



**SOUTH DELAWARE COUNTY
REGIONAL WATER AUTHORITY
Annual Financial Report**

Fiscal Year Ended June 30, 2023

Delaware County, Oklahoma

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Board of Trustees

Del Patterson	Chairman
Darrel Pickup	Vice-Chairman
Jim Sixkiller	Trustee
Waylon Chandler	Trustee
Clifton Hughes	Trustee



INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
South Delaware County Regional Water Authority

Opinion

We have audited the accompanying financial statements of the business-type activities of the South Delaware County Regional Water Authority ("Authority") as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Authority, as of June 30, 2023, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our 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*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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 twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. 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 generally accepted auditing standards 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 there is a substantial likelihood that, individually or in the



aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- 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.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, 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 a reasonable period of time.

We are 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 we identified during the audit.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 31, 2023, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. 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 Authority's internal control over financial reporting and compliance.



Elfrink and Associates, PLLC

Tulsa, Oklahoma

August 31, 2023

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Management Discussion and Analysis

This section of the South Delaware County Regional Water Authority's ("Authority") annual financial report presents management's analysis of the Authority's financial performance during the fiscal year ended June 30, 2023. Please read it in conjunction with the financial statements which follow this section.

Financial Highlights

For this fiscal year ended June 30, 2023, South Delaware County Regional Water Authority experienced an operating revenue of \$1,643,000 an increase of \$270,000 over the \$ 1,373,000 reported in 2022. The increase is due to two factors 1) an increase of 37,200,000 gallons of total water sold, and 2) an increase of the residential water rate that was implemented in December of 2022. The operating expenses also increased by \$88,400. The increase was due to increase in productions costs and the addition of new employees. Net effect was an operating gain of \$115,200.

The Authority continued to make timely payments on their existing long term loan payments to USDA-RD, OWRB and Communities Unlimited and our short-term loan with Arvest Bank. New short-term debt was incurred to Communities Unlimited in the amount of \$267,521 @ 3.5% interest for the replacement of two raw water intake pumps on the river. This note plus accrued interest of \$4,001 was paid on 6-30-23. Additional costs of \$102,821 were incurred on the project. Funding for the project was provided by a Memorandum of Agreement with the Cherokee Nation in the amount of \$363,100.

The Cherokee Nation is also providing funds for the completion of the Chewey Road Project in excess of \$1,500,000. The water system improvements for the Chewey Road Area Extension are nearing completion. At fiscal year-end the Authority had signed 75 additional residential customers with another 21 on July 1st. These customers will be provided water by the new line with billings commencing in August.

Capital Assets increased by \$414,000 for replacement of the two raw water intake pumps and replacement of Flint Ridge POA main line to accommodate connection to the Chewey Road Project.

Overview of the Financial Statements

This annual report consists of two parts: management's discussion and analysis of the financial statements and the financial statements. The audited financial statements also include notes that explain the information contained in the financial statements in greater detail.

Required Financial Statements

The financial statements of the Authority use accounting methods similar to those used by private sector companies. The statement of net position includes all of the Authority's assets and liabilities and provides information about the nature and amounts of investment in resources (assets) and the obligations of the Authority to creditors (liabilities). The assets and liabilities are presented in a classified format, which distinguishes between current and noncurrent assets and liabilities. Current assets are those assets expected to be converted to cash or used to pay current liabilities within 12 months. Conversely, noncurrent assets and liabilities are those expected to extend beyond a 12-month

period. The statement of net position also provides the basis for computing rate of return, evaluating the capital structure of the Authority, and assessing the liquidity and financial flexibility of the Authority. All of the current year's revenues and expenses are accounted for in the statement of revenues, expenses, and change in net position. This statement reports information about the Authority's activities and measures the success of the Authority's operations over the past year.

The final required financial statement is the statement of cash flows. The primary purpose of this statement is to provide information about the Authority's sources and uses of cash during the reporting period. The statement reports cash receipts, cash payments, and net changes in cash resulting from operating, investing, and financing activities and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in the cash balance during the reporting period.

Financial Analysis of the Authority

Our analysis of the Authority begins with a measure of the Authority's financial position or financial health by reporting its assets and liabilities and the difference between them, the "net position". Over time, increases and decreases in the Authority's net position are one indicator of whether its financial health is improving or deteriorating. However, other nonfinancial factors such as new water supply facilities, water demand, economic conditions, population growth, state and federal regulation, and changes in government legislation must also be considered in evaluating the Authority's financial health. The statement of revenues, expenses, and change in net position provides information that is useful in evaluating whether the Authority has successfully recovered all of its costs through its water rates and other charges, as well as its creditworthiness.

