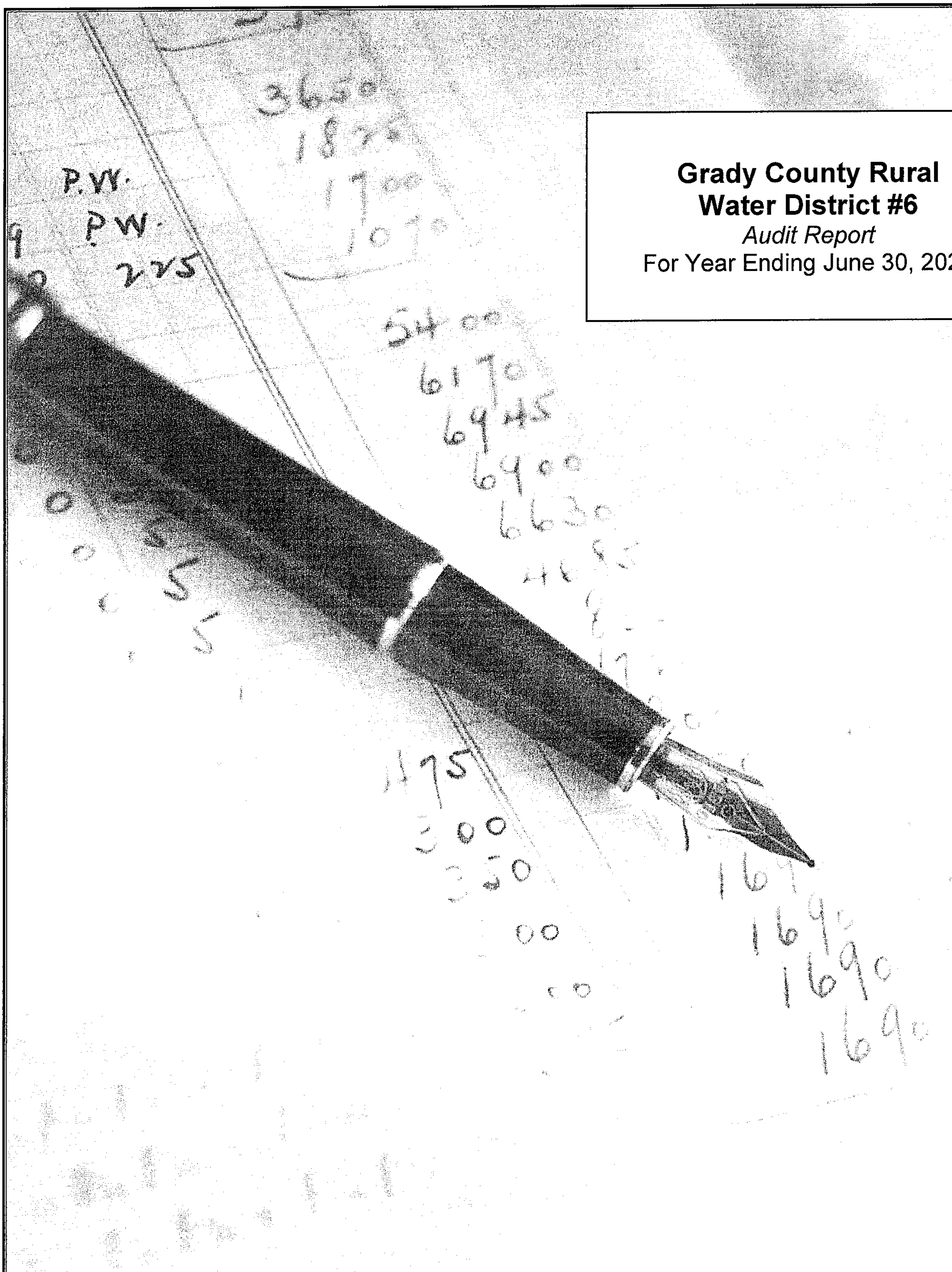

Grady County Rural Water District #6

Audit Report

For Year Ending June 30, 2023

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 and Solid Waste Management
District #6, Grady County
Amber, 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 #6, Grady County (District), as of and for the years ended June 30, 2023 and June 30, 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 the District, as of June 30, 2023 and June 30, 2022, and the respective changes in modified cash basis financial position and its cash flows for the years then ended in accordance with modified cash basis of accounting described in Note 1.

