

**Beckham County Rural  
Water District #1**  
*Audit Report*  
For Year Ending June 30, 2022

Scott Northrip, CPA  
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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, 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 #1, Beckham County, Oklahoma, as of June 30, 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). 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.

## **Report on Other Legal and Regulatory Requirements**

In accordance with *Government Auditing Standards*, I have also issued my report dated July 20, 2022, 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

July 20, 2022

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

Comparative Statement of Net Position  
As of June 30, 2022 and 2021

<b>ASSETS:</b>	<b>2022</b>	<b>2021</b>
Current Assets:		
Cash & Cash Equivalents (Note 8)	\$ 1,038,457	\$ 705,741
Accounts Receivable-Net (Note 2)	90,029	81,957
Interest Receivable	84	101
Prepaid Insurance	38,868	30,255
Other Receivable	-	-
Inventory	166,762	127,622
<b>Total Current Assets</b>	<b>\$ 1,334,200</b>	<b>\$ 945,676</b>
Noncurrent Assets:		
Construction in Progress	\$ 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)	5,469,279	5,473,029
<b>Total Noncurrent Assets</b>	<b>\$ 5,814,957</b>	<b>\$ 5,768,651</b>
<b>TOTAL ASSETS</b>	<b>\$ 7,149,157</b>	<b>\$ 6,714,327</b>
<b>LIABILITIES AND NET POSITION:</b>		
Current Liabilities:		
Accounts Payable	\$ 59,005	\$ 56,444
Interest Payable	4,239	4,350
Customer Deposits	13,900	13,100
Line of credit - Southwest State Bank	1	1
Current Portion of Long-term Liabilities	75,428	72,269
<b>Total Current Liabilities</b>	<b>\$ 152,573</b>	<b>\$ 146,164</b>
Long-Term Liabilities: (Note 10)		
Notes Payable - net of current portion	<b>\$ 2,701,150</b>	<b>\$ 2,776,440</b>
Net Position:		
Restricted Fund Balance	\$ 200,000	\$ 200,000
Unrestricted Fund Balance	912,889	526,378
<b>Total Fund Balance</b>	<b>\$ 1,112,889</b>	<b>\$ 726,378</b>
Member Investments	589,000	585,000
Donated Assets (Note 7)	1,073,084	1,059,917
Gain on Acquisition of Loans (Note 12)	894,056	894,056
Grants	626,405	526,372
<b>TOTAL NET POSITION</b>	<b>\$ 4,295,434</b>	<b>\$ 3,791,723</b>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$ 7,149,157</b>	<b>\$ 6,714,327</b>

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, 2022 and 2021

	<b>2022</b>	<b>2021</b>
<b>OPERATING REVENUES:</b>		
Water Sales	\$ 1,218,675	\$ 1,214,852
Sale of Supplies	7,566	2,842
Installation & Fees	6,369	6,808
<b>Total Operating Revenues</b>	<b>\$ 1,232,610</b>	<b>\$ 1,224,502</b>
<b>OPERATING EXPENSES:</b>		
Salaries	\$ 271,124	\$ 275,842
Depreciation Expense	224,251	217,129
Interest Expense	120,611	123,637
Utilities	82,096	74,352
Installation & Supplies	86,897	116,038
Director's Fees, Travel & Benefits	9,423	6,183
Insurance	41,518	40,480
Employee Benefits	64,915	69,886
Outside Services	33,556	33,315
Transportation Expense	50,912	31,973
Office Supplies & Postage	15,000	12,512
Legal & Professional Fees	8,942	17,739
Dues & Licenses	9,713	10,566
Payroll Tax Expense	22,156	22,461
Water Purchases	19,711	34,978
Bad Debts Expense	-	756
Leak Detection Expense	-	-
Miscellaneous Expense	7,001	720
Communication Expense	6,496	5,054
Advertising Expense	380	62
<b>Total Operating Expenses</b>	<b>\$ 1,074,702</b>	<b>\$ 1,093,683</b>
<b>OPERATING INCOME (LOSS)</b>	<b>\$ 157,908</b>	<b>\$ 130,819</b>
<b>OTHER REVENUES (EXPENSES):</b>		
Investment Revenues	\$ 2,323	\$ 6,218
Donations	-	-
Insurance & FEMA Refunds	221,143	9,783
Other Income	5,137	7,867
Gain on Sale of Assets	-	-
<b>Total Other Revenues(Expenses)</b>	<b>\$ 228,603</b>	<b>\$ 23,868</b>
<b>NET INCOME</b>	<b>\$ 386,511</b>	<b>\$ 154,687</b>

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, 2022 and 2021

	<b>2022</b>	<b>2021</b>
<b>Balance, July 1</b>	\$ 3,791,723	\$ 3,613,395
Net Income (Loss)	386,511	154,687
Prior Period Adjustment (Note 11)	-	-
Member Investments	4,000	20,800
Donated Assets (Note 7)	13,167	2,841
Grants	100,033	-
<b>Total Changes in Net Position</b>	<b>\$ 503,711</b>	<b>\$ 178,328</b>
<b>Balance, June 30</b>	<b>\$ 4,295,434</b>	<b>\$ 3,791,723</b>

