

**CONSOLIDATED RURAL WATER AND SEWER DISTRICT NO. 1
JEFFERSON COUNTY
HASTINGS, OKLAHOMA**

**ANNUAL FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT**

FOR THE YEAR ENDED SEPTEMBER 30, 2023

BY



Consolidated Rural Water and Sewer District No. 1

Hastings, Oklahoma
Year Ended September 30, 2023

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Consolidated Rural Water and Sewer District No. 1
Jefferson County
Hastings, Oklahoma

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the business-type activities of the Consolidated Rural Water and Sewer District No. 1, Jefferson County, Hastings, Oklahoma, as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the Consolidated Rural Water and Sewer District No. 1'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 financial position of the business-type activities of the Consolidated Rural Water and Sewer District No. 1, as of September 30, 2023, and the respective changes in its financial position and cash flows 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 Consolidated Rural Water and Sewer District No. 1, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. 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 Consolidated Rural Water and Sewer District No. 1'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 and *Government 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 and *Government 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 Consolidated Rural Water and Sewer District No. 1'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, which raise substantial doubt about Consolidated Rural Water and Sewer District No. 1'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.

Required Supplementary Information

Management has omitted the management, discussion, and analysis report that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the budgetary comparison information be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

We have applied certain limited procedures to the budgetary comparison schedule in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's response to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Consolidated Rural Water and Sewer District No. 1's basic financial statements. The supplemental section as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental section is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2023, on our consideration of the Consolidated Rural Water and Sewer District No. 1'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 solely 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 Consolidated Rural Water and Sewer District No. 1'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 Consolidated Rural Water and Sewer District No. 1's internal control over financial reporting and compliance.

Furrh & Associates, PC

FURRH & ASSOCIATES, PC
Lawton, Oklahoma
December 15, 2023

Consolidated Rural Water and Sewer District No. 1

Hastings, Oklahoma

Statement of Net Position

For Year Ended September 30, 2023

ASSETS

Current Assets

Cash - Operating Accounts	\$ 2,644,079	
Temporary Investments - Due within 90 Days	100,000	
Temporary Investments - Due after 90 Days	489,573	
Net Accounts Receivable	259,229	
Inventory	106,705	
Prepaid Expense	39,914	
Accrued Interest Receivable	187	
Total Current Assets		\$ 3,639,687

Capital Assets

Water and Sewer System	20,130,111	
Transportation Equipment	406,320	
Machinery and Equipment	222,198	
Buildings	138,359	
Office Equipment	35,426	
Accumulated Depreciation	(11,461,510)	
Net Capital Assets		9,470,904

Other Assets

Cash - Reserve Accounts	156,394	
Cash & CD's - Reserve Accounts	200,000	
		<u>356,394</u>
Total Assets		<u>\$ 13,466,985</u>

Please see accompanying notes to financial statements.

Consolidated Rural Water and Sewer District No. 1
Hastings, Oklahoma
Statement of Net Position
For Year Ended September 30, 2023

LIABILITIES AND NET POSITION

Current Liabilities

Current Portion of Long-Term Debt	\$	143,611	
Accounts Payable		51,371	
Payroll Taxes & Related Payables		20,820	
Accrued Compensated Absences		6,943	
Accrued Payroll		4,355	
Accrued Interest Payable		566	
Total Current Liabilities			\$ 227,666

Long-Term Liabilities

Notes Payable - Rural Development Administration		4,047,399	
Notes Payable - Arvest		325,254	
Less Current Portion		(143,611)	
Total Long-Term Liabilities			4,229,042

Total Liabilities 4,456,708

Net Position

Invested in Capital Assets, Net of Related Debt		5,098,251	
Restricted for Debt Service		356,394	
Unrestricted		3,555,632	
Total Net Position			9,010,277

Total Liabilities and Net Position \$ 13,466,985

Please see accompanying notes to financial statements.