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.

Member: American Institute of CPA's and Oklahoma Society of CPA's

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.

Report on Other Legal and Regulatory Requirements

In accordance with *Government Auditing Standards,* I have also issued my report dated July 11, 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 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 11, 2024

Rural Water, Sewer and Solid Waste Management
District #6, Grady County

Comparative Statement of Net Position (Modified Cash Basis)

As of June 30, 2023 and 2022

ASSETS:	2023	2022
Current Assets:		
Cash & Cash Equivalents	$ 3,111,817	$ 2,802,888
Restristed Cash	151,384	151,384
Other Receivable	-	-
Total Current Assets	$ 3,263,201	$ 2,954,272
Noncurrent Assets:		
Construction in Progress (Note 10)	$ 339,138	$ -
Capital Assets: (Note 6)		
Land and Water Rights	390,133	390,133
Other Capital Assets, net of depreciation	10,138,109	10,437,258
Total Noncurrent Assets	$ 10,867,380	$ 10,827,391
TOTAL ASSETS	**$ 14,130,581**	**$ 13,781,663**
LIABILITIES AND NET POSITION:		
Current Liabilities:		
Cougar Well Membership Deposit	$ 52,000	$ 52,000
Payroll Tax & Benefits Payable	6,849	3,941
Member Utility Deposits	127,348	114,608
Prepaid Memberships	1,442	1,442
Current Portion of Long-term Liabilities	450,377	443,218
Total Current Liabilities	$ 638,016	$ 615,209
Long-Term Liabilities: (Note 10)		
Notes Payable - net of current portion	$ 10,294,800	$ 10,745,178
Net Positions:		
Net Investment in Capital Assets	$ 163,059	$ (361,005)
Restricted Fund Balance	151,384	151,384
Unrestricted Fund Balance	2,883,322	2,630,897
TOTAL NET POSITIONS	$ 3,197,765	$ 2,421,276
TOTAL LIABILITIES AND NET POSITION	**$ 14,130,581**	**$ 13,781,663**

See accompanying notes to the financial statements.

Rural Water , Sewer and Solid Waste Management
District #6, Grady County

Comparative Statement of Activities (Modified Cash Basis)

For the Years Ended June 30, 2023 and 2022

	2023	2022
OPERATING REVENUES:		
Water Sales	$ 2,018,826	$ 1,767,982
Late Fees	23,410	16,897
Membership & Meter Installation	104,825	82,000
Reimbursements	4,518	11,800
Miscellaneous Operating	2,338	3,253
Construction	38,130	172,234
Sale of Supplies	3,660	2,187
Tower Lease	9,011	3,378
Installation Road Bore	70,607	51,115
Total Operating Revenues	**$ 2,275,325**	**$ 2,110,846**
OPERATING EXPENSES:		
Water Purchases	$ 39,987	$ 34,650
Salaries & Wages Expense	450,708	408,582
Depreciation Expense	381,381	377,694
Interest Expense	193,192	200,807
Utilities & Communication	100,073	76,813
Installation & Repairs	306,713	415,204
Transportation	63,628	61,924
Insurance	49,224	44,562
Contract Labor	44,941	29,419
Lab Fees Expense	12,430	9,115
Permit Expense	2,572	1,957
Office Expenses & Postage	29,747	19,873
Legal & Professional Fees	31,483	63,717
Employee Benefits	105,404	100,824
Payroll Tax Expense	39,192	35,481
Chemical Expense	3,412	1,184
Miscellaneous Expense	11,275	9,951
Total Operating Expenses	**$ 1,865,362**	**$ 1,891,757**
OPERATING INCOME (LOSS)	**$ 409,963**	**$ 219,089**
OTHER REVENUES (EXPENSES):		
Investment Revenues	$ 11,521	$ 3,881
Grant Income	355,005	-
Gain on Sale of Assets	-	-
Total Other Revenues(Expenses)	$ 366,526	$ 3,881
NET INCOME	**$ 776,489**	**$ 222,970**

See accompanying notes to the financial statements.

