

**Tillman County Rural  
Water District #1**

*Audit Report*  
For Year Ending December 31, 2022

**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  
Tillman County Rural Water District #1  
Chattanooga, Oklahoma

### ***Report on the Audit of the Financial Statements***

#### **Opinion**

I have audited the accompanying financial statements of Tillman County Rural Water District #1, (District), as of and for the years ended December 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 respective financial position of Tillman County Rural Water District #1, as of December 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.

#### **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 February 23, 2023, 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

February 23, 2023

# Tillman County Rural Water District #1

## Comparative Statement of Net Position

As of December 31, 2022 and 2021

<b>ASSETS:</b>	<b>2022</b>	<b>2021</b>
Current Assets:		
Cash & Cash Equivalents	\$ 945,988	\$ 602,584
Investments (Note 7)	253,625	251,805
Accounts Receivable (Note 2)	59,343	62,692
Other Receivable	-	-
Prepaid Insurance	12,731	13,416
Inventory	48,400	44,000
<b>Total Current Assets</b>	<b>\$ 1,320,087</b>	<b>\$ 974,497</b>
Noncurrent Assets:		
Construction in Progress	\$ -	\$ -
Capital Assets: (Note 6)		
Land	60,884	60,884
Other Capital Assets, net of depreciation	3,141,858	3,160,276
<b>Total Noncurrent Assets</b>	<b>\$ 3,202,742</b>	<b>\$ 3,221,160</b>
<b>TOTAL ASSETS</b>	<b>\$ 4,522,829</b>	<b>\$ 4,195,657</b>
<b>LIABILITIES AND NET POSITION:</b>		
Current Liabilities:		
Accounts Payable	\$ 18,180	\$ 11,395
Taxes Payable	5,389	4,652
Interest Payable	47	54
Current Portion of Long-term Liabilities	17,512	16,659
<b>Total Current Liabilities</b>	<b>\$ 41,128</b>	<b>\$ 32,760</b>
Long-Term Liabilities: (Note 10)		
Notes Payable - net of current portion	\$ 96,210	\$ 113,688
Net Position:		
Restricted Fund Balance (Note 5)	\$ 22,764	\$ 22,764
Unrestricted Fund Balance	(35,959)	(250,288)
<b>Total Fund Balance</b>	<b>\$ (13,195)</b>	<b>\$ (227,524)</b>
Member Investments	412,404	391,404
Donated Assets (Note 8)	3,435,459	3,334,506
Grants	550,823	550,823
<b>TOTAL NET POSITION</b>	<b>\$ 4,385,491</b>	<b>\$ 4,049,209</b>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$ 4,522,829</b>	<b>\$ 4,195,657</b>

See accompanying notes to the financial statements.

# Tillman County Rural Water District #1

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

	<u>2022</u>	<u>2021</u>
<b>OPERATING REVENUES:</b>		
Water Sales	\$ 926,198	\$ 683,922
Sale of Meters & Supplies	22,266	33,049
Miscellaneous Revenues	7,263	11,647
<b>Total Operating Revenues</b>	<b><u>\$ 955,727</u></b>	<b><u>\$ 728,618</u></b>
<b>OPERATING EXPENSES:</b>		
Salaries & Bonuses	\$ 187,520	\$ 163,212
Depreciation Expense	149,234	142,556
Interest Expense	6,132	6,942
Utilities	37,102	33,195
Water Purchases	121,587	56,902
Repairs & Supplies	64,152	82,358
Insurance	26,583	26,601
Legal & Professional Fees	26,675	16,738
Transportation Expense	26,769	23,417
Employee Benefits	31,767	24,144
Payroll Tax Expense	14,337	12,492
Communications Expense	5,665	6,003
Office Supplies & Postage	6,692	5,896
Retirement Benefits	24,083	20,392
Dues & Licenses	2,292	2,968
Bank Charges	10,650	7,344
Bad Debts Expense	321	2,816
Board Member Fees	4,700	3,100
Water Analysis	2,948	9,991
Miscellaneous Expense	197	783
<b>Total Operating Expenses</b>	<b><u>\$ 749,406</u></b>	<b><u>\$ 647,850</u></b>
<b>OPERATING INCOME (LOSS)</b>	<b><u>\$ 206,321</u></b>	<b><u>\$ 80,768</u></b>
<b>OTHER REVENUES (EXPENSES):</b>		
Investment Revenues	\$ 2,598	\$ 4,053
Farm & Tower Rent	5,410	5,340
Gain on Sale of Assets	-	-
<b>Total Other Revenues(Expenses)</b>	<b><u>\$ 8,008</u></b>	<b><u>\$ 9,393</u></b>
<b>NET INCOME (LOSS)</b>	<b><u>\$ 214,329</u></b>	<b><u>\$ 90,161</u></b>

See accompanying notes to the financial statements.

