

**Washita County Rural  
Water District #2**

*Audit Report*  
For Year Ending December 31, 2023

**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  
Rural Water, Sewer, & Solid Waste Management Dist. #2  
Washita County, Oklahoma

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

#### **Opinion**

I have audited the accompanying financial statements of Rural Water, Sewer, & Solid Waste Management District #2, Washita County, Oklahoma (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 Rural Water, Sewer, & Solid Waste Management District #2, Washita County, Oklahoma, 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 January 26, 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 the effectiveness of the District's 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

January 26, 2024

**Rural Water, Sewer, & Solid Waste Management  
District #2, Washita County, Oklahoma**

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	\$ 2,244	\$ 381,448
Investments	1,428,955	1,081,011
Accounts Receivable (Note 2)	32,197	38,591
Other Receivable	-	-
Interest Receivable	1,563	5,830
Prepaid Insurance	11,684	11,357
Inventory	102,372	109,761
<b>Total Current Assets</b>	<b>\$ 1,579,015</b>	<b>\$ 1,627,998</b>
Noncurrent Assets:		
Construction in Progress	\$ 370,187	\$ 55,304
Capital Assets: (Note 5)		
Land	192,690	192,690
Other Capital Assets, net of depreciation	744,977	708,989
<b>Total Noncurrent Assets</b>	<b>\$ 1,307,854</b>	<b>\$ 956,983</b>
<b>TOTAL ASSETS</b>	<b>\$ 2,886,869</b>	<b>\$ 2,584,981</b>
<b>LIABILITIES AND NET POSITION:</b>		
Current Liabilities:		
Accounts Payable	\$ -	\$ -
Interest Payable	244	258
Customer Deposits	2,800	2,800
Current Portion of Long-term Liabilities	14,498	13,791
<b>Total Current Liabilities</b>	<b>\$ 17,542</b>	<b>\$ 16,849</b>
Long-Term Liabilities:		
Notes Payable - net of current	\$ 207,405	\$ 221,866
Net Position:		
Restricted Fund Balance	\$ 25,224	\$ 25,224
Unrestricted Fund Balance	958,778	782,619
<b>Total Fund Balance</b>	<b>\$ 984,002</b>	<b>\$ 807,843</b>
Member Investments	446,867	415,375
Donated Assets	783,454	750,449
Grants	447,599	372,599
<b>TOTAL NET POSITION</b>	<b>\$ 2,661,922</b>	<b>\$ 2,346,266</b>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$ 2,886,869</b>	<b>\$ 2,584,981</b>

See accompanying notes to the financial statements.

**Rural Water, Sewer, & Solid Waste Management  
District #2, Washita County, Oklahoma**

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	\$ 545,373	\$ 534,635
Late Fees	13,529	14,407
Sale of Supplies	7,245	-
Miscellaneous Revenues	23,073	5,150
<b>Total Operating Revenues</b>	<b><u>\$ 589,220</u></b>	<b><u>\$ 554,192</u></b>
<b>OPERATING EXPENSES:</b>		
Salaries	\$ 172,835	\$ 159,487
Depreciation Expense	61,967	57,034
Interest Expense	11,455	8,357
Utilities	38,748	37,196
Water Purchases	13,241	13,690
Repairs & Maintenance	36,290	7,577
Insurance	38,869	36,679
Legal & Professional Fees	32,176	14,771
Transportation Expense	15,255	17,325
Director's Fees	6,700	6,800
Payroll Tax Expense	14,308	12,945
Operating Supplies & Chemicals	39,411	40,609
Office Supplies & Postage	7,244	5,379
Retirement Benefits	4,944	4,615
Dues & Licenses	1,377	1,517
Rent Expense	51	365
Bad Debts Expense	-	-
FEMA Repairs	-	-
Miscellaneous Expense	4,176	3,670
<b>Total Operating Expenses</b>	<b><u>\$ 499,047</u></b>	<b><u>\$ 428,016</u></b>
<b>OPERATING INCOME (LOSS)</b>	<b><u>\$ 90,173</u></b>	<b><u>\$ 126,176</u></b>
<b>OTHER REVENUES (EXPENSES):</b>		
Investment Revenues	\$ 49,821	\$ 8,329
Gain on Sale of Assets	36,165	-
<b>Total Other Revenues(Expenses)</b>	<b><u>\$ 85,986</u></b>	<b><u>\$ 8,329</u></b>
<b>NET INCOME</b>	<b><u><u>\$ 176,159</u></u></b>	<b><u><u>\$ 134,505</u></u></b>

See accompanying notes to the financial statements.