Consolidated Rural Water and Sewer District No. 1

Hastings, Oklahoma

Statement of Revenues, Expenses, and Changes in Net Position

Year Ended September 30, 2023

Operating Revenue

Water Revenue	\$ 2,194,200	
Construction Revenue	138,059	
Tower Maintenance	138,036	
Benefit Unit Fees	79,102	
Other Revenue	42,862	
Penalty Revenue	28,867	
Reactivation Fees	12,953	
Sewer Revenue	11,303	
Meter Service Fees	6,328	
Total Revenue		\$ 2,651,710

Cost of Sales

System Maintenance and Repairs	666,312	
System Electricity	121,863	
Water Purchased	56,072	
Total Cost of Sales		<u>844,247</u>
Gross Operating Revenue		1,807,463

Operating Expense

Salaries and Related Payroll Taxes	531,368	
Depreciation	508,767	
Auto and Truck Expense	97,442	
Employee Health and Pension Benefits	88,033	
Miscellaneous	72,873	
Insurance	59,688	
Legal Expense	27,535	
Dues, Licenses, Fees, and Permits	20,106	
Utilities and Telephone	15,842	
Accounting	13,097	
Office Supplies and Expense	12,130	
Leases-Equipment	11,709	
Tools	3,938	
Uniforms	3,321	
Advertising	1,387	
Total Operating Expense		<u>1,467,236</u>
Net Operating Income/(Loss)		\$ 340,227

Please see accompanying notes to financial statements.

Consolidated Rural Water and Sewer District No. 1
Hastings, Oklahoma
Statement of Revenues, Expenses, and Changes in Net Position
Year Ended September 30, 2023

<u>Nonoperating Revenue (Expense)</u>		
CDBG Grant Revenue	\$	5,588
ODOT Reimbursement		179,720
ODOT Project Expense		(195,141)
Interest Income		43,151
Gain on Sale of Asset		17,552
Interest Expense		(124,446)
Grant Expense		<u>(34,440)</u>
Total Nonoperating Revenue (Expense)		<u>\$ (108,016)</u>
Net Income/(Loss)		232,211
Net Position, September 30, 2022		<u>8,778,066</u>
Net Position, September 30, 2023		<u><u>\$ 9,010,277</u></u>

Please see accompanying notes to financial statements.

Consolidated Rural Water and Sewer District No. 1

Hastings, Oklahoma

Statement of Cash Flows

Year Ended September 30, 2023

Cash Flow from Operating Activities

Cash Received from Customers	\$	2,615,717	
Cash Paid for Water		(844,247)	
Cash Paid for Salaries and Related Costs		(514,838)	
Cash Paid to Suppliers		(515,869)	
Net Cash Provided by Operating Activities	\$		740,763

Cash Flow from Capital and Related Financing Activities

Principal payments on Notes Payable			
Rural Development		(86,347)	
Arvest		(31,474)	
Interest paid on Notes Payable		(124,446)	
Net Cash Used by Capital and Related Financing Activities			(242,267)

Cash Flow from Investing Activities

Purchase of Capital Assets		(458,902)	
Sale of Capital Assets		20,000	
Interest Income		42,996	
Cash Received from Grants		185,308	
Cash Paid for Grant Expenses		(229,582)	
Net Cash Used by Investing Activities			(440,180)

Net Increase in Cash and Cash Equivalents 58,316

Cash and Cash Equivalents, September 30, 2022 3,531,730

Cash and Cash Equivalents, September 30, 2023 \$ 3,590,046

Please see accompanying notes to financial statements.

Consolidated Rural Water and Sewer District No. 1
Hastings, Oklahoma
Statement of Cash Flows
Year Ended September 30, 2023

Reconciliation of Operating Income to Net Cash Provided by		
Operating Activities		
Net Operating Revenue	\$	340,227
Add, Depreciation		508,767
(Increase) Decrease in Other Current Assets:		
Prepaid Expense	\$ 4,801	
Inventory	(33,062)	
Accounts Receivable	(35,993)	
Increase (Decrease) in Other Current Liabilities:		
Accounts Payable	(60,507)	
Accrued Payroll	1,949	
Payroll Taxes Payable	15,281	
Compensated Absences	(700)	
		(108,231)
Net Cash Provided by Operating Activities	\$	740,763

Please see accompanying notes to financial statements.

