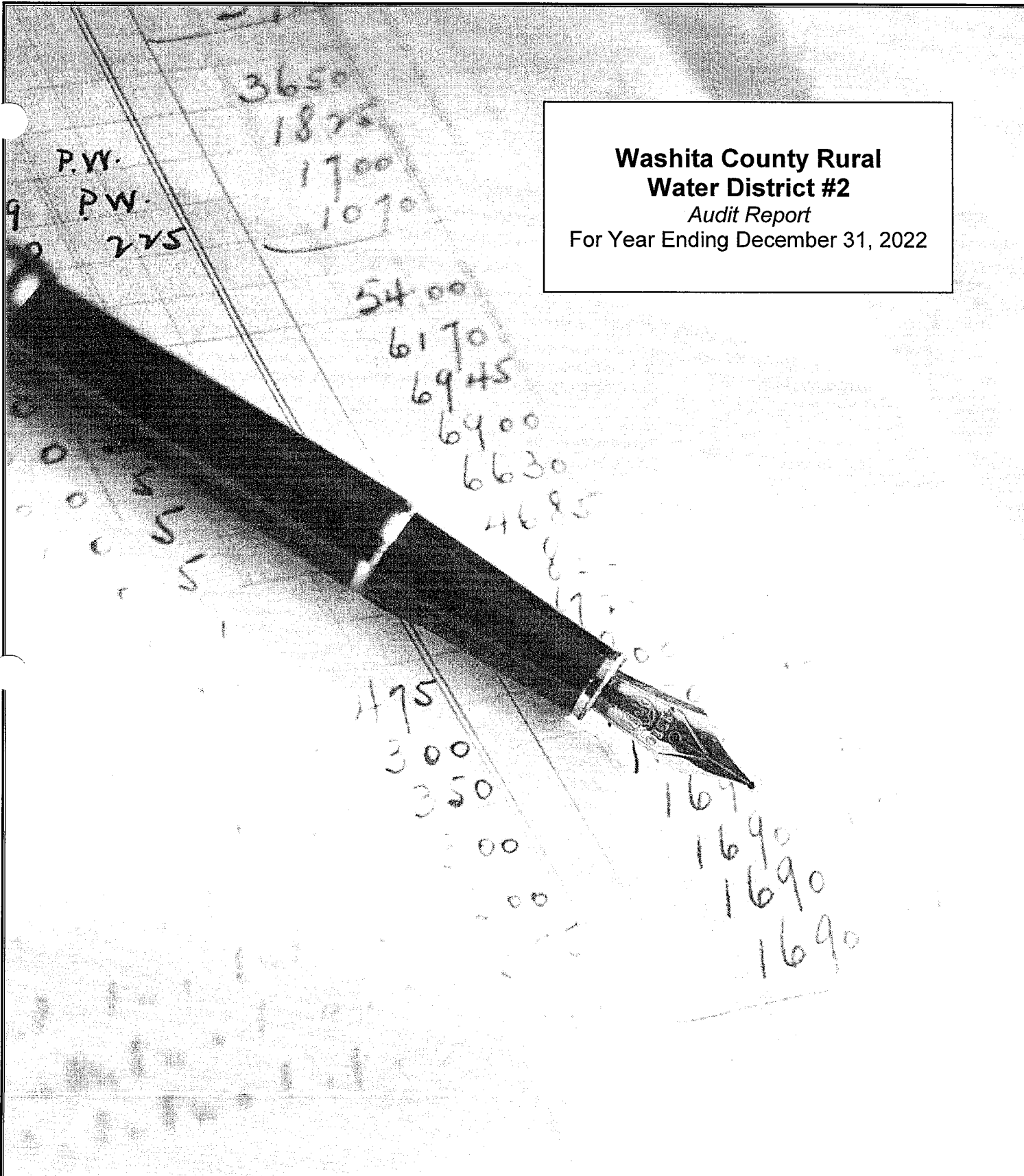


**Washita County Rural  
Water District #2**  
*Audit Report*  
For Year Ending December 31, 2022

**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  
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, 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 Rural Water, Sewer, & Solid Waste Management District #2, Washita County, Oklahoma, 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 January 25, 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 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 25, 2023

