

**Comanche County Rural
Water District #4**

Audit Report
For Year Ending August 31, 2022

Scott Northrip, CPA

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Independent Auditor's Report

To The Board of Directors of
Rural Water District #4, Comanche County

Report on the Audit of the Financial Statements

Opinion

I have audited the accompanying financial statements of Rural Water District #4 Comanche County (District) as of and for the years ended August 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 financial position of Rural Water District #4 Comanche County as of August 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.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair representation of the financial statements in accordance with accounting principle generally accepted in the United States of America and for 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 Responsibilities 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*, we have also issued our report dated October 25, 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 the effectiveness of the District's internal control over financial reporting or on compliance. This report are an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of the audit.

Scott Northrip, CPA

Certified Public Accountant

October 25, 2022

Rural Water District #4, Comanche County

Comparative Statement of Net Position

As of August 31, 2022 and 2021

| ASSETS: | 2022 | 2021 |
|---|---------------------|---------------------|
| Current Assets: | | |
| Cash & Cash Equivalents | \$ 1,918,756 | \$ 3,520,627 |
| Accounts Receivable (Note 2) | 142,297 | 119,188 |
| Prepaid Insurance | 10,821 | 9,711 |
| Other Receivable | - | - |
| Inventory | 77,174 | 60,896 |
| Total Current Assets | \$ 2,149,048 | \$ 3,710,422 |
| Noncurrent Assets: | | |
| Construction in Progress | \$ 2,241,730 | \$ 116,953 |
| Capital Assets: (Note 6) | | |
| Land and Water Rights | 47,802 | 40,309 |
| Other Capital Assets, net of depreciation | 3,707,139 | 3,806,688 |
| Total Noncurrent Assets | \$ 5,996,671 | \$ 3,963,950 |
| TOTAL ASSETS | \$ 8,145,719 | \$ 7,674,372 |
| LIABILITIES AND NET POSITION: | | |
| Current Liabilities: | | |
| Accounts Payable | \$ 71,886 | \$ 77,136 |
| Accrued Wages Payable | 13,122 | 12,724 |
| Interest Payable | - | - |
| Current Portion of Long-term Liabilities | - | - |
| Total Current Liabilities | \$ 85,008 | \$ 89,860 |
| Long-Term Liabilities: (Note 10) | | |
| Notes Payable - net of current portion | \$ - | \$ - |
| Net Positions: | | |
| Restricted Fund Balance | \$ - | \$ - |
| Unrestricted Fund Balance | 2,600,493 | 2,323,699 |
| Total Fund Balance | \$ 2,600,493 | \$ 2,323,699 |
| Member Investments | 1,993,250 | 1,882,000 |
| Donated Assets (Note 7) | 2,595,638 | 2,507,483 |
| Grants | 871,330 | 871,330 |
| TOTAL NET POSITIONS | \$ 8,060,711 | \$ 7,584,512 |
| TOTAL LIABILITIES AND NET POSITION | \$ 8,145,719 | \$ 7,674,372 |

See accompanying notes to the financial statements.

Rural Water District #4, Comanche County

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

| | <u>2022</u> | <u>2021</u> |
|---------------------------------------|----------------------------|----------------------------|
| OPERATING REVENUES: | | |
| Water Sales | \$ 1,553,280 | \$ 1,355,781 |
| Reimbursements | 24,706 | 7,388 |
| Miscellaneous Operating | - | 3,582 |
| Total Operating Revenues | <u>\$ 1,577,986</u> | <u>\$ 1,366,751</u> |
| OPERATING EXPENSES: | | |
| Water Purchases | \$ 414,792 | \$ 399,830 |
| Personnel Expense | 196,348 | 209,442 |
| Depreciation Expense | 140,405 | 138,023 |
| Interest Expense | - | - |
| Utilities & Communication | 66,607 | 57,282 |
| Installation & Repairs | 266,101 | 192,214 |
| Transportation | 41,958 | 39,007 |
| Insurance | 15,955 | 16,025 |
| Dues & Licenses | 9,723 | 20,036 |
| Bad Debts Expense | 1,913 | - |
| Lease Expense | 85,945 | 70,664 |
| Office Expenses & Postage | 23,357 | 17,680 |
| Legal, Engineer & Audit Fees | 12,067 | 28,705 |
| Directors Fees & Meeting Expense | 4,490 | 4,500 |
| Service Charges | 7,375 | 2,622 |
| Miscellaneous Expense | 16,166 | 11,450 |
| Total Operating Expenses | <u>\$ 1,303,202</u> | <u>\$ 1,207,480</u> |
| OPERATING INCOME (LOSS) | <u>\$ 274,784</u> | <u>\$ 159,271</u> |
| OTHER REVENUES (EXPENSES): | | |
| Investment Revenues | \$ 2,010 | \$ 2,343 |
| Other Income | - | - |
| Gain on Sale of Assets | - | - |
| Total Other Revenues(Expenses) | <u>\$ 2,010</u> | <u>\$ 2,343</u> |
| NET INCOME | <u>\$ 276,794</u> | <u>\$ 161,614</u> |