Consolidated Rural Water and Sewer District No. 1

Hastings, Oklahoma

Notes to Financial Statements

September 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Consolidated Rural Water and Sewer District No. 1, Jefferson County, Oklahoma (the “District”), was organized in December 1, 1975, by consolidation of the previously existing Rural Water and Sewer District No. I, Jefferson County, Oklahoma, and Rural Water and Sewer District No. II, Jefferson County, Oklahoma. The District is organized as a rural water district under the provisions of 82 O.S. §§ 1324.1 et. seq, Oklahoma Statutes Annotated and is a political subdivision of the State of Oklahoma.

The District operates a water distribution and sewer service system for the communities of Addington and Hastings, Oklahoma, and a water distribution system over the remainder of its service area, which includes an area of approximately 1600 square miles in Jefferson, Stephens, Carter, Cotton, and Love Counties, Oklahoma. The District has installed its own water wells and purchases supplemental water from the cities of Comanche, Duncan, and Waurika, Oklahoma. In addition to service to individual consumers, the District provides water to the Corps of Engineers Waurika Project and the Towns of Loco, Healdton, Terral, and Wilson, Oklahoma, for their respective distribution systems.

The District’s basic financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP), as applied to enterprise funds. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District solely operates as a special-purpose government, which means it is only engaged in business-type activities. Accordingly, activities are reported in the District’s proprietary fund.

A. Financial Reporting Entity

The District complies with GASB Statement No. 14, as amended by GASB Statement No. 61, “The Financial Reporting Entity.” This statement establishes standards for defining and reporting on the financial reporting entity. It defines component units as legally separate organizations for which the elected officials of the primary government are financially accountable and other organizations for which the nature and significance of their relationship with a primary government are such that exclusion would cause the reporting entity’s financial statements to be misleading or incomplete.

The District considered all potential component units in determining what organizations should be included in the financial statements. Based on these criteria, there are no component units to include in the District’s financial statements.

B. Basis of Presentation

The District reports its activities as an enterprise fund. Enterprise funds are proprietary funds used to account for operations that are financed and operated in a manner similar to a private business enterprise, where the intent of the District is that the costs of providing a water distribution and

Consolidated Rural Water and Sewer District No. 1
Hastings, Oklahoma
Notes to Financial Statements
September 30, 2023

sewer service system to its customers on a continuing basis be financed or recovered primarily through user charges (water and sewer revenue) and similar funding.

C. Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe *which* transactions are recorded within the various financial statements. Basis of accounting refers to *when* transactions are recorded regardless of the measurement focus applied.

The proprietary funds utilize an “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net position.

All proprietary funds utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred, or the economic asset is used.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund’s principal ongoing operations. The principal operating revenue of the District’s enterprise fund is water service revenue. Operating expenses for enterprise funds include the cost of sales, salaries and related payroll taxes, administrative expenses, and others. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

D. Recent Accounting Pronouncements

Governmental Accounting Policies Adopted During Current Year

In June 2017, GASB issued Statement No. 87, *Leases* (GASB 87). GASB 87 defines a lease as a contract that conveys control of the right to use another entity’s nonfinancial asset (the underlying asset) as specified in the contract for a period of time in an exchange or exchange-like transaction. GASB 87 improves accounting and financial reporting for leases by governments by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under GASB 87, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments’ leasing activities. The District adopted GASB 87 on October 1, 2022, for the September 30, 2023, reporting year, which did not have a significant impact on the District’s financial statements.

Consolidated Rural Water and Sewer District No. 1
Hastings, Oklahoma
Notes to Financial Statements
September 30, 2023

In May 2020, GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements* (GASB 96). GASB 96 provides accounting and financial reporting guidance for the governmental end users of subscription-based information technology arrangements (SBITAs). GASB 96 defines an SBITA, establishes right-to-use assets and corresponding liabilities, and provides capitalization criteria and the note disclosures required for SBITAs. The District adopted GASB 96 on October 1, 2022, for the September 30, 2023, reporting year, which did not have a significant impact on the District's financial statements.

In April 2022, GASB issued Statement No. 99, *Omnibus 2022* (GASB 99). GASB 99 is a technical omnibus statement that addresses issues or concerns from previous statements that were discovered during implementation and application of those statements. GASB 99 covers several topics including but not limited to, financial guarantees, derivatives, leases, non-monetary transactions, future revenue pledges and terminology updates. The District adopted the sections that were effective immediately for the September 30, 2023, reporting year. The remaining sections will be adopted by the District for the September 30, 2024, reporting year, as required by GASB 99. The District does not expect GASB 99 to have a significant impact on the financial statements.

