

**Beckham County Rural
Water District #1**

Audit Report
For Year Ending June 30, 2024

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. #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, 2024 and 2023, 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, 2024 and 2023, 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 25, 2024, 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 25, 2024

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

Comparative Statement of Net Position
As of June 30, 2024 and 2023

ASSETS:	2024	2023
Current Assets:		
Cash & Cash Equivalents (Note 8)	\$ 741,799	\$ 683,037
Accounts Receivable-Net (Note 2)	105,320	99,323
Interest Receivable	1,012	893
Prepaid Insurance	43,094	39,253
Other Receivable	-	-
Inventory	193,682	181,999
Total Current Assets	\$ 1,084,907	\$ 1,004,505
Noncurrent Assets:		
Construction in Progress	\$ 957,982	\$ 1,527,730
Other Noncurrent Assets	1,975	2,975
Capital Assets:		
Land & Water Rights	292,647	292,647
Other Capital Assets, net of depreciation (Note 6)	6,217,115	5,314,177
Total Noncurrent Assets	\$ 7,469,719	\$ 7,137,529
TOTAL ASSETS	\$ 8,554,626	\$ 8,142,034
LIABILITIES AND NET POSITION:		
Current Liabilities:		
Accounts Payable	\$ 61,083	\$ 41,438
Interest Payable	4,367	4,496
Customer Deposits	14,100	13,500
Line of credit - Southwest State Bank	1	1
Current Portion of Long-term Liabilities	104,054	78,725
Total Current Liabilities	\$ 183,605	\$ 138,160
Long-Term Liabilities: (Note 10)		
Notes Payable - net of current portion	\$ 3,478,217	\$ 3,604,872
Net Position:		
Restricted Fund Balance	\$ 200,000	\$ 200,000
Unrestricted Fund Balance	1,075,027	1,012,041
Total Fund Balance	\$ 1,275,027	\$ 1,212,041
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	1,061,637	630,821
TOTAL NET POSITION	\$ 4,892,804	\$ 4,399,002
TOTAL LIABILITIES AND NET POSITION	\$ 8,554,626	\$ 8,142,034

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, 2024 and 2023

	<u>2024</u>	<u>2023</u>
OPERATING REVENUES:		
Water Sales	\$ 1,260,872	\$ 1,277,669
Sale of Supplies	4,928	8,003
Installation & Fees	11,832	5,429
Total Operating Revenues	<u>\$ 1,277,632</u>	<u>\$ 1,291,101</u>
OPERATING EXPENSES:		
Salaries	\$ 308,037	\$ 282,168
Depreciation Expense	260,132	235,087
Interest Expense	130,913	117,498
Utilities	87,067	83,625
Installation & Supplies	168,148	163,662
Director's Fees, Travel & Benefits	10,590	11,769
Insurance	46,580	49,027
Employee Benefits	81,822	64,622
Outside Services	13,295	33,296
Transportation Expense	53,770	62,121
Office Supplies & Postage	25,776	18,408
Legal & Professional Fees	10,010	16,669
Dues & Licenses	14,119	12,401
Payroll Tax Expense	25,455	23,300
Water Purchases	52,254	30,147
Bad Debts Expense	-	-
Fenix Communication Charges	8,754	-
Miscellaneous Expense	3,084	3,992
Communication Expense	8,418	8,155
Advertising Expense	247	296
Total Operating Expenses	<u>\$ 1,308,471</u>	<u>\$ 1,216,243</u>
OPERATING INCOME (LOSS)	<u>\$ (30,839)</u>	<u>\$ 74,858</u>
OTHER REVENUES (EXPENSES):		
Investment Revenues	\$ 24,830	\$ 10,595
Donations	(4,500)	(5,250)
Insurance & FEMA Refunds	70,106	15,389
Other Income	3,389	860
Gain on Sale of Assets	-	2,700
Total Other Revenues(Expenses)	<u>\$ 93,825</u>	<u>\$ 24,294</u>
NET INCOME	<u><u>\$ 62,986</u></u>	<u><u>\$ 99,152</u></u>

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, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Balance, July 1	\$ 4,399,002	\$ 4,295,434
Net Income (Loss)	62,986	99,152
Prior Period Adjustment (Note 11)	-	-
Member Investments	-	-
Donated Assets (Note 7)	-	-
Grants (Note 13)	430,816	4,416
Total Changes in Net Position	\$ 493,802	\$ 103,568
Balance, June 30	<u>\$ 4,892,804</u>	<u>\$ 4,399,002</u>

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, 2024 and 2023

	<u>2024</u>	<u>2023</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers	\$ 1,271,635	\$ 1,281,807
Payments to suppliers	(497,520)	(527,157)
Payments to employees	(415,314)	(370,090)
Net Cash Provided by Operating Activities	<u>\$ 358,801</u>	<u>\$ 384,560</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Purchase of capital assets	\$ (1,163,070)	\$ (79,985)
Donated Assets	-	-
Payments for Construction in Progress	570,877	(1,477,674)
Loan Proceeds	-	1,004,950
Principal payments on notes payable	(101,326)	(97,931)
Interest paid on notes payable	(131,042)	(117,241)
Proceeds from Grants	430,816	4,416
Proceeds from sale of assets	-	2,700
Net Cash Used In Capital & Related Financing Activities	<u>\$ (393,745)</u>	<u>\$ (760,765)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment Receipts	\$ 24,711	\$ 9,786
Other Proceeds & Disbursements	68,995	10,999
Proceeds from memberships	-	-
Net Cash Provided from Investing Activities	<u>\$ 93,706</u>	<u>\$ 20,785</u>
INCREASE (DECREASE) IN CASH AND INVESTMENTS	\$ 58,762	\$ (355,420)
Cash and Investment Balance - Beginning	683,037	1,038,457
CASH AND INVESTMENT BALANCE - ENDING	<u>\$ 741,799</u>	<u>\$ 683,037</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:		
Operating Income (Loss)	\$ (30,839)	\$ 74,858
Adjustments to reconcile operating income to net cash provided (used):		
Interest Expense	130,913	117,498
Depreciation expense	260,132	235,087
Change in assets and liabilities:		
Accounts Receivable	(5,997)	(9,294)
Other Receivables	-	-
Prepaid Insurance	(3,841)	(385)
Inventory	(11,683)	(15,237)
Accounts Payable	19,516	(17,567)
Customer Deposits	600	(400)
Net Cash Provided from Operating Activities	<u>\$ 358,801</u>	<u>\$ 384,560</u>