Net Position

A summary of the Authority's statements of net position is presented in Table 1.

Table 1
Condensed Statements of Net Position
(In Thousands of Dollars)

	FY2023	FY 2022	Change
Current and other assets	\$ 983.8	\$ 566.6	\$ 417.2
Capital assets	16,346.6	16,409.6	(63.0)
Total assets	17,330.4	16,976.2	354.2
Long-term debt outstanding	7,768.0	7,963.8	(195.8)
Other liabilities	264.8	102.2	162.6
Total liabilities	8,032.8	8,066.0	(33.2)
Net position			
Net investment in capital assets	8,578.5	8,445.8	132.7
Restricted	251.0	195.1	55.9
Unrestricted	468.1	269.3	198.8
Total net position	\$ 9,297.6	\$ 8,910.2	\$ 387.4

As shown in table 1, total net position decreased by \$387,400.

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FISCAL YEAR ENDED JUNE 30, 2023

Change in Net Position

Table 2
Condensed Statements of Revenues, Expenses, and Changes in Net Position
(In Thousands of Dollars)

	FY 2023	FY 2022	Change
Operating revenues	\$ 1,643.0	\$ 1,372.7	\$ 270.3
Operating expenses	1,003.4	916.5	86.9
Operating income before depreciation	639.6	456.2	183.4
Depreciation	524.4	522.9	1.5
Operating income (loss)	115.2	(66.7)	181.9
Loss on disposition of assets	-	(1.3)	1.3
Interest expense	(159.3)	(160.4)	1.1
Interest income	3.8	0.1	3.7
Loss before other items	(40.3)	(228.3)	188.0
Capital contributions	427.7	0.9	426.8
Change in net position	387.4	(227.4)	614.8
Net position - beginning	8,910.2	9,137.6	(227.4)
Net position - ending	\$ 9,297.6	\$ 8,910.2	\$ 387.4

Table 2 reflects the statements of revenues, expenses, and changes in net position and provides information as to the nature and source of these changes.

Capital Assets and Long-term Debt

The Authority had invested \$8,578,500 in capital assets net of related debt at June 30, 2023.

Table 3
Capital Assets
(In Thousands of Dollars)

	FY 2023	FY 2022	Change
Non-depreciable assets			
Water capacity rights	\$ 60.0	\$ 60.0	\$ -
Construction in progress	158.4	127.9	30.5
Depreciable assets			
Buildings	25.6	25.6	-
Equipment and furniture	198.7	182.1	16.6
Water system	18,219.8	17,805.5	414.3
Accumulated depreciation	(2,315.9)	(1,791.5)	(524.4)
Totals	\$ 16,346.6	\$ 16,409.6	\$ (63.0)

Table 4
Long-Term Debt
 (In Thousands of Dollars)

	FY 2023	FY 2022	Change
Capital lease	\$ 7.9	\$ 25.4	\$ (17.5)
Notes payable	7,760.1	7,938.4	(178.3)
	\$ 7,768.0	\$ 7,963.8	\$ (195.8)

Economic Factors and Next Year’s Budget and Rates

It is anticipated that water usage will continue to increase in the upcoming year. Rates for residential customers that were implemented in December of 2022 will be in effect for the entire year as opposed to 6 months. With the projected increase in water usage and the new rates and new customers from the Chewey Road Extension we expect the budgeted revenue for fiscal year ending June 30, 2024, to be \$1,750,000.

This financial report is designed to provide a general overview of the Authority’s finances for those having an interest therein. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the South Delaware County Regional Water Authority, PO Box 8, 653 Valley View Road, Kansas, OK 74347-9305.