Rural Water , Sewer and Solid Waste Management
District #6, Grady County

Comparative Statement of Changes in Net Position (Modified Cash Basis)

For the Years Ended June 30, 2023 and 2022

	2023	2022
Balance, July 1	$ 2,421,276	$ 2,198,306
Net Income (Loss)	776,489	222,970
Prior Period Adjustment (Note 11)	-	-
Total Changes in Net Position	$ 776,489	$ 222,970
Balance, June 30	$ 3,197,765	$ 2,421,276

See accompanying notes to the financial statements.

Rural Water , Sewer and Solid Waste Management
District #6, Grady County

Comparative Statement of Cash Flows (Modified Cash Basis)
For the Years Ended June 30, 2023 and 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers	$ 2,275,325	$ 2,110,846
Payments to suppliers	(679,837)	(753,681)
Payments to employees	(595,304)	(546,171)
Net Cash Provided by Operating Activities	**$ 1,000,184**	**$ 810,994**
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Purchase of capital assets	$ (82,232)	$ (30,050)
Grant Proceeds	355,005	-
Payments for Construction in Progress	(339,138)	-
Principal payments on notes payable	(443,219)	(435,685)
Interest paid on notes payable	(193,192)	(200,807)
Prior Period Adjustments	-	-
Proceeds from Long-term notes	-	-
Net Cash Used In Capital & Related Financing Activities	**$ (702,776)**	**$ (666,542)**
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment Receipts	$ 11,521	$ 3,881
Other Proceeds	-	-
Net Cash Provided from Investing Activities	**$ 11,521**	**$ 3,881**
INCREASE (DECREASE) IN CASH AND INVESTMENTS	**$ 308,929**	**$ 148,333**
Cash and Investment Balance - Beginning	2,954,272	2,805,939
CASH AND INVESTMENT BALANCE - ENDING	**$ 3,263,201**	**$ 2,954,272**

	2023	2022
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:		
Operating Income (Loss)	$ 409,963	$ 219,089
Adjustments to reconcile operating income to net cash provided (used):		
Interest Expense	193,192	200,807
Depreciation expense	381,381	377,694
Change in assets and liabilities:		
Payroll & Benefits Payable	2,908	1,284
Member Utility Deposits	12,740	12,120
Net Cash Provided from Operating Activities	$ 1,000,184	$ 810,994

See accompanying notes to the financial statements.

Rural Water, Sewer and Solid Waste Management District #6, Grady County

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

Note 1 - Significant Accounting Policies

Organization:
Rural Water, Sewer, and Solid Waste Management District No. 6, Grady County, Oklahoma (District) was incorporated under the laws of the State of Oklahoma in accordance with O.S. Title 82, as a subdivision of the State of Oklahoma. The District operates and maintains a water distribution system to its members within its designated area in Grady County. The District is governed by a board of five elected by the membership.

Basis of Accounting:
The Districty is a proprietary fund type of entity and uses the modified cash method of accounting which reports revenues when received and expenses when paid. The District is not legally required to adopt a budget or report on budget comparisons in this report. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. If the District utilized the basis of accounting recognized as generally accepted, the financial statements would use the accrual basis of accounting.

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 - 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 3 - Contingencies

The District didn't have any contingencies as of the date of the audit.

Note 4 - Restricted Assets

The District has restricted cash in the amount of $151,384 for debt service payments made to Bancfirst that administers the loan payments to the Oklahoma Water Resources Board.

Note 5 - Compensated Absences

As a result of the District's use of the modified cash basis of accounting, accrued liabilities related to compensated absences (accumulated but unused vacation, eligible sick leave and compensated time earned but unpaid at year-end) are not reflected in the financial statements.