See accompanying notes to the financial statements.

Rural Water District #4, Comanche County
Comparative Statement of Changes in Net Position
For the Years Ended August 31, 2022 and 2021

| | <u>2022</u> | <u>2021</u> |
|-----------------------------------|----------------------------|----------------------------|
| Balance, September 1 | <u>\$ 7,584,512</u> | <u>\$ 5,070,066</u> |
| Net Income (Loss) | 276,794 | 161,614 |
| Prior Period Adjustment (Note 11) | - | - |
| Member Investments | 111,250 | 141,500 |
| Donated Assets (Note 7) | 88,155 | 2,211,332 |
| Grants | <u>-</u> | <u>-</u> |
| Total Changes in Net Position | <u>\$ 476,199</u> | <u>\$ 2,514,446</u> |
| Balance, August 31 | <u><u>\$ 8,060,711</u></u> | <u><u>\$ 7,584,512</u></u> |

See accompanying notes to the financial statements.

Rural Water District #4, Comanche County

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

| | <u>2022</u> | <u>2021</u> |
|--|------------------------------|----------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Receipts from customers | \$ 1,554,877 | \$ 1,373,198 |
| Payments to suppliers | (988,688) | (878,668) |
| Payments to employees | (196,348) | (208,822) |
| Net Cash Provided by Operating Activities | <u>\$ 369,841</u> | <u>\$ 285,708</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES: | | |
| Purchase of capital assets | \$ (40,857) | \$ (53,781) |
| Donated Assets | 88,155 | 2,195,082 |
| Payments for Construction in Progress | (2,124,777) | (5,250) |
| Principal payments on notes payable | - | (1,834) |
| Interest paid on notes payable | - | - |
| Purchase of land | (7,493) | - |
| Proceeds from Long-term notes | - | - |
| Net Cash Used In Capital & Related Financing Activities | <u>\$ (2,084,972)</u> | <u>\$ 2,134,217</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Investment Receipts | \$ 2,010 | \$ 2,326 |
| Other Proceeds | - | - |
| Proceeds from memberships | 111,250 | 157,750 |
| Net Cash Provided from Investing Activities | <u>\$ 113,260</u> | <u>\$ 160,076</u> |
| INCREASE (DECREASE) IN CASH AND INVESTMENTS | \$ (1,601,871) | \$ 2,580,001 |
| Cash and Investment Balance - Beginning | 3,520,627 | 940,626 |
| CASH AND INVESTMENT BALANCE - ENDING | <u>\$ 1,918,756</u> | <u>\$ 3,520,627</u> |
| Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities: | | |
| Operating Income (Loss) | \$ 274,784 | \$ 159,271 |
| Adjustments to reconcile operating income to net cash provided (used): | | |
| Interest Expense | - | - |
| Depreciation expense | 140,405 | 138,023 |
| Change in assets and liabilities: | | |
| Accounts Receivable | (23,109) | 6,447 |
| Other Receivables | - | - |
| Prepaid Insurance | (1,110) | 431 |
| Inventory | (16,278) | (16,021) |
| Accounts Payable | (5,249) | (3,063) |
| Accrued Wages Payable | 398 | 620 |
| Net Cash Provided from Operating Activities | <u>\$ 369,841</u> | <u>\$ 285,708</u> |

See accompanying notes to the financial statements.

