

**Tillman County Rural  
Water District #1**

*Audit Report*  
For Year Ending December 31, 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  
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, 2023 and 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 Tillman County Rural Water District #1, as of December 31, 2023 and 2022, 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 24, 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

February 24, 2024

# Tillman County Rural Water District #1

## Comparative Statement of Net Position

As of December 31, 2023 and 2022

<b>ASSETS:</b>	<b>2023</b>	<b>2022</b>
Current Assets:		
Cash & Cash Equivalents	\$ 1,112,476	\$ 945,988
Investments (Note 7)	254,749	253,625
Accounts Receivable (Note 2)	73,101	59,343
Other Receivable	-	-
Prepaid Insurance	11,674	12,731
Inventory	53,240	48,400
<b>Total Current Assets</b>	<b>\$ 1,505,240</b>	<b>\$ 1,320,087</b>
Noncurrent Assets:		
Construction in Progress	\$ -	\$ -
Capital Assets: (Note 6)		
Land	60,884	60,884
Other Capital Assets, net of depreciation	2,999,144	3,141,858
<b>Total Noncurrent Assets</b>	<b>\$ 3,060,028</b>	<b>\$ 3,202,742</b>
<b>TOTAL ASSETS</b>	<b>\$ 4,565,268</b>	<b>\$ 4,522,829</b>
<b>LIABILITIES AND NET POSITION:</b>		
Current Liabilities:		
Accounts Payable	\$ 41,563	\$ 18,180
Taxes Payable	5,156	5,389
Interest Payable	40	47
Current Portion of Long-term Liabilities	18,407	17,512
<b>Total Current Liabilities</b>	<b>\$ 65,166</b>	<b>\$ 41,128</b>
Long-Term Liabilities: (Note 10)		
Notes Payable - net of current portion	\$ 77,840	\$ 96,210
Net Position:		
Restricted Fund Balance (Note 5)	\$ 22,764	\$ 22,764
Unrestricted Fund Balance	(26,624)	(35,959)
<b>Total Fund Balance</b>	<b>\$ (3,860)</b>	<b>\$ (13,195)</b>
Member Investments	430,904	412,404
Donated Assets (Note 8)	3,444,395	3,435,459
Grants	550,823	550,823
<b>TOTAL NET POSITION</b>	<b>\$ 4,422,262</b>	<b>\$ 4,385,491</b>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$ 4,565,268</b>	<b>\$ 4,522,829</b>

See accompanying notes to the financial statements.

# Tillman County Rural Water District #1

Comparative Statement of Activities  
For the Years Ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
<b>OPERATING REVENUES:</b>		
Water Sales	\$ 867,598	\$ 926,198
Sale of Meters & Supplies	36,236	22,266
Miscellaneous Revenues	6,768	7,263
<b>Total Operating Revenues</b>	<u><b>\$ 910,602</b></u>	<u><b>\$ 955,727</b></u>
<b>OPERATING EXPENSES:</b>		
Salaries & Bonuses	\$ 200,587	\$ 187,520
Depreciation Expense	151,650	149,234
Interest Expense	5,540	6,132
Utilities	31,959	37,102
Water Purchases	145,035	121,587
Repairs & Supplies	182,597	64,152
Insurance	24,848	26,583
Legal & Professional Fees	16,655	26,675
Transportation Expense	47,599	26,769
Employee Benefits	33,262	31,767
Payroll Tax Expense	15,654	14,337
Communications Expense	7,033	5,665
Office Supplies & Postage	8,188	6,692
Retirement Benefits	26,087	24,083
Dues & Licenses	1,071	2,292
Bank Charges	15,004	10,650
Bad Debts Expense	453	321
Board Member Fees	5,154	4,700
Water Analysis	9,740	2,948
Miscellaneous Expense	875	197
<b>Total Operating Expenses</b>	<u><b>\$ 928,991</b></u>	<u><b>\$ 749,406</b></u>
<b>OPERATING INCOME (LOSS)</b>	<u><b>\$ (18,389)</b></u>	<u><b>\$ 206,321</b></u>
<b>OTHER REVENUES (EXPENSES):</b>		
Investment Revenues	\$ 22,624	\$ 2,598
Farm & Tower Rent	5,100	5,410
Gain on Sale of Assets	-	-
<b>Total Other Revenues(Expenses)</b>	<u><b>\$ 27,724</b></u>	<u><b>\$ 8,008</b></u>
<b>NET INCOME (LOSS)</b>	<u><u><b>\$ 9,335</b></u></u>	<u><u><b>\$ 214,329</b></u></u>

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, 2023 and 2022

	<u>2023</u>	<u>2022</u>
<b>Balance, January 1</b>	<u>\$ 4,385,491</u>	<u>\$ 4,049,209</u>
Net Income (Loss)	9,335	214,329
Prior Period Adjustment (Note 11)	-	-
Member Investments	18,500	21,000
Donated Assets (Note8)	8,936	100,953
Grants	<u>-</u>	<u>-</u>
Total Changes in Net Position	<u>\$ 36,771</u>	<u>\$ 336,282</u>
<b>Balance, December 31</b>	<u><u>\$ 4,422,262</u></u>	<u><u>\$ 4,385,491</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, 2023 and 2022