Statement of Net Position
June 30, 2023

Assets

Current assets:

Unrestricted assets

Cash and cash equivalents	\$ 42,439
Accounts receivable from the sale of water	341,997
Grants receivable	30,000
Prepaid expense	13,078
Inventory	245,454
	<u>672,968</u>

Total current assets

Noncurrent assets:

Cash restricted - utility deposits	59,819
Cash restricted - reserve requirements	130,683
Cash restricted - debt service	14,008
Flint Ridge POA escrow for capital projects	106,330
Construction in progress	158,350
Water capacity rights	60,000
Capital assets, depreciable, net	16,128,214
	<u>16,657,404</u>

Total noncurrent assets

Total assets

Liabilities

Current liabilities:

Accounts payable	121,124
Accrued payroll	2,520
Accrued compensated absences	8,495
Accrued interest payable	12,225
Unearned meter connection fees	60,800
Current portion of long term debt	191,715
	<u>396,879</u>

Total current liabilities

Noncurrent liabilities:

Deposits held for customers	59,574
Long-term debt	7,576,335
	<u>7,635,909</u>

Total noncurrent liabilities

Total liabilities

Net position

Net investment in capital assets	8,578,514
Restricted for debt covenants	144,691
Restricted for capital projects	106,330
Unrestricted	468,049
	<u>9,297,584</u>

Total net position

See accompanying notes to the financial statements

SOUTH DELAWARE COUNTY REGIONAL WATER AUTHORITY
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FISCAL YEAR ENDED JUNE 30, 2023

Statement of Revenues, Expenses, and Change in Net Position
Year Ended June 30, 2023

Service revenues	
Revenue from the sale of water	\$ 1,601,039
Maintenance services	42,000
Total service revenues	<u>1,643,039</u>
Operating expenses	
Salaries and benefits	449,833
Chemicals and supplies	102,385
Repair and maintenance	106,152
License and fees	5,646
Automobile expense	46,374
Training	2,837
Utilities	160,391
Insurance	47,328
Office and billing	53,925
Legal fees	10,720
Other	17,859
Depreciation	524,370
Total operating expenses	<u>1,527,820</u>
Operating income	115,219
Nonoperating revenues (expenses)	
Private donations	197
Grant revenue	427,450
Interest income	3,827
Interest expense	<u>(159,304)</u>
Total nonoperating revenues (expenses)	272,170
Change in net position	387,389
Net position - beginning	<u>8,910,195</u>
Net position - ending	<u>\$ 9,297,584</u>

See accompanying notes to the financial statements

Statement of Cash Flows
Year Ended June 30, 2023

Operating activities

Receipts from customers	\$ 1,532,428
Payments for goods and services	(602,251)
Payments to employees	(446,920)
Net cash provided by operating activities	483,257

Capital and related financing activities

Proceeds from capital debt	267,521
Receipts from grant agreements	397,450
Receipts from private donations	197
Purchases of capital assets	(461,347)
Principal paid on capital debt	(463,245)
Interest paid on capital debt	(159,641)
Deposits to Flint Ridge POA escrow account	(30,000)
Net cash used by capital and related financing activities	(449,065)

Investing activities

Interest and dividends	3,827
Net change in cash and cash equivalents	38,019
Cash and cash equivalents, beginning of year	208,930
Cash and cash equivalents, end of year	\$ 246,949

**Reconciliation of operating income to net cash
provided by operating activities**

Operating loss	\$ 115,219
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation expense	524,370
Changes in operating assets and liabilities:	
Increase in accounts receivable	(190,536)
Increase in prepaid expense	(1,259)
Increase in inventory	(127,422)
Increase in accounts payable	80,047
Increase in deposits held for customers	79,925
Increase in other accrued liabilities	1,598
Increase in compensated absences	1,315
Net cash provided by operating activities	\$ 483,257

See accompanying notes to the financial statements

Notes to the Financial Statements

1. Organization

The South Delaware Regional Water Authority (the Authority) was created on November 12, 2013 pursuant to Title 60, Oklahoma Statutes 2011, section 176 to 180.4, to promote, develop, and operate public works projects or facilities related to the provision of potable drinking water. The trust is governed by a five-member Board of Trustees with the County of Delaware, Oklahoma as beneficiary.

On May 19, 2017, the Flint Ridge Rural Water District transferred its entire operations to the South Delaware Regional Water Authority. Prior to that time, the Authority was in a development or planning stage.

2. Summary of Significant Accounting Policies

Operating Revenue and Expense

The Authority considers all revenue and expense associated with the delivery of water to customers to be operating activities. All other revenue and expense are considered to be nonoperating activities.