Rural Water District #4, Comanche County

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

Note 1 - Significant Accounting Policies

Organization:

Rural Water District #4, Comanche Co., OK, (District) was formed under the Oklahoma Rural Water Act to provide water in a designated area in and around Comanche County Oklahoma to individuals and businesses that purchase a membership. The District served 1,544 and 1,498 meters at August 31, 2022 and 2021 respectively.

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 meters are read and billed 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 didn't have any contingencies as of the date of the audit.

Note 5 - Restricted Assets

The District had no restricted funds for the years ending August 31, 2022 or 2021.

Rural Water District #4, Comanche County

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

Note 6 - Changes in Capital Assets

| | Balance 9/1/2021 | Additions | Disposed | Balance 8/31/2022 |
|--------------------------------|---------------------|--------------------|-------------|----------------------|
| Water System Plant Assets | \$ 6,060,567 | \$ 40,856 | \$ - | \$ 6,101,423 |
| Office Furniture & Fixtures | 24,102 | - | - | 24,102 |
| Equipment | 128,946 | - | - | 128,946 |
| Buildings & Improvements | 275,199 | - | - | 275,199 |
| Total Assets | \$ 6,488,814 | \$ 40,856 | \$ - | \$ 6,529,670 |
| Less: Accumulated Depreciation | | | | |
| Water System Plant Assets | 2,450,167 | 120,128 | - | 2,570,295 |
| Office Furniture & Fixtures | 16,725 | 1,521 | - | 18,246 |
| Equipment | 78,909 | 7,819 | - | 86,728 |
| Buildings & Improvements | 136,325 | 10,937 | - | 147,262 |
| Total Accumulated Depreciation | 2,682,126 | 140,405 | - | 2,822,531 |
| Net Fixed Assets | \$ 3,806,688 | \$ (99,549) | \$ - | \$ 3,707,139 |

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 August 31, 2022 and 2021 were \$0 and \$0, respectively.

The District received \$2,195,082.15 in cash from the U.S. Dept. of Interior, Unified Region 6, Unites States Fish and Wildlife Service to pay for the extension of a 4" water line from the District into the Wichita Mountains Wildlife Refuge during the year ending 8-31-21 and \$88,155 during the year ending 8-31-22.

Note 8 - Components of Cash and Investments

| | Date of Maturity | Interest Rate | 8/31/2022 Balance |
|--|---------------------|------------------|----------------------|
| Checking - All America Bank | - | 0.30% | \$ 1,704,556 |
| CD - IBC Bank | 2/28/2023 | 0.75% | 114,338 |
| Construction Checking - All America Bank | - | 0.30% | 99,862 |
| Total Cash and Investments | | | \$ 1,918,756 |

Note 9 - Retirement

The District provides a 401(a) retirement plan for its employees and matches contributions up to 10%. The District contributed \$11,958 and \$11,412 for the years August 31, 2021 and 2021, respectively.

Rural Water District #4, Comanche County

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

Note 10 - Construction in Progress

The District has two construction projects in progress at 8-31-22. The water line extension to the Wildlife Refuge has a cost of \$2,184,225.41 that has not been capitalized until the project is completed. The other project in process is a water storage and line improvement project that will be funded through a new Rural Development loan. Engineering costs of \$57,505 has been paid towards that project.

Note 11 - Prior Period Adjustments

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

Note 12 - Subsequent Events

The District's subsequent events have been evaluated through October 25, 2022, the date of the financial statements.

Scott Northrip

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors of
Rural Water District #4, Comanche County

I have audited, in accordance with auditing standards generally accepted in the United States of America and the *Government Auditing Standards* issued by the Comptroller General of The United States, the basic financial statements of the Rural Water District #4 Comanche County (District) for the years ended August 31, 2022 and 2021, and have issued our report thereon dated October 25, 2022.

Compliance

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the District's compliance with certain laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However our objective was not to provide an opinion on the overall compliance with such provisions, and accordingly we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, 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 my opinions on the effectiveness of the District's internal control over financial reporting.

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.

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting 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, CPA

Certified Public Accountant

October 25, 2022