In June 2022, GASB issued Statement No. 100, *Accounting Changes and Error Corrections* (GASB 100). GASB 100 proscribes accounting and financial reporting for accounting changes and error corrections to the financial statements. GASB 100 defines what constitutes an accounting change versus a change in accounting principle or error correction and outlines the appropriate note disclosures in each circumstance. The District will adopt GASB 100 on October 1, 2023, for the September 30, 2024, reporting year. The District does not expect GASB 100 to have a significant impact on the financial statements.

In June 2022, GASB issued Statement No. 101, *Compensated Absences* (GASB 101). GASB 101 outlines the definition of compensated absences and sets forth the accounting and financial reporting for compensated absence liabilities. GASB 101 outlines that leave accrued should be measured using the employees pay rate at the financial statement date and that certain salary related payments, such as Social Security and Medicare, should be included in such measurement. The District will adopt GASB 101 on October 1, 2024, for the September 30, 2025, reporting year. The District has not determined the impact that GASB 101 will have on the financial statements.

E. Cash and Cash Equivalents

The District considers all bank deposits and highly liquid investments with a maturity date of 90 days or less at the time of purchase to be cash equivalents.

Bank deposits are held at several financial institutions and are carried at cost.

Consolidated Rural Water and Sewer District No. 1
Hastings, Oklahoma
Notes to Financial Statements
September 30, 2023

F. Investment and Investment Policy

The District has not adopted a formal investment policy. Oklahoma Statutes authorize the District to invest in certificates of deposit, repurchase agreements, passbooks, bankers' acceptances, and other available bank investments provided that all deposits are fully covered by approved securities pledged to secure those funds. In addition, the District can invest in direct debt securities of the United States unless such an investment is expressly prohibited by law.

Changes in fair value that occur during a fiscal year are recognized as investment income reported for that fiscal year. Investment income includes interest earnings, changes in fair value, and any gains or losses realized upon the liquidation or sale of investments.

G. Fair Value Measurements

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles.

The hierarchy is based on valuation inputs used to measure the fair value of the asset, as follows:

- Level 1: Valuation is based on quoted prices in active markets for identical assets.
- Level 2: Valuation is based on directly observable and indirectly observable inputs. These inputs are derived principally from or corroborated by observable market data through correlation or market-corroborated inputs. The concept of market-corroborated inputs incorporates observable market data such as interest rates and yield curves that are observable at commonly quoted intervals.
- Level 3: Valuation is based on unobservable inputs where assumptions are made based on factors such as prepayment rates, probability of defaults, loss severity and other assumptions that are internally generated and cannot be observed in the market.

H. Accounts Receivable

Billings for accounts receivable at September 30, 2023 were \$259,229. An allowance for doubtful accounts was not computed on this balance because management considers the entire amount to be fully collectible. Bad debt expenses, if applicable, are recorded by the specific charge-off method.

I. Inventory

The inventory of replacement parts and consumable supplies are recorded at cost. Inventory items are charged to expenses at the time the individual items are withdrawn from inventory or consumed.

Consolidated Rural Water and Sewer District No. 1

Hastings, Oklahoma Notes to Financial Statements September 30, 2023

J. Prepaid Expenses

Certain payments to insurance providers and other vendors reflect costs or deposits applicable to future accounting periods and are recorded as prepaid items in the basic financial statements.

K. Capital Assets

Capital assets purchased or acquired with an original cost of \$500 or more are reported at historical cost or estimated historical cost, net of accumulated depreciation. Capital assets costing less than \$500 per unit are charged to current expense. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Upon retirement or other disposition of capital assets the cost and related accumulated depreciation are removed from the respective balances and any gains or losses are recognized.