Net position

Net position is classified into three components:

- *Net Investment in Capital Assets* – This component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included in this component of net position. If there are significant unspent related debt proceeds or deferred inflows of resources at the end of the reporting period, the portion of the debt or deferred inflows of resources attributable to the unspent amount is not included in the calculation of net investment in capital assets. Instead, that portion of the debt or deferred inflows of resources is included in the same net position component as the unspent proceeds.
- *Restricted* – This component consists of net position whose use is subject to external constraints (such as through debt covenants) by creditors, grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- *Unrestricted Net Position* – This component consists of net position elements that do not meet the definition of restricted or net investment in capital assets.

When the Authority incurs an expenditure where it can use both restricted and unrestricted funds the Authority will first use restricted funds.

The accounting policies and practices of the Authority confirm to accounting principles generally accepted in the United States applicable to an enterprise fund of a government unit.

Measurement Focus and Basis of Accounting

The Authority is accounted for on the flow of economic resources measurement focus and uses the accrual basis of accounting in the preparation of financial statements. The accounting and reporting policies of the Authority conform to the accounting rules prescribed by the Governmental Accounting Standards Board (GASB). The Authority follows private sector guidance contained in GASB Statement No. 62, *Codification of Accounting and financial Reporting guidance contained in pre-November 30, 1989 FASB and AICPA pronouncements*.

Cash Equivalents

For purposes of the statement of cash flows, cash equivalents are defined as short-term, highly liquid investments that are both readily convertible to known amounts of cash and have original maturities of 91 days or less.

Investments

Investments are reported at fair value in the statement of net position, except for money market funds and U.S. government obligations with original maturities less than one year, which are reported at amortized cost as permitted by GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. All changes in the fair value of investments are recognized as gains or losses in the statement of revenues, expenses, and change in net position.

Materials and Supplies Inventories

Inventory consists of spare meters, parts, and chemicals and is valued at actual cost.

Capital Assets

It is the Authority’s policy to capitalize property and equipment having an original cost in excess of \$1,000 and a useful life longer than one year. Capital assets are stated at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets as follows:

Water distribution system	5 – 40 years
Field equipment	5 – 7 years
Buildings	40 years
Office equipment and furnishings	3-5 years
Vehicles	5-10 years

Maintenance, repairs, and minor renewals are charged to expense as incurred. Expenditures that materially increase value, increase capacity, or expend useful lives are capitalized. Capital assets are removed (net of accumulated depreciation) upon retirement or disposition. Related gains or losses are charged to nonoperating activities.

Water Capacity Rights

Water capacity rights represent the Authority's rights related to system rights-of-way, licenses, easements, and permits to take and use water. The Authority accounts for the water capacity rights in accordance with the provisions of GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. This statement requires that indefinite-lived intangible assets not be amortized, but instead be tested for impairment at least annually and whenever events or changes in circumstances indicate that the carrying value may not be recoverable. The Authority has not identified any indicators of impairment relative to the water capacity rights at June 30, 2023.

Impairment of Capital Assets and Insurance Recoveries

The Authority accounts for impairment of capital assets and insurance recoveries in accordance with the provisions of GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*. This statement requires that capital assets be reviewed for impairment whenever events or changes in circumstances indicate that the service utility of the asset has declined significantly and unexpectedly. Impaired capital assets that will no longer be used are reported at the lower of carrying value or fair value. Impairment losses on capital assets that will continue to be used are measured using the method that best reflects the diminished service utility of the asset: restoration cost approach, service units approach, or deflated depreciated replacement cost approach. Insurance recoveries related to impairment losses are netted against the impairment loss if received in the same year; otherwise the recovery is reported as revenue in the year received. No impairment losses were recognized in 2023.

Capitalization of Interest

Interest costs incurred are capitalized as part of the cost of constructing capital assets. In instances where proceeds of the related debt are externally restricted to financing the construction, the interest earned on funds restricted for construction are offset against the interest costs capitalized.

Debt Issue Costs

The Authority accounts for debt issuance costs in accordance with the provisions of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Debt issuance costs are expensed as incurred.

Commitments and Contingencies

Liabilities for loss contingencies arising from claims, assessments, litigation, fines and penalties, and other sources are recorded when it is probable that a liability has been incurred and the amount can be reasonably estimated.

