. The District has approved bids on 2 river crossings for \$894,450 and electronic meter reading system for \$676,380. The District has secured loan funds from Rural Development in the amount of \$1,140,000 and will be making additional loan payments of \$39,516 per anum. The District also has a new well project, an 8" line extension and standpipe maintenance project.

Note 15 - Subsequent Events

The District's subsequent events have been evaluatd through July 20, 2023, the date of 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
Beckham 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, Beckham County, Oklahoma (District), as of and for the years ending June 30, 2023 and 2022, and have issued my report thereon dated July 20, 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

July 20, 2023