## **Tillman County Rural Water District #1**

Comparative Statement of Changes in Net Position  
For the Years Ended December 31, 2022 and 2021

	<b>2022</b>	<b>2021</b>
<b>Balance, January 1</b>	<u>\$ 4,049,209</u>	<u>\$ 3,925,548</u>
Net Income (Loss)	214,329	90,161
Prior Period Adjustment (Note 11)	-	-
Member Investments	21,000	22,500
Donated Assets (Note8)	100,953	11,000
Grants	<u>-</u>	<u>-</u>
Total Changes in Net Position	<u>\$ 336,282</u>	<u>\$ 123,661</u>
<b>Balance, December 31</b>	<u><u>\$ 4,385,491</u></u>	<u><u>\$ 4,049,209</u></u>

See accompanying notes to the financial statements.

# Tillman County Rural Water District #1

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

	<u>2022</u>	<u>2021</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Receipts from customers	\$ 959,076	\$ 713,428
Payments to suppliers	(333,263)	(288,853)
Payments to employees & benefits	(256,970)	(219,523)
<b>Net Cash Provided by Operating Activities</b>	<u><b>\$ 368,843</b></u>	<u><b>\$ 205,052</b></u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Purchase of capital assets	\$ (130,816)	\$ (11,000)
Donated Assets	100,953	11,000
Payments for Construction in Progress	-	-
Proceeds from Grants	-	-
Principal payments on notes payable	(16,625)	(15,816)
Interest paid on notes payable	(6,139)	(6,948)
Prior period adjustments	-	-
Proceeds from sale of assets	-	-
<b>Net Cash Used In Capital &amp; Related Financing Activities</b>	<u><b>\$ (52,627)</b></u>	<u><b>\$ (22,764)</b></u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Investment Receipts	\$ 2,598	\$ 4,053
Rent Proceeds	5,410	5,340
Proceeds from memberships	21,000	22,500
<b>Net Cash Provided from Investing Activities</b>	<u><b>\$ 29,008</b></u>	<u><b>\$ 31,893</b></u>
<b>INCREASE (DECREASE) IN CASH AND INVESTMENTS</b>	<b>\$ 345,224</b>	<b>\$ 214,181</b>
Cash and Investment Balance - Beginning	<u>854,389</u>	<u>640,208</u>
<b>CASH AND INVESTMENT BALANCE - ENDING</b>	<u><b>\$ 1,199,613</b></u>	<u><b>\$ 854,389</b></u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:</b>		
Operating Income (Loss)	\$ 206,321	\$ 80,768
Adjustments to reconcile operating income to net cash provided (used) by Operating Activities:		
Interest Expense	6,132	6,942
Depreciation expense	149,234	142,556
Change in assets and liabilities:		
Accounts Receivable	3,349	(15,190)
Other Receivables	-	-
Prepaid Insurance	685	179
Inventory	(4,400)	(4,000)
Accounts Payable	6,785	(6,920)
Taxes Payable	737	717
<b>Net Cash Provided from Operating Activities</b>	<u><b>\$ 368,843</b></u>	<u><b>\$ 205,052</b></u>

See accompanying notes to the financial statements.

# **Tillman County Rural Water District #1**

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

## **Note 1 - Significant Accounting Policies**

### **Organization:**

Tillman County Rural Water District #1, (District) is an Oklahoma trust formed under the Oklahoma Rural Water Act to provide water in a designated area in and around Tillman County, Oklahoma to individuals and businesses that purchase a membership. The District served 798 and 785 meters for the years ending December 31, 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 5 to 40 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 December 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 December 31, 2022 and 2021 amounted to \$59,343 and \$62,700. 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 didn't have any contingencies as of the date of the audit.

## **Note 5 - Restricted Assets**

The District has restricted certificates of deposit in the amount of \$22,764 and \$22,764 for debt service as required by Rural Development's mortgage as of December 31, 2022 and 2021, respectively.