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

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	\$ 381,448	\$ 349,534
Investments	1,081,011	976,890
Accounts Receivable (Note 2)	38,591	59,612
Other Receivable	-	-
Interest Receivable	5,830	4,625
Prepaid Insurance	11,357	10,327
Inventory	109,761	79,543
<b>Total Current Assets</b>	<b>\$ 1,627,998</b>	<b>\$ 1,480,531</b>
Noncurrent Assets:		
Construction in Progress	\$ 55,304	\$ 56,304
Capital Assets: (Note 5)		
Land	192,690	191,690
Other Capital Assets, net of depreciation	708,989	730,551
<b>Total Noncurrent Assets</b>	<b>\$ 956,983</b>	<b>\$ 978,545</b>
<b>TOTAL ASSETS</b>	<b>\$ 2,584,981</b>	<b>\$ 2,459,076</b>
<b>LIABILITIES AND NET POSITION:</b>		
Current Liabilities:		
Accounts Payable	\$ -	\$ -
Interest Payable	258	276
Customer Deposits	2,800	2,800
Current Portion of Long-term Liabilities	13,791	12,977
<b>Total Current Liabilities</b>	<b>\$ 16,849</b>	<b>\$ 16,053</b>
Long-Term Liabilities:		
Notes Payable - net of current	<b>\$ 221,866</b>	<b>\$ 238,487</b>
Net Position:		
Restricted Fund Balance	\$ 25,224	\$ 25,224
Unrestricted Fund Balance	782,619	648,114
<b>Total Fund Balance</b>	<b>\$ 807,843</b>	<b>\$ 673,338</b>
Member Investments	415,375	408,950
Donated Assets	750,449	749,649
Grants	372,599	372,599
<b>TOTAL NET POSITION</b>	<b>\$ 2,346,266</b>	<b>\$ 2,204,536</b>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$ 2,584,981</b>	<b>\$ 2,459,076</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, 2022 and 2021

	2022	2021
<b>OPERATING REVENUES:</b>		
Water Sales	\$ 534,635	\$ 508,363
Late Fees	14,407	6,899
Sale of Supplies	-	150
Miscellaneous Revenues	5,150	32,282
<b>Total Operating Revenues</b>	<b>\$ 554,192</b>	<b>\$ 547,694</b>
<b>OPERATING EXPENSES:</b>		
Salaries	\$ 159,487	\$ 157,722
Depreciation Expense	57,034	63,863
Interest Expense	8,357	13,776
Utilities	37,196	30,180
Water Purchases	13,690	12,280
Repairs & Maintenance	7,577	41,385
Insurance	36,679	35,370
Legal & Professional Fees	14,771	30,679
Transportation Expense	17,325	17,260
Director's Fees	6,800	7,000
Payroll Tax Expense	12,945	12,817
Operating Supplies & Chemicals	40,609	19,462
Office Supplies & Postage	5,379	5,338
Retirement Benefits	4,615	4,431
Dues & Licenses	1,517	1,573
Rent Expense	365	1,058
Bad Debts Expense	-	-
FEMA Repairs	-	-
Miscellaneous Expense	3,670	4,240
<b>Total Operating Expenses</b>	<b>\$ 428,016</b>	<b>\$ 458,434</b>
<b>OPERATING INCOME (LOSS)</b>	<b>\$ 126,176</b>	<b>\$ 89,260</b>
<b>OTHER REVENUES (EXPENSES):</b>		
Investment Revenues	\$ 8,329	\$ 7,877
Gain on Sale of Assets	-	-
<b>Total Other Revenues(Expenses)</b>	<b>\$ 8,329</b>	<b>\$ 7,877</b>
<b>NET INCOME</b>	<b>\$ 134,505</b>	<b>\$ 97,137</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, 2022 and 2021

	<b>2022</b>	<b>2021</b>
<b>Balance, January 1</b>	\$ 2,204,536	\$ 2,049,899
Net Income (Loss)	134,505	97,137
Member Investments	6,425	10,100
Donated Assets	800	47,400
Grants	-	-
<b>Total Changes in Net Assets</b>	\$ 141,730	\$ 154,637
<b>Balance, December 31</b>	\$ 2,346,266	\$ 2,204,536