**Rural Water, Sewer, & Solid Waste Management**  
**District #2, Washita County, Oklahoma**  
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>	<b>\$ 2,346,266</b>	<b>\$ 2,204,536</b>
Net Income (Loss)	176,159	134,505
Member Investments	31,492	6,425
Donated Assets	33,005	800
Grants	<u>75,000</u>	<u>-</u>
Total Changes in Net Assets	<u>\$ 315,656</u>	<u>\$ 141,730</u>
<b>Balance, December 31</b>	<b><u>\$ 2,661,922</u></b>	<b><u>\$ 2,346,266</u></b>

See accompanying notes to the financial statements.

# Rural Water, Sewer & Solid Waste Management District #2, Washita County, Oklahoma

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	\$ 595,614	\$ 575,213
Payments to suppliers	(211,109)	(202,044)
Payments to employees & benefits	(207,454)	(191,829)
<b>Net Cash Provided by Operating Activities</b>	<u><b>\$ 177,051</b></u>	<u><b>\$ 181,340</b></u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Purchase of fixed assets	\$ (97,955)	\$ (35,472)
Donated Assets	33,005	800
Payments for Construction in Process	(314,883)	-
Proceeds from Grants	75,000	-
Principal payments on notes payable	(13,754)	(15,807)
Interest paid on notes payable	(11,470)	(8,375)
Proceeds from sale of assets	36,165	-
<b>Net Cash Used In Capital &amp; Related Financing Activities</b>	<u><b>\$ (293,892)</b></u>	<u><b>\$ (58,854)</b></u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Investment Receipts	\$ 54,089	\$ 7,124
Proceeds from memberships	31,492	6,425
<b>Net Cash Provided from Investing Activities</b>	<u><b>\$ 85,581</b></u>	<u><b>\$ 13,549</b></u>
<b>INCREASE (DECREASE) IN CASH AND INVESTMENTS</b>	<b>\$ (31,260)</b>	<b>\$ 136,035</b>
Cash and Investment Balance - Beginning	1,462,459	1,326,424
<b>CASH AND INVESTMENT BALANCE - ENDING</b>	<u><b>\$ 1,431,199</b></u>	<u><b>\$ 1,462,459</b></u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:</b>		
Operating Income (Loss)	\$ 90,173	\$ 126,176
Adjustments to reconcile operating income to net cash provided (used) by Operating Activities:		
Interest Expense	11,455	8,357
Depreciation expense	61,967	57,034
Change in assets and liabilities:		
Accounts Receivable	6,394	21,021
Other Receivable	-	-
Prepaid Insurance	(327)	(1,030)
Inventory	7,389	(30,218)
Accounts Payable	-	-
Customer Deposits	-	-
<b>Net Cash Provided from Operating Activities</b>	<u><b>\$ 177,051</b></u>	<u><b>\$ 181,340</b></u>

See accompanying notes to the financial statements.

# **Rural Water, Sewer & Solid Waste Management District #2, Washita County, Oklahoma**

Notes to the Financial Statements  
For the Years Ended December 31, 2023 and 2022

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

### **Organization:**

Rural Water, Sewer, and Solid Waste Management District #2, Washita County, Oklahoma (District) is an Oklahoma trust formed under the Oklahoma Rural Water Act to provide water, sewer, and solid waste management in a designated area in and around Washita County, Oklahoma to individuals and businesses that purchase a membership. The District served 825 meters and sold 73,937,000 gallons of water for the year ending December 31, 2023 which represented an increase of 18 meters from previous year.

### **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 reserve method to account for bad debts. No provision was made during the years 2023 or 2022 even though it was less than the accounts receivable balances over 90 days old. The accounts receivable balances at December 31, 2023 and 2022 amounted to \$35,270 and \$41,664, respectively with the allowance in the amount of \$3,073 and \$3,073, respectively.