Rural Water, Sewer and Solid Waste Management District #6, Grady County

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	$ 15,148,919	$ -	$ -	$ 15,148,919
Office Furniture & Fixtures	32,029	-	-	32,029
Equipment	127,862	26,903	-	154,765
Vehicles	211,280	55,329	-	266,609
Buildings & Improvements	596,929	-	-	596,929
Total Assets	$ 16,117,019	$ 82,232	$ -	$ 16,199,251
Less: Accumulated Depreciation				
Water System Plant Assets	5,211,047	333,975	-	5,545,022
Office Furniture & Fixtures	27,264	844	-	28,108
Equipment	94,514	9,498	-	104,012
Vehicles	163,581	17,444	-	181,025
Buildings & Improvements	183,355	19,620	-	202,975
Total Accumulated Depreciation	5,679,761	381,381	-	6,061,142
Net Fixed Assets	$ 10,437,258	$ (299,149)	$ -	$ 10,138,109

Note 7 - Employee Pension and Other Benefits

The District established the Grady County Rural Water District #6 Retirement Plan and Trust (plan), a defined contribution plan, effective January 1, 1990. Plan assets are administered by The Capital Financial Group American Funds Plan. Employer contributions for each employee are 100% vested. The authority to establish and amend the provisions of the plan rests with the District. The District contributes 7% of eligible employees' gross wages. The employer contribution were $19,598 for the year ending June 30, 2022, and $30,357 for June 30, 2023.

Note 8 - Components of Cash and Investments

	Restricted	Interest Rate	6/30/2023 Balance
Petty Cash		0.00%	$ 472
Checking - First National Bank (Operating)		0.00%	131,983
Checking - First National Bank (Gross Revenue)		0.40%	2,009,093
Money Market - First National Bank		1.00%	665,574
Debt Reserve - Bancfirst	Restricted	0.20%	151,384
Money Market - First National Bank (Depreciation)	Reserved	1.00%	194,566
Checking - First National Bank (Member Deposits)	Reserved	0.40%	110,129
Total Cash and Investments			$ 3,263,201

The First National Bank covers the balance over FDIC coverage with securities.

Rural Water, Sewer and Solid Waste Management District #6, Grady County

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

Note 9 - Long Term Liabilities

The District borrowed $11,737,000 from Oklahoma Water Resources Board and paid the Rural Development notes in full during the year 2020. The District makes monthly payment to Bancfirst into a debt service account and the principal and interest are paid semi-annually on March 15 and September 15. The note matures in 22.5 years.

Note Number	Date of Note	Annual Payment	Balance 6/30/2023	Balance 6/30/2022	Interest Rate
2020a	12/15/2020	31,065	483,140	497,030	3.50%
2020b	12/15/2020	605,345	10,262,037	10,691,366	1.70%
		$ 636,410	$ 10,745,177	$ 11,188,396	
Less: Current Portion			450,377	443,218	
Long Term Portion			$ 10,294,800	$ 10,745,178	

Current Portion:

FYE	2020a	2020b
2024	14,338	436,039
2025	14,894	443,777
2026	15,423	451,187
2027	15,972	458,721
2028	16,500	466,004

Note 10 - Construction in Progress

The District has a well construction project in progress at 6-30-23. The project has costs of $339,138 that will be carried forward until the project is completed. Once the project is completed, the total costs will be capitalized and begin depreciating.

Note 11 - Prior Period Adjustments

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

Note 12 - Subsequent Events

The District's subsequent events have been evaluated through December 31, 2023.

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 #6, Grady County
Amber, 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 #6, Grady County (District), as of and for the years ending June 30, 2023 and June 30, 2022, and have issued my report thereon dated July 11, 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.

Member: American Institute of CPA's and Oklahoma Society of CPA's

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.

Given these limitations, during my audit I did not identify any deficiencies in internal control that I considered to be material weaknesses. I did identify certain deficiencies in internal control described in the accompanying schedule of findings that I consider to be significant.

Response to Findings

Rural Water, Sewer and Solid Waste Management District #6, Grady County's response to the findings identified in our audit is described in the accompanying schedule of findings. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on it.

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 11, 2024

Rural Water, Sewer and Solid Waste Management
District #6, Grady County

Schedule of Findings and Responses
For the Years Ended June 30, 2023 and 2022

1) District's check book contained blank, pre-signed checks.

Criteria: The internal control procedures require that checks on be prepared and signed when the expenditure is to be made and substantiating evidence supports the check.

Condition: The pre-signed checks were a finding in the previous year's audit. The pre-signed checks are kept in a locked cabinet. Pre-signed was caused by the inconvenience of finding available signers.

Effect: The signed blank check could lead to unauthorized expendituers.

Recommendation: The District should only signed checks after expenditures are ready to be paid and compared to proper supporting documentation.

Response: The District will consider the recommendations.