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, 2024 and 2023

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 1,226 and 1,226 meters at June 30, 2024 and 2023.

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, 2024 and 2023 were \$107,305 and \$101,308. 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, 2024 and 2023.

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

Notes to the Financial Statements
For the Years Ended June 30, 2024 and 2023

Note 6 - Changes in Capital Assets

	Balance 7/1/2023	Additions	Disposed	Balance 6/30/2024
Water System Plant Assets	\$ 9,545,995	\$ 1,136,155	\$ -	\$ 10,682,150
Office Furniture & Fixtures	46,131	-	-	46,131
Equipment	274,240	23,305	-	297,545
Vehicles	190,122	3,610	-	193,732
Buildings & Improvements	298,778	-	-	298,778
Total Assets	\$ 10,355,266	\$ 1,163,070	\$ -	\$ 11,518,336
Accumulated Depreciation				
Water System Plant Assets	4,470,741	208,265		4,679,006
Office Furniture & Fixtures	42,939	973		43,912
Equipment	190,512	17,062		207,574
Vehicles	121,898	22,690		144,588
Buildings & Improvements	214,999	11,142		226,141
Total Accum. Depreciation	\$ 5,041,089	\$ 260,132	\$ -	\$ 5,301,221
Net Fixed Assets	\$ 5,314,177	\$ 902,938	\$ -	\$ 6,217,115

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, 2024 and 2023 were \$0 and \$0, respectively.

Note 8 - Components of Cash and Investments

	Date of Maturity	Interest Rate	6/30/2024 Balance
Petty Cash	-	0.00%	\$ 200
Checking - All American Bank	-	1.25%	65,354
Super Now - All American Bank	-	1.25%	296,145
Construction Acct - All American Bank	-	0.00%	100
CD - All American Bank	2/14/2025	5.10%	70,000
CD - All American Bank	2/14/2025	5.10%	70,000
CD - All American Bank	2/14/2025	5.10%	100,000
CD - All American Bank	2/14/2025	5.10%	100,000
CD - All American Bank	9/2/2024	5.10%	40,000
Total Cash and Investments			\$ 741,799

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, 2024 and 2023

Note 9 - Retirement

The District provides a 401(k) retirement plan for its employees and matches contributions up to 5%. The District contributed \$12,656 and \$10,142 for the years June 30, 2024 and 2023, 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. Note 91-07 has \$83,887 of funds available. The current portion of Note 91-07 are estimated based on the additional funds being used in the next fiscal year.

Note Number	Date of Note	Annual Payments	Balance 6/30/2024	Balance 6/30/2023	Interest Rate
91-01	11/17/2006	\$ 135,408	\$ 1,848,130	\$ 1,903,700	4.250%
91-02	11/17/2006	57,444	774,589	797,594	4.375%
91-03	9/22/2022	16,080	394,764	403,355	1.875%
91-05	9/22/2022	6,780	181,668	185,007	1.875%
91-07	9/22/2022	16,656	383,120	393,941	1.500%
		\$ 192,852	\$ 3,582,271	\$ 3,683,597	
Less: Current Portion			104,054	78,725	
Net Long-Term Balance			<u>\$ 3,478,217</u>	<u>\$ 3,604,872</u>	

Current Portion:	Note 9101	Note 9102	Note 9103	Note 9105	Note 9107
Year Ending 6-30-25	58,088	24,079	8,759	3,405	9,723
Year Ending 6-30-26	60,605	25,153	8,925	3,469	9,870
Year Ending 6-30-27	63,231	26,276	9,094	3,535	10,019
Year Ending 6-30-28	65,971	27,449	9,266	3,602	10,170
Year Ending 6-30-29	68,830	28,673	9,442	3,670	10,324

Note 11 - Prior Period Adjustments

There were no prior period adjustments in the financial statements for the year ending June 30, 2024 or 2023.

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, 2024 and 2023

Note 13 - Grants

The District received proceeds from ORWA RIG Grant of \$ 73,192 for the Breeze Tower Rehab project. The District received grant proceeds from Beckham Co ARAP Grant of \$357,624 for the Wolf Tower Rehab project.

Note 14 - Construction in Progress

The District has three construction projects in progress during the year ending June 30, 2024. The District has spent \$110,763 on the Breeze Tower rehab project, \$478,435 on the river crossing project, and \$368,784 on the Wolf Tower Rehab project.

Note 15 - Subsequent Events

The District's subsequent events have been evaluated through July 25, 2024, 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, 2024 and 2023, and have issued my report thereon dated July 25, 2024.

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 25, 2024