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, 2022 and 2021

	2022	2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Receipts from customers	\$ 1,224,538	\$ 1,237,879
Payments to suppliers	(416,037)	(345,055)
Payments to employees	(358,195)	(368,189)
<b>Net Cash Provided by Operating Activities</b>	<b>\$ 450,306</b>	<b>\$ 524,635</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Purchase of capital assets	\$ (220,501)	\$ (373,180)
Donated Assets	13,167	2,841
Payments for Construction in Progress	(50,056)	-
Purchase of Land and Water Rights	-	-
Principal payments on notes payable	(72,131)	(69,109)
Interest paid on notes payable	(120,721)	(123,743)
Proceeds from Grants	100,033	-
Proceeds from sale of assets	-	-
<b>Net Cash Used In Capital &amp; Related Financing Activities</b>	<b>\$ (350,209)</b>	<b>\$ (563,191)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Investment Receipts	\$ 2,339	\$ 6,453
Other Proceeds & Disbursements	226,280	17,650
Proceeds from memberships	4,000	20,800
<b>Net Cash Provided from Investing Activities</b>	<b>\$ 232,619</b>	<b>\$ 44,903</b>
<b>INCREASE (DECREASE) IN CASH AND INVESTMENTS</b>	<b>\$ 332,716</b>	<b>\$ 6,347</b>
Cash and Investment Balance - Beginning	705,741	699,394
<b>CASH AND INVESTMENT BALANCE - ENDING</b>	<b>\$ 1,038,457</b>	<b>\$ 705,741</b>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:</b>		
Operating Income (Loss)	\$ 157,908	\$ 130,819
Adjustments to reconcile operating income to net cash provided (used):		
Interest Expense	120,611	123,637
Depreciation expense	224,251	217,129
Change in assets and liabilities:		
Accounts Receivable	(8,072)	13,377
Other Receivables	-	-
Prepaid Insurance	(8,613)	746
Inventory	(39,140)	10,160
Accounts Payable	2,561	28,567
Customer Deposits	800	200
<b>Net Cash Provided from Operating Activities</b>	<b>\$ 450,306</b>	<b>\$ 524,635</b>

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, 2022 and 2021

## **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 1,227 and 1,226 meters at June 30, 2022 and 2021.

### **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, 2022 and 2021 were \$92,014 and \$81,957. 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, 2022 and 2021.



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

Notes to the Financial Statements  
For the Years Ended June 30, 2022 and 2021

## **Note 6 - Changes in Capital Assets**

	Balance 7/1/2021	Additions	Disposed	Balance 6/30/2022
Water System Plant Assets	\$ 9,408,073	\$ 115,922	\$ -	\$ 9,523,995
Office Furniture & Fixtures	46,131	-	-	46,131
Equipment	198,250	70,895	-	269,145
Vehicles	103,548	33,684	-	137,232
Buildings & Improvements	298,778	-	-	298,778
<b>Total Assets</b>	<b>\$ 10,054,780</b>	<b>\$ 220,501</b>	<b>\$ -</b>	<b>\$ 10,275,281</b>
Accumulated Depreciation				
Water System Plant Assets	4,093,492	188,001		4,281,493
Office Furniture & Fixtures	40,992	973		41,965
Equipment	157,399	15,017		172,416
Vehicles	97,152	9,119		106,271
Buildings & Improvements	192,716	11,141		203,857
<b>Total Accum. Depreciation</b>	<b>\$ 4,581,751</b>	<b>\$ 224,251</b>	<b>\$ -</b>	<b>\$ 4,806,002</b>
<b>Net Fixed Assets</b>	<b>\$ 5,473,029</b>	<b>\$ (3,750)</b>	<b>\$ -</b>	<b>\$ 5,469,279</b>

## **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, 2022 and 2021 were \$13,166 and \$2,841, respectively.

## **Note 8 - Components of Cash and Investments**

	Date of Maturity	Interest Rate	6/30/2021 Balance
Petty Cash	-	0.00%	\$ 200
Checking - All American Bank	-	0.05%	247,855
Super Now - All American Bank	-	0.10%	450,402
CD - All American Bank	2/14/2023	0.50%	70,000
CD - All American Bank	2/14/2023	0.50%	70,000
CD - All American Bank	2/14/2023	0.50%	100,000
CD - All American Bank	2/14/2023	0.50%	100,000
<b>Total Cash and Investments</b>			<b>\$ 1,038,457</b>

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, 2022 and 2021

## **Note 9 - Retirement**

The District provides a 401(k) retirement plan for its employees and matches contributions up to 5%. The District contributed \$10,300 and \$11,102 for the years June 30, 2022 and 2021, respectively.

## **Note 10 - Long Term Liabilities**

The District has two 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.

Note Number	Date of Note	Annual Payments	Balance 6/30/2022	Balance 6/30/2021	Interest Rate
91-01	11/17/2006	\$ 135,408	\$ 1,956,962	\$ 2,008,012	4.250%
91-03	11/17/2006	57,444	819,616	840,697	4.375%
		<u>\$ 192,852</u>	<u>\$ 2,776,578</u>	<u>\$ 2,848,709</u>	
Less: Current Portion			75,428	72,269	
Net Long-Term Balance			<u>\$ 2,701,150</u>	<u>\$ 2,776,440</u>	

Current Portion:		Note 9101	Note 9103
Year Ending	6/30/2023	53,363	22,065
Year Ending	6/30/2024	55,675	23,050
Year Ending	6/30/2025	58,088	24,079
Year Ending	6/30/2026	60,605	25,153
Year Ending	6/30/2027	63,231	26,276

## **Note 11 - Prior Period Adjustments**

There were no prior period adjustments in the financial statements for the year ending June 30, 2022 or 2021.

## **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.

## **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.

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

Notes to the Financial Statements  
For the Years Ended June 30, 2022 and 2021

**Note 14 - Construction in Progress**

The District has three construction projects in progress during the year ending June 30, 2022. 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 annum. The District also has a new well project that has not been put out for bids but has spent funds for electrical service for the well.

**Note 15 - Subsequent Events**

The District's subsequent events have been evaluated through July 20, 2022, 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, 2022 and 2021, and have issued my report thereon dated July 20, 2022.

### 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, 2022