Depreciation is recorded on a straight-line basis over the estimated useful lives of the assets as follows:

Building	40 years
Water and Sewer System	40 years
Master Meters	20 years
Furniture and Fixtures	5 years
Machinery and Equipment	5-8 years
Transportation Equipment	3-5 years

L. Compensated Absences

The District's policy is to permit employees to accumulate earned vacation. Accumulated vacation time is accrued at year-end to account for the District's obligation to the employees for the amount owed. It is management's belief that the majority of the obligation will be utilized within the next fiscal year. Paid sick leave is not paid upon termination and is therefore not included in the calculation of the accrued compensated absences liability.

M. Long-Term Debt

In the financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position.

N. Concentration of Credit Risk

All users of the District's water services are located within the same geographic area within Jefferson County, Oklahoma.

Consolidated Rural Water and Sewer District No. 1
Hastings, Oklahoma
Notes to Financial Statements
September 30, 2023

O. Related Party Transactions

There were no material related party transactions with District officials or employees during the year ended September 30, 2023.

P. Use of Estimates

The preparation of the basic financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, deferred inflows of resources, and disclosures of contingent assets and liabilities at the date of the financial statements and the reported changes in net position during the reporting period. Actual results could differ from those estimates.

Q. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expenses/expenditure) until then. The District currently has no items that qualify for reporting as deferred outflows of resources.

In addition to liabilities, the financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and will not be recognized as in inflow of resources (revenues) until that time. The District currently has no items that qualify for reporting as deferred inflows of resources.

R. Net Position

The financial statements utilize a net position presentation. Net position is categorized as follows:

- a) Net Investment in Capital Assets Component of Net Position: This component of net position consists of capital assets, net of accumulated depreciation, and reduced by any debt outstanding against 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 is included in this component of net position.
- b) Restricted Component of Net Position: This component of net position consists of assets that have restrictions placed upon their use by external constraints imposed either by creditors (debt covenants), grantors, contributors, or laws and regulations of other governments or constraints imposed by law through enabling legislation.

Consolidated Rural Water and Sewer District No. 1
Hastings, Oklahoma
Notes to Financial Statements
September 30, 2023

- c) Unrestricted Component of Net Position: This component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of the net investment in capital assets or restricted component of net position.

It is the District's policy to first use restricted net position prior to the use of unrestricted net position when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

S. Budgetary Policies

The District adopts an annual non-appropriated budget for planning, control, and evaluation purposes. Budgetary control and evaluation are affected by comparisons of actual revenues and expenses with planned revenues and expenses for the period. Encumbrance accounting is not used to account for commitments related to unperformed contracts for construction and services.

T. Federal Income Tax

As a political subdivision of the State of Oklahoma, the District is exempt from federal and state income taxes.

U. Statement of Cash Flows

For the purposes of the statement of cash flows, the District considers all highly liquid investments, such as certificates of deposits and savings accounts, as cash equivalents. Certificates of deposit and other time deposits with an original maturity date of 90 days or less are considered cash equivalents.

V. Comparative Financial Statements

The comparative statement of net position and the comparative statement of revenue and expense for the years ended September 30, 2023 and 2022 are shown for supplementary and comparative purposes only.

NOTE 2 – CASH AND INVESTMENTS

The District's cash deposits consist of checking accounts, savings accounts, and certificates of deposits. These deposits are stated at cost. The District is authorized by state statute to invest in obligations of the United States of America.

At September 30, 2023, the carrying amount of the District's cash and cash equivalents and temporary investments were \$3,590,046.

Consolidated Rural Water and Sewer District No. 1
Hastings, Oklahoma
Notes to Financial Statements
September 30, 2023

The District's cash accounts at September 30, 2023 are detailed as follows:

Petty Cash Fund	\$	500
Checking/Savings Accts:		
First Farmers National Bank - Tower Acct		669,608 *
First Farmers National Bank - Operating Acct		659,639
First Farmers National Bank - Operating Hifi Acct		515,012
First Farmers National Bank - Construction Acct		365,088 *
First Farmers National Bank - CDBG Acct		324,522 *
First Bank & Trust Company - Membership		101,959 *
First Farmers National Bank - HiFi Acct		6,583 *
First Bank & Trust Company - Debit Card Acct		1,168
Total		<u>\$ 2,644,079</u>

* Interest Bearing Accounts

The District's restricted cash accounts at September 30, 2023 are detailed as follows:

