

**Quartz Mountain Regional
Water Authority**

Audit Report
For Year Ending June 30, 2022

Scott Northrip, CPA

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Independent Auditor's Report

To the Board of Trustees of
Quartz Mountain Regional Water Authority

Report on the Audit of the Financial Statements

Opinions

I have audited the accompanying basic financial statements of Quartz Mountain Regional Water Authority (Authority) as of June 30, 2022 and 2021, as of and for the years then ended and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Quartz Mountain Regional Water Authority 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 Authority 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 Authority'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 Authority'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*, we have also issued our report dated February 4, 2023, on our consideration of the internal control 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. These reports 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

Scott Northrip
Certified Public Accountant

February 4, 2023

QUARTZ MOUNTAIN REGIONAL WATER AUTHORITY

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

ASSETS:	2022	2021
Current Assets:		
Cash & Cash Equivalents	\$ 490,135	\$ 511,760
Accounts Receivable (Note 2)	140,593	77,607
Prepaid Insurance	18,670	17,736
Prepaid Expenses	-	-
Total Current Assets	\$ 649,398	\$ 607,103
Noncurrent Assets:		
Construction in Progress	\$ -	\$ -
Capital Assets: (Note 6)		
Land & Water Rights	2,348	2,348
Other Capital Assets, net of depreciation	3,624,696	3,754,083
Total Noncurrent Assets	\$ 3,627,044	\$ 3,756,431
TOTAL ASSETS	\$ 4,276,442	\$ 4,363,534
LIABILITIES AND NET POSITION:		
Current Liabilities:		
Accounts Payable	\$ 11,855	\$ 11,037
Interest Payable	3,650	3,769
Current Portion of Long-term Liabilities	44,167	42,235
Total Current Liabilities	\$ 59,672	\$ 57,041
Long-Term Liabilities: (Note 10)		
Notes Payable - net of current portion	\$ 1,239,868	\$ 1,283,950
Net Position:		
Restricted Fund Balance (Note 5)	\$ 100,668	\$ 100,668
Unrestricted Fund Balance	(1,629,962)	(1,584,321)
Total Fund Balance	\$ (1,529,294)	\$ (1,483,653)
Tapping Fees	100,850	100,850
Grants (Note 7)	4,405,346	4,405,346
TOTAL NET POSITION	\$ 2,976,902	\$ 3,022,543
TOTAL LIABILITIES AND NET POSITION	\$ 4,276,442	\$ 4,363,534

See accompanying notes to the financial statements.

QUARTZ MOUNTAIN REGIONAL WATER AUTHORITY

Comparative Statement of Activities
For the Years Ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
OPERATING REVENUES:		
Water Sales	\$ 553,638	\$ 542,957
Reimbursements	5,164	-
Total Operating Revenues	<u>\$ 558,802</u>	<u>\$ 542,957</u>
OPERATING EXPENSES:		
Salaries & Payroll Taxes	\$ -	\$ -
Depreciation Expense	193,707	192,985
Interest Expense	58,398	60,248
Utilities	89,419	89,537
Installation & Repairs	17,763	34,996
Water Purchases	95,544	112,331
Insurance	19,348	21,245
Chemicals & Supplies	41,445	49,690
Transportation Expense	553	-
Office Supplies & Postage	66	383
Legal & Professional Fees	16,840	9,750
Lab Expenses	19,829	22,223
Outside Management	49,500	54,000
Dues & Licenses	2,469	2,315
Miscellaneous Expense	-	457
Shipping Expense	-	-
Advertising Expense	-	-
Total Operating Expenses	<u>\$ 604,881</u>	<u>\$ 650,160</u>
OPERATING INCOME (LOSS)	<u>\$ (46,079)</u>	<u>\$ (107,203)</u>
OTHER REVENUES (EXPENSES):		
Investment Revenues	\$ 138	\$ 48
Other Income	300	300
Gain on Sale of Assets	-	-
Total Other Revenues(Expenses)	<u>\$ 438</u>	<u>\$ 348</u>
NET LOSS	<u><u>\$ (45,641)</u></u>	<u><u>\$ (106,855)</u></u>

See accompanying notes to the financial statements.

QUARTZ MOUNTAIN REGIONAL WATER AUTHORITY

Comparative Statement of Changes in Net Position
For the Years Ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Balance, July 1	\$ 3,022,543	\$ 3,064,983
Net Income (Loss)	(45,641)	(106,855)
Prior Period Adjustment (Note 10)	-	-
Grants (Note 7)	<u>-</u>	<u>64,415</u>
Total Changes in Net Position	<u>\$ (45,641)</u>	<u>\$ (42,440)</u>
Balance, June 30	<u><u>\$ 2,976,902</u></u>	<u><u>\$ 3,022,543</u></u>

See accompanying notes to the financial statements.

QUARTZ MOUNTAIN REGIONAL WATER AUTHORITY

Comparative Statement of Cash Flows
For the Years Ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers	\$ 495,816	\$ 544,554
Payments to suppliers	(352,891)	(394,327)
Payments to employees	-	-
Net Cash Provided by Operating Activities	<u>\$ 142,925</u>	<u>\$ 150,227</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Purchase of capital assets	\$ (64,320)	\$ -
Payments for Construction in Progress	-	-
Principal payments on notes payable	(42,150)	(40,305)
Interest paid on notes payable	(58,518)	(60,363)
Prior period adjustments	-	-
Proceeds from Grants	-	64,415
Net Cash Used In Capital & Related Financing Activities	<u>\$ (164,988)</u>	<u>\$ (36,253)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment Receipts	\$ 138	\$ 48
Other Proceeds	300	300
Net Cash Provided from Investing Activities	<u>\$ 438</u>	<u>\$ 348</u>
INCREASE (DECREASE) IN CASH AND INVESTMENTS	\$ (21,625)	\$ 114,322
Cash and Investment Balance - Beginning	511,760	397,438
CASH AND INVESTMENT BALANCE - ENDING	<u>\$ 490,135</u>	<u>\$ 511,760</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:		
Operating Income (Loss)	\$ (46,079)	\$ (107,203)
Adjustments to reconcile operating income to net cash provided (used):		
Interest Expense	58,398	60,248
Depreciation expense	193,707	192,985
Change in assets and liabilities:		
Accounts Receivable	(62,986)	1,597
Prepaid Insurance	(933)	1,978
Prepaid Utilities	-	-
Accounts Payable	818	622
	-	-
Net Cash Provided from Operating Activities	<u>\$ 142,925</u>	<u>\$ 150,227</u>

See accompanying notes to the financial statements.