3. Rate-Making Policies and Procedures

As part of an agreement for the transfer of assets from the Flint Ridge Rural Water District, the Authority has agreed to fix a schedule of uniform and non-discriminatory rates, fees and charges for the use of the System and for services supplied by the System such as will provide in any year revenues sufficient to pay monthly debt service requirements including the principal and interest on all indebtedness incurred by the Authority including the establishment and maintenance of any funds, reserves, or accounts required pursuant to any indenture or other instrument securing such indebtedness. As part of the agreement for the transfer of assets from the Flint Ridge Rural Water District, the Authority has agreed that it will not raise or lower rates for retail customers more than the percentage rate adjustment applied to the wholesale customers of the Authority. Wholesale rates were raised December 1, 2021, and residential rates were raised in December 2022.

4. Wholesale Water Contracts

The Authority has entered into contracts to provide water on a wholesale basis to the following entities:

- Rural Water, Sewer, Gas, and Solid Waste Management District No. 11, Delaware County, Oklahoma
- Kansas Public Works Authority – an Oklahoma Public Trust existing for the use and benefit of the Town of Kansas, Oklahoma
- West Siloam Springs Municipal Authority – an Oklahoma Public Trust existing for the use and benefit of the Town of West Siloam Springs, Oklahoma
- Cookson Hills – a home and school for at-risk children in Northeast Oklahoma
- The Demand Project – a non-profit organization providing emergency residency for women

5. Flint Ridge Property Owners Association, Inc.

On May 19, 2017, the Flint Ridge Property Owners Association, Inc. (“POA”) consented to the assignment of a lease from FRRWD to the Authority for the water system. The lease will expire on September 30, 2045 with a provision for an additional forty-year term upon mutual agreement of the parties. There is no rent payable under the lease, however, the Authority is required to establish and make an annual \$30,000 payment on December 15 each year to a “POA Fund”, under the control of the POA, to be used for future line extensions and development for residential customers of the Authority. The contribution amount is adjusted annually by the same percentage as rates are adjusted by the Authority. By contract, the funds are required to be deposited into a separate account of the POA, and are not to be comingled with any other funds of the POA, and plans for any use of the funds must be submitted to the Authority for review. Consequently, the Authority has elected to record the payments made as an escrow deposit. In the year ending June 30, 2023 the Authority deposited \$30,000 with the POA, bringing the total amount in escrow to \$106,330.

6. Restricted Assets

Restricted funds are established to the extent required by debt covenants for the Authority's debt and other contractual arrangements as follows:

USDA-RD

As a condition of the USDA-RD loans, the Authority is required to deposit 10% of the monthly payment until one annual installment is accumulated as a debt service reserve. In addition, a depreciation reserve for short-lived assets must be established by depositing \$34,650 per year, or \$2,887.50 monthly. The requirement became effective when the new system came online. At June 30, 2023 the Authority had deposited \$130,683 to meet both reserve requirements.

The remaining balance of restricted cash includes \$14,008 for debt service on the OWRB note and \$59,819 for customer deposits held by the Authority.

7. Deposits and Investments

As of June 30, 2023, the Authority's deposits of \$246,949 were held in demand accounts and fully insured by the FDIC. The Authority had no investments.

8. Capital Assets

The following is a summary of capital asset changes for the year ended June 30, 2023:

	Balance <u>July 1, 2022</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2023</u>
Capital assets not being depreciated:				
Water capacity rights	\$ 60,000	\$ -	\$ -	\$ 60,000
Construction in progress	127,845	64,350	33,845	158,350
Total capital assets not being depreciated	<u>187,845</u>	<u>64,350</u>	<u>33,845</u>	<u>218,350</u>
Depreciable assets				
Buildings and improvements	25,632	-	-	25,632
Equipment and furniture	182,142	16,550	-	198,692
Water system	17,805,520	414,292	-	18,219,812
Total depreciable assets	<u>18,013,294</u>	<u>430,842</u>	<u>-</u>	<u>18,444,136</u>
Less accumulated depreciation	<u>1,791,552</u>	<u>524,370</u>	<u>-</u>	<u>2,315,922</u>
Capital assets, net	<u>\$ 16,409,587</u>	<u>\$ (29,178)</u>	<u>\$ 33,845</u>	<u>\$ 16,346,564</u>

Depreciation expense was \$524,370 for the fiscal year ended June 30, 2023.

9. Long-Term Debt

Long-term debt at June 30, 2023 consisted of:

Arvest Equipment Finance lease issued January 7, 2019 in the amount of \$59,808, bearing interest at the rate of 4.15%, payable at \$1,155 for 63 months, and secured by a 2018 Dodge truck, maturing in December 2023. In the event of a default, the truck may be forfeited.