## **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.



# Rural Water, Sewer & Solid Waste Management District #2, Washita County, Oklahoma

Notes to the Financial Statements  
For the Years Ended December 31, 2023 and 2022

## **Note 5 - Changes in Fixed Assets**

	Balance 1/1/2023	Additions	Disposed	Balance 12/31/2023
Water System Plant Assets	\$ 2,967,803	\$ 33,005	\$ -	\$ 3,000,808
Extensions	656,139	-	-	656,139
Office Furniture & Fixtures	20,751	-	-	20,751
Equipment	178,048	16,223	(5,465)	188,806
Vehicles	44,439	48,727	(16,390)	76,776
Buildings	214,797	-	-	214,797
<b>Total Assets</b>	<b>\$ 4,081,977</b>	<b>\$ 97,955</b>	<b>\$ (21,855)</b>	<b>\$ 4,158,077</b>
 <u>Accumulated Depreciation:</u>				
Water System Plant Assets	\$ 2,584,156	\$ 22,232	\$ -	\$ 2,606,388
Extensions	430,308	16,824	-	447,132
Office Furniture & Fixtures	18,446	869	-	19,315
Equipment	149,798	5,211	(5,465)	149,544
Vehicles	44,439	6,091	(16,390)	34,140
Buildings	145,841	10,740	-	156,581
<b>Total Accumulated Deprec.</b>	<b>\$ 3,372,988</b>	<b>\$ 61,967</b>	<b>\$ (21,855)</b>	<b>\$ 3,413,100</b>
 <b>Net Fixed Assets</b>	 <b>\$ 708,989</b>	 <b>\$ 35,988</b>	 <b>\$ -</b>	 <b>\$ 744,977</b>

## **Note 6 - 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 December 31, 2023 and 2022 were \$33,005 and \$800, respectively.

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

	Date of Maturity	Interest Rate	12/31/2023 Balance	12/31/2022 Balance
Checking - Bank of Cordell	-	2.02%	\$ 232	\$ 381,148
Petty Cash	-	0.00%	300	300
Money Market - Edward Jones	-	0.96%	936	-
CD - Bank 360	3/6/2024	4.25%	26,000	108,000
CD - First National Bank	2/27/2023	0.70%	-	216,934
CD - High Plains Bank	3/14/2024	5.40%	212,372	205,732
CD - High Plains Bank	4/24/2024	5.40%	135,615	131,104
CD - Bank of Western OK	3/12/2024	0.50%	-	214,789
CD - Great Plains Bank	6/27/2023	0.65%	-	204,452
Mutual Funds - AB Gov't Money Market		3.28%	1,055,744	-
<b>Total Cash and Investments</b>			<b>\$ 1,431,199</b>	<b>\$ 1,462,459</b>

### **Designation:**

Operating	\$ 2,244
Reserved for System Improvements	1,403,731
Restricted for Debt Service - Rural Development	25,224
	<b>\$ 1,431,199</b>

# Rural Water, Sewer & Solid Waste Management District #2, Washita County, Oklahoma

Notes to the Financial Statements  
For the Years Ended December 31, 2023 and 2022

## **Note 8 - Retirement**

The District provides a Simple IRA retirement plan for its participating employees. The District matches contributions up to 3% of the employee wages. The funds are managed by Edward Jones.

## **Note 9 - Long Term Liabilities**

The District has a 40 year notes with Rural Development, an agency of the United States Department of Agriculture. The loans are all 5% fixed interest notes. The note is 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
			-	-
91-13	5/23/1997	25,224	221,903	235,657
		<u>\$ 25,224</u>	<u>\$ 221,903</u>	<u>\$ 235,657</u>
Less: Current Portion			14,498	13,791
Net Long-Term Liabilities			<u>\$ 207,405</u>	<u>\$ 221,866</u>

Current Portion:		Note 91-13
Year Ending	12/31/2024	14,498
Year Ending	12/31/2025	15,241
Year Ending	12/31/2026	16,022
Year Ending	12/31/2027	16,843
Year Ending	12/31/2028	17,690

## **Note 10 - Prior Period Adjustments**

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

## **Note 11 - Evaluation of Subsequent Events**

The subsequent events were evaluated through January 26, 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  
Rural Water, Sewer, and Solid Waste Management Dist. #2  
Washita County, 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 #2, Washita County, Oklahoma (District), as of and for the years ending December 31, 2023 and 2022, and have issued my report thereon dated January 26, 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

January 26, 2024