# Tillman County Rural Water District #1

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

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

	Balance 1/1/2022	Additions	Disposed	Balance 12/31/2022
<b>Capital Assets:</b>				
Water System Plant Assets	\$ 5,909,718	\$ -	\$ -	\$ 5,909,718
Office Furniture & Fixtures	17,872	-	-	17,872
Equipment	378,014	130,816	-	508,830
Buildings	70,323	-	-	70,323
<b>Total Capital Assets</b>	<b>\$ 6,375,927</b>	<b>\$ 130,816</b>	<b>\$ -</b>	<b>\$ 6,506,743</b>
<b>Accumulated Depreciation:</b>				
Water System Plant Assets	\$ 2,841,475	\$ 115,823	\$ -	\$ 2,957,298
Office Furniture & Fixtures	16,626	596	-	17,222
Equipment	291,080	31,605	-	322,685
Buildings	66,470	1,210	-	67,680
<b>Total Accumulated Depreciation</b>	<b>3,215,651</b>	<b>149,234</b>	<b>-</b>	<b>3,364,885</b>
<b>Net Capital Assets</b>	<b>\$ 3,160,276</b>	<b>\$ (18,418)</b>	<b>\$ -</b>	<b>\$ 3,141,858</b>

## **Note 7 - Components of Cash and Investments**

	Date of Maturity	Interest Rate	12/31/2022 Balance
Petty Cash	-	0.00%	\$ 100
Checking - Frazer Bank	-	0.00%	\$ -
Sweep Acct - Frazer Bank	-	0.50%	\$ 939,053
Checking - Bancfirst	-	0.01%	6,835
Checking - Bancfirst (CNGB Proj)	-	0.01%	-
CD - Frazer Bank	2/17/2025	0.35%	27,801
CD - Frazer Bank	2/17/2025	0.35%	27,800
CD - Frazer Bank	2/17/2025	0.35%	27,801
CD - Frazer Bank	2/17/2025	0.35%	27,800
CD - Frazer Bank	4/20/2025	0.35%	27,618
CD - Valor Bank	5/17/2023	0.95%	14,450
CD - Valor Bank	4/5/2023	0.95%	4,286
CD - Valor Bank	6/12/2023	0.95%	4,238
CD - Valor Bank	3/3/2023	0.95%	4,248
CD - Valor Bank	5/15/2023	0.95%	21,005
CD - Valor Bank	3/31/2023	0.95%	4,149
CD - Valor Bank	1/2/2023	0.95%	4,092
CD - Valor Bank	3/1/2023	0.95%	4,112
CD - Valor Bank	5/9/2023	0.95%	4,062
CD - Valor Bank	2/3/2023	0.95%	4,045
CD - Valor Bank	5/9/2023	0.95%	3,927
CD - Valor Bank	1/27/2023	0.95%	3,910
CD - Valor Bank	2/10/2023	0.95%	34,317
CD - Valor Bank	6/22/2023	0.95%	3,964
<b>Total Cash and Investments</b>			<b>\$ 1,199,613</b>

Frazer Bank has pledged securities to cover account balances over \$250,000.

# Tillman County Rural Water District #1

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

## **Note 8 - 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 October 31, 2022 and 2021 were \$100,953 and \$11,000, respectively. Donated assets for 2021 came from water meter & fittings for Ace Acres project, and donated assets for 2022 were mainly from the Comanche Nation.

## **Note 9 - Retirement**

The District provides a retirement plan for its participating employees with the Oklahoma Public Employees Retirement System. The District makes a contribution of 13.5% of the employee's wages since July, 2007 and 10.2% since July, 2006. The rate was 8.5% before July, 2006 while the employee contributes 6.5%. The District contributed \$24,083 and \$20,832 for the years ending December 31, 2022 and 2021, respectively.

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

The District has three 40 year notes with Rural Development, an agency of the United States Department of Agriculture. The loans are all 5% 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 each of the notes.

Note Number	Date of Note	Annual Payment	Balance 12/31/2022	Balance 12/31/2021
91-11	6/29/1989	16,272	81,342	93,223
91-13	6/29/1989	6,492	32,380	37,124
		<u>\$ 22,764</u>	<u>\$ 113,722</u>	<u>\$ 130,347</u>
Less: Current Portion			17,512	16,659
Net Long-term Balance			<u>\$ 96,210</u>	<u>\$ 113,688</u>

Current Portion:		Note 9111	Note 9113
Year Ending	12/31/2023	-	12,515
Year Ending	12/31/2024	-	13,155
Year Ending	12/31/2025	-	13,828
Year Ending	12/31/2026	-	14,536
Year Ending	12/31/2027	-	15,279

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

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

## **Note 12 - Evaluation of Subsequent Events**

The subsequent events of the District were evaluated through February 23, 2023, the date of the report.

# ***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  
Tillman County Rural Water District #1  
Chattanooga, 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 Tillman County Rural Water District #1 (District), as of and for the years ending December 31, 2022 and 2021, and have issued my report thereon dated February 23, 2023.

### **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

February 23, 2023