QUARTZ MOUNTAIN REGIONAL WATER AUTHORITY

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

Note 1 - Significant Accounting Policies

Organization:

Quartz Mountain Regional Water Authority, Kiowa Co., OK, (Authority) was formed on 12-10-96 under the Oklahoma Trust Act, Section 176 to 180.3, Title 60 of the Oklahoma Statutes of 1995 for the purpose of constructing a water distribution system to provide water to the Quartz Mountain area.

Basis of Accounting:

The Authority is a proprietary fund type of entity and uses the accrual method of accounting which reports revenues when earned and expenses when incurred. The Authority is not legally required to adopt a budget or report on budget comparisons in this report.

Fixed Assets and Depreciation:

The Authority 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 Authority estimates the useful lives of the assets based on the type of asset. The lives range from 4 to 40 years.

Income Tax:

The Authority 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 Authority uses the direct method to account for bad debts. No provision for an allowance has been made based on the history of the Authority's bad debts being very small or nonexistent. The accounts receivable balances at June 30, 2022 and 2021 were \$140,593 and \$77,604. 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 Authority didn't have any contingencies as of the date of the audit.

Note 5 - Restricted Assets

The Authority has restricted a bank account in the amount of \$100,668 and \$100,668 for debt service as required by Rural Development's mortgage as of June 30, 2022 and 2021.

QUARTZ MOUNTAIN REGIONAL WATER AUTHORITY

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	\$ 6,576,015	\$ 64,320	\$ -	\$ 6,640,335
Office Furniture & Fixtures	12,312	-	-	12,312
Equipment	133,788	-	-	133,788
Vehicles	13,109	-	-	13,109
Buildings & Improvements	25,018	-	-	25,018
Total Assets	\$ 6,760,242	\$ 64,320	\$ -	\$ 6,824,562
Less: Accumulated Depreciation	3,006,159	193,707	-	3,199,866
Net Fixed Assets	\$ 3,754,083	\$ (129,387)	\$ -	\$ 3,624,696

Note 7 - Grants

The Authority received grants in the years prior to this report of \$740,500 from CDBG and \$3,370,400 from Rural Development and \$150,000 from Oklahoma Water Resources Board and \$80,031 from the Oklahoma Dept. of Transportation for the development and upgrade of the water distribution system. The Authority received a grant from REAP for \$64,415 for a new line extension.

Note 8 - Components of Cash and Investments

	Date of Maturity	Interest Rate	6/30/2022 Balance
Petty Cash	-	0.00%	\$ -
Checking - Operating Bancfirst	-	0.00%	181,440
Checking - HiFi Bancfirst	-	0.15%	308,600
Checking - Construction Acct. Bancfirst	-	0.00%	95
Total Cash and Investments			\$ 490,135

Reserved and Restricted Cash

Restricted for USDA Debt	\$ 100,668
Reserved for Membrane Replacement	66,000
Reserved for Equipment Replacement	40,800
Reserved for Standpipe Repairs	101,000
Reserved for Construction	95
Total Reserved or Restricted	\$ 308,563

QUARTZ MOUNTAIN REGIONAL WATER AUTHORITY

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

Note 9 - Long Term Liabilities

The Authority has three 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 Authority. Rural Development requires the Authority to reserve enough funds to pay an amount equal to a year's total payments. The Authority 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	3/7/2001	\$ 81,960	\$ 1,030,364	\$ 1,065,102	4.50%
91-03	3/7/2001	10,752	134,683	139,262	4.50%
91-05	4/5/2006	7,956	118,988	121,821	4.25%
		<u>\$ 100,668</u>	<u>\$ 1,284,035</u>	<u>\$ 1,326,185</u>	
Less: Current Portion			44,167	42,235	
Net Balance			<u>\$ 1,239,868</u>	<u>\$ 1,283,950</u>	

Current Portion:		Note 9101	Note 9103	Note 9105
Year Ending	6/30/2023	36,407	4,798	2,962
Year Ending	6/30/2024	38,079	5,019	3,090
Year Ending	6/30/2025	39,828	5,249	3,224
Year Ending	6/30/2026	41,658	5,490	3,363
Year Ending	6/30/2027	43,571	5,743	3,509

Note 10 - Prior Period Adjustments

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

Note 11 - Evaluation of Subsequent Events

The Authority's subsequent events have been evaluated through February 4, 2023, 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 IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Trustees of Quartz Mountain Regional Water Authority

I have audited the basic financial statements of the Quartz Mountain Regional Water Authority for the year ended June 30, 2022 and 2021, and have issued our report thereon dated February 4, 2023. I conducted our audit 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.

Compliance

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, I performed tests of the Authority'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, my objective was not to provide an opinion on the overall compliance with such provisions, and accordingly I 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

In planning and performing the audit, I considered the Authority'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 Authority'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.

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, CPA

Scott Northrip
Certified Public Accountant

February 4, 2023