	<u>2023</u>	<u>2022</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Receipts from customers	\$ 144,410	\$ 959,076
Payments to suppliers	-	(333,263)
Payments to employees & benefits	-	(256,970)
<b>Net Cash Provided by Operating Activities</b>	<u><b>\$ 144,410</b></u>	<u><b>\$ 368,843</b></u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Purchase of capital assets	\$ (8,936)	\$ (130,816)
Donated Assets	8,936	100,953
Payments for Construction in Progress	-	-
Proceeds from Grants	-	-
Principal payments on notes payable	(17,475)	(16,625)
Interest paid on notes payable	(5,547)	(6,139)
Prior period adjustments	-	-
Proceeds from sale of assets	-	-
<b>Net Cash Used In Capital &amp; Related Financing Activities</b>	<u><b>\$ (23,022)</b></u>	<u><b>\$ (52,627)</b></u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Investment Receipts	\$ 22,624	\$ 2,598
Rent Proceeds	5,100	5,410
Proceeds from memberships	18,500	21,000
<b>Net Cash Provided from Investing Activities</b>	<u><b>\$ 46,224</b></u>	<u><b>\$ 29,008</b></u>
<b>INCREASE (DECREASE) IN CASH AND INVESTMENTS</b>	<u><b>\$ 167,612</b></u>	<u><b>\$ 345,224</b></u>
Cash and Investment Balance - Beginning	1,199,613	854,389
<b>CASH AND INVESTMENT BALANCE - ENDING</b>	<u><b>\$ 1,367,225</b></u>	<u><b>\$ 1,199,613</b></u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:</b>		
Operating Income (Loss)	\$ (18,389)	\$ 206,321
Adjustments to reconcile operating income to net cash provided (used) by Operating Activities:		
Interest Expense	5,540	6,132
Depreciation expense	151,650	149,234
Change in assets and liabilities:		
Accounts Receivable	(13,758)	3,349
Other Receivables	-	-
Prepaid Insurance	1,057	685
Inventory	(4,840)	(4,400)
Accounts Payable	23,383	6,785
Taxes Payable	(233)	737
<b>Net Cash Provided from Operating Activities</b>	<u><b>\$ 144,410</b></u>	<u><b>\$ 368,843</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, 2023 and 2022

### **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 823 and 798 meters for the years ending December 31, 2023 and 2022.

#### **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, 2023 and 2022 amounted to \$73,100 and \$59,343. 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, 2023 and 2022, respectively.



# Tillman County Rural Water District #1

## Notes to the Financial Statements

For the Years Ended December 31, 2023 and 2022

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

	Balance 1/1/2023	Additions	Disposed	Balance 12/31/2023
<b>Capital Assets:</b>				
Water System Plant Assets	\$ 5,909,718	\$ 8,936	\$ -	\$ 5,918,654
Office Furniture & Fixtures	17,872	-	-	17,872
Equipment	508,830	-	-	508,830
Buildings	70,323	-	-	70,323
<b>Total Capital Assets</b>	<b>\$ 6,506,743</b>	<b>\$ 8,936</b>	<b>\$ -</b>	<b>\$ 6,515,679</b>
<b>Accumulated Depreciation:</b>				
Water System Plant Assets	\$ 2,957,298	\$ 115,580	\$ -	\$ 3,072,878
Office Furniture & Fixtures	17,222	474	-	17,696
Equipment	322,685	35,008	-	357,693
Buildings	67,680	588	-	68,268
<b>Total Accumulated Depreciation</b>	<b>3,364,885</b>	<b>151,650</b>	<b>-</b>	<b>3,516,535</b>
<b>Net Capital Assets</b>	<b>\$ 3,141,858</b>	<b>\$ (142,714)</b>	<b>\$ -</b>	<b>\$ 2,999,144</b>

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

	Date of Maturity	Interest Rate	12/31/2023 Balance
Petty Cash	-	0.00%	\$ 100
Checking - Frazer Bank	-	0.10%	134
Checking Acct - All America Bank	-	4.00%	1,112,242
CD - All America Bank	6/15/2024	4.17%	102,109
CD - All America Bank	7/6/2024	4.17%	101,760
CD - All America Bank	7/6/2024	4.17%	50,880

### **Total Cash and Investments**

\$ 1,367,225

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

### **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, 2023 and 2022 were \$8,936 and \$100,953, respectively. 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 \$26,087 and \$24,083 for the years ending December 31, 2023 and 2022, respectively.

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

## **Notes to the Financial Statements**

For the Years Ended December 31, 2023 and 2022

### **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 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 12/31/2023	Balance 12/31/2022
91-11	6/29/1989	16,272	68,853	81,342
91-13	6/29/1989	6,492	27,394	32,380
		<u>\$ 22,764</u>	<u>\$ 96,247</u>	<u>\$ 113,722</u>
Less: Current Portion			18,407	17,512
Net Long-term Balance			<u>\$ 77,840</u>	<u>\$ 96,210</u>

Current Portion:			Note 9111	Note 9113
Year Ending	12/31/2024	-	13,155	5,252
Year Ending	12/31/2025	-	13,828	5,521
Year Ending	12/31/2026	-	14,536	5,803
Year Ending	12/31/2027	-	15,279	6,100
Year Ending	12/31/2028	-	12,055	4,718

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

There were no prior period adjustments in the financial statements for the years ending December 31, 2023 or 2022.

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

The subsequent events of the District were evaluated through February 22, 2024, 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, 2023 and 2022, and have issued my report thereon dated February 24, 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.

## 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 24, 2024