7,928

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USDA-RD Note issued May 19, 2017 in the amount of \$6,749,000 bearing interest at the rate of 1.75% and is payable over 40 years with monthly payments of \$20,720 beginning June 19, 2020. Upon default, the government at its option may declare all or any part of the debt immediately due and payable. 6,335,948

USDA-RD Note issued October 30, 2019 in the amount of \$371,000 bearing interest at the rate of 2.35% and is payable over 40 years with monthly payments of \$1,199 beginning November 30, 2019. Upon default, the government at its option may declare all or any part of the debt immediately due and payable. 346,835

OWRB DWSRF Note issued May 19, 2017 in the amount of \$1,163,857 bearing interest at the rate of 2.96%, payable over 30 years with a final payment due March 15, 2049. In the event of a default, the OWRB may sue for specific performance of any or all of the debt covenants, accelerate the payment of principal and interest, appoint a temporary trustee to take over, operate, and maintain the system on a profitable basis or sue to enforce or enjoin the action or inaction of parties under the provisions of the loan agreement. 1,006,163

Note payable to Communities Unlimited, Inc. issued March 17, 2019 in the amount of \$112,000, bearing interest at 4.5%, payable in 120 monthly installments of \$1,161. 71,176

Total long-term debt at June 30, 2023 \$ 7,768,050

The Authority's changes in long-term liabilities for the fiscal year ended June 30, 2023 were as follows:

	Balance <u>July 1, 2022</u>	<u>Additions</u>	<u>Retirements</u>	Balance <u>June 30, 2023</u>	Amounts Due <u>in One Year</u>
Capital leases payable	\$ 25,366	\$ -	\$ 17,438	\$ 7,928	\$ 7,928
Notes payable	<u>7,938,408</u>	<u>267,521</u>	<u>445,807</u>	<u>7,760,122</u>	<u>183,787</u>
Total long term debt	<u>\$ 7,963,774</u>	<u>\$ 267,521</u>	<u>\$ 463,245</u>	<u>\$ 7,768,050</u>	<u>\$ 191,715</u>

SOUTH DELAWARE COUNTY REGIONAL WATER AUTHORITY
ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2023

Annual debt service requirements to maturity for long-term debt as of June 30, 2023 are as follows:

Year Ending June 30	Notes Payable		Capital Leases Payable		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2024	\$ 183,787	\$ 150,497	\$ 7,928	\$ 160	\$ 191,715	\$ 150,657
2025	187,716	146,567	-	-	187,716	146,567
2026	191,740	142,543	-	-	191,740	142,543
2027	195,863	138,421	-	-	195,863	138,421
2028	200,083	134,200	-	-	200,083	134,200
2029 to 2033	1,003,468	609,685	-	-	1,003,468	609,685
2034 to 2038	1,095,658	506,113	-	-	1,095,658	506,113
2039 to 2043	1,210,415	391,356	-	-	1,210,415	391,356
2044 to 2048	1,334,836	263,842	-	-	1,334,836	263,842
2049 to 2053	1,172,736	142,404	-	-	1,172,736	142,404
2054 to 2058	972,175	36,314	-	-	972,175	36,314
2059	11,645	125	-	-	11,645	125
Total	<u>\$ 7,760,122</u>	<u>\$ 2,662,067</u>	<u>\$ 7,928</u>	<u>\$ 160</u>	<u>\$ 7,768,050</u>	<u>\$ 2,662,227</u>

10. Commitments and Contingencies

Litigation

The Authority may be party to various legal proceedings, which normally occur in the ordinary course of business. Management has deemed that no accrual or provision is required at June 30, 2023 related to legal proceedings.

Grant Program Involvement

The Authority is subject to audit examinations by funding agencies to determine compliance with grant conditions. In the event that expenditures would be disallowed, repayment could be required.

11. Subsequent Events

Management has evaluated subsequent events through the date of this report and determined that no additional information needs to be added to the financial statements.



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Trustees
South Delaware County Regional Water Authority

We have audited, in accordance with the 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 financial statements of the business-type activities of the South Delaware County Regional Water Authority ("Authority"), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Authority's basic financial statements, and have issued our report thereon dated August 31, 2023.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.



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.

A handwritten signature in blue ink that reads "Elfrink and Associates, PLLC". The signature is written in a cursive, flowing style.

Elfrink and Associates, PLLC

Tulsa, Oklahoma

August 31, 2023