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, 2022 and 2021

	<b>2022</b>	<b>2021</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Receipts from customers	\$ 575,213	\$ 540,240
Payments to suppliers	(202,044)	(202,166)
Payments to employees & benefits	(191,829)	(189,615)
<b>Net Cash Provided by Operating Activities</b>	<b>\$ 181,340</b>	<b>\$ 148,459</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Purchase of fixed assets	\$ (35,472)	\$ (67,200)
Donated Assets	800	47,400
Payments for Construction in Process	-	-
Proceeds from Grants	-	-
Principal payments on notes payable	(15,807)	(45,354)
Interest paid on notes payable	(8,375)	(13,834)
Proceeds from sale of assets	-	-
<b>Net Cash Used In Capital &amp; Related Financing Activities</b>	<b>\$ (58,854)</b>	<b>\$ (78,988)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Investment Receipts	\$ 7,124	\$ 14,106
Proceeds from memberships	6,425	10,100
<b>Net Cash Provided from Investing Activities</b>	<b>\$ 13,549</b>	<b>\$ 24,206</b>
<b>INCREASE (DECREASE) IN CASH AND INVESTMENTS</b>	<b>\$ 136,035</b>	<b>\$ 93,677</b>
Cash and Investment Balance - Beginning	1,326,424	1,232,747
<b>CASH AND INVESTMENT BALANCE - ENDING</b>	<b>\$ 1,462,459</b>	<b>\$ 1,326,424</b>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:</b>		
Operating Income (Loss)	\$ 126,176	\$ 89,260
Adjustments to reconcile operating income to net cash provided (used) by Operating Activities:		
Interest Expense	8,357	13,776
Depreciation expense	57,034	63,863
Change in assets and liabilities:		
Accounts Receivable	21,021	(7,454)
Other Receivable	-	-
Prepaid Insurance	(1,030)	(474)
Inventory	(30,218)	(10,312)
Accounts Payable	-	-
Customer Deposits	-	(200)
<b>Net Cash Provided from Operating Activities</b>	<b>\$ 181,340</b>	<b>\$ 148,459</b>

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, 2022 and 2021

## **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 807 meters and sold 76,656,000 gallons of water for the year ending December 31, 2022 which represented an increase of 6 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 2021 or 2020 even though it was less than the accounts receivable balances over 90 days old. The accounts receivable balances at December 31, 2022 and 2021 amounted to \$41,664 and \$62,685, 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, 2022 and 2021

**Note 5 - Changes in Fixed Assets**

	Balance 1/1/2022	Additions	Disposed	Balance 12/31/2022
Water System Plant Assets	\$ 2,967,803	\$ -	\$ -	\$ 2,967,803
Extensions	656,139	-	-	656,139
Office Furniture & Fixtures	20,751	-	-	20,751
Equipment	178,048	-	-	178,048
Vehicles	44,439	-	-	44,439
Buildings	179,325	35,472	-	214,797
<b>Total Assets</b>	<b>\$ 4,046,505</b>	<b>\$ 35,472</b>	<b>\$ -</b>	<b>\$ 4,081,977</b>

Accumulated Depreciation:

Water System Plant Assets	\$ 2,562,136	\$ 22,020	\$ -	\$ 2,584,156
Extensions	413,484	16,824	-	430,308
Office Furniture & Fixtures	17,576	870	-	18,446
Equipment	142,331	7,467	-	149,798
Vehicles	44,439	-	-	44,439
Buildings	135,988	9,853	-	145,841
<b>Total Accumulated Deprec.</b>	<b>\$ 3,315,954</b>	<b>\$ 57,034</b>	<b>\$ -</b>	<b>\$ 3,372,988</b>

<b>Net Fixed Assets</b>	<b>\$ 730,551</b>	<b>\$ (21,562)</b>	<b>\$ -</b>	<b>\$ 708,989</b>
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**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, 2022 and 2021 were \$800 and \$44,200, respectively.

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

	Date of Maturity	Interest Rate	12/31/2022 Balance	12/31/2021 Balance
Checking - Bank of Cordell	-	1.25%	\$ 381,148	\$ 349,234
Petty Cash	-	0.00%	300	300
CD - Great Plains National Bank	6/27/2023	0.65%	204,452	204,096
CD - Bank of Cordell	3/6/2023	0.45%	108,000	108,000
CD - First National Bank	2/27/2023	0.70%	216,934	216,934
CD - High Plains Bank	9/11/2023	1.85%	205,732	105,469
CD - High Plains Bank	10/25/2023	2.50%	131,104	130,777
CD - Bank of Western OK	3/12/2024	0.50%	214,789	211,614
<b>Total Cash and Investments</b>			<b>\$ 1,462,459</b>	<b>\$ 1,326,424</b>

**Designation:**

Operating	\$ 381,448
Reserved for System Improvements	1,055,787
Restricted for Debt Service - Rural Development	25,224
	<b>\$ 1,462,459</b>

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

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

**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 12/31/2022	Balance 12/31/2021
			-	-
91-13	5/23/1997	25,224	235,657	251,464
		<u>\$ 25,224</u>	<u>\$ 235,657</u>	<u>\$ 251,464</u>
Less: Current Portion			13,791	12,977
Net Long-Term Liabilities			<u>\$ 221,866</u>	<u>\$ 238,487</u>

Current Portion:				Note 91-13
Year Ending	12/31/2023	-	-	13,791
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

**Note 10 - Prior Period Adjustments**

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

**Note 11 - Evaluation of Subsequent Events**

The subsequent events were evaluated through January 25, 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  
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, 2022 and 2021, and have issued my report thereon dated January 25, 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

January 25, 2023