Reserve Accounts		
First Bank & Trust Company - Reserve Accounts	\$	<u>356,394</u>
Total		<u>\$ 356,394</u>

The District has the following investments at September 30, 2023, which are legal investments under the Oklahoma Statutes:

Certificates of Deposit:

 Due within 90 days:

 1st Farmers CD #7039

 Maturity 11/16/2023, interest paid monthly at 0.30% \$ 100,000

 Total due within 90 days: \$ 100,000

Consolidated Rural Water and Sewer District No. 1
Hastings, Oklahoma
Notes to Financial Statements
September 30, 2023

Certificates of Deposit:

Due after 90 days:

1st Farmers CD #7902					
Maturity 06/21/2024, interest paid monthly at 0.25%				131,000	
1st Bank & Trust # 41630					
Maturity 03/29/2024, interest paid monthly at 0.30%				136,368	
Arvest CD # 237786					
Maturity 5/26/2024, interest paid quarterly at 0.20%				167,946	
Arvest CD# 480940277					
Maturity 06/12/2024, interest paid quarterly at 0.15%				54,259	
Total due after 90 days:					\$ 489,573

Deposit, Investment, and Interest Risks:

Custodial Credit Risk – Exposure to custodial credit risk related to deposits exists when the District holds deposits that are uninsured and uncollateralized; collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the District’s name; or collateralized without a written or approved collateral agreement. Exposure to custodial credit risk related to investments exists when the District holds investments that are uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the District’s name.

The District does not have a formal investment policy as it relates to custodial credit risk. Acceptable collateral is limited to U.S. Treasury securities and direct debt obligations of municipalities, counties, and school districts in the State of Oklahoma. As required by Federal 12 U.S.C.A., Section 1823(e), all financial institutions pledging collateral to the District must have a written collateral agreement approved by the board of directors or loan committee.

Custodial credit risk is the risk that in the event of a bank failure, the District’s deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk for their proprietary fund.

The temporary investment accounts with Arvest Bank are covered by FDIC insurance (up to \$250,000). The cash on deposit and the temporary investment accounts with First Farmers National Bank are not only covered by FDIC insurance (up to \$250,000) but also collateral pledges of up to \$3,242,993 to cover deposits in excess of the FDIC coverage. Also, the cash on deposit and the temporary investment accounts with First Bank and Trust are not only covered by FDIC insurance (up to \$250,000) but also collateral pledges of up to \$500,000 to cover deposits in excess of the FDIC coverage.

The District’s cash, deposits, and investments are classified in the following categories:

Consolidated Rural Water and Sewer District No. 1
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- A. Insured or collateralized with securities held by the entity or by its agent in the entity's name.
- B. Collateralized with securities held by the pledging financial institution's trust department or agent in the entity's name.
- C. Uncollateralized.

	A	B	C	Total
Cash and Temporary Investments	\$ 3,589,546	\$ 0	\$ 500	\$ 3,590,046

Investment Credit Risk – The District has no policy that limits its investment choices other than the limitations of state law, as follows:

- a. Direct obligations of the U.S. Government, its agencies and instrumentalities to which the full faith and credit of the U.S. Government is pledged, or obligations to the payment of which the full faith and credit of the State is pledged.
- b. Certificates of deposits or savings accounts that are either insured or secured with acceptable collateral with in-state financial institutions, and fully insured certificates of deposit or savings accounts in out-of-state financial institutions.
- c. With certain limitations, negotiable certificates of deposit, prime bankers' acceptances, prime commercial paper and repurchase agreements with certain limitations.
- d. County, municipal, or school district tax supported debt obligations, bond or revenue anticipation notes, money judgments, or bond or revenue anticipation notes of public trusts whose beneficiary is a county, municipality or school district.
- e. Notes or bonds secured by mortgage or trust deed insured by the federal Housing Administrator and debentures issued by the Federal Housing Administrator, and in obligations of the National Mortgage Association.
- f. Money market funds regulated by the SEC in which investments consist of the investments mentioned in the previous paragraphs (a-d).

Investment credit risk is the risk that an issuer or other counterpart to an investment will not fulfill its obligations. The District has no formal policy limiting investments based on credit rating but discloses any such credit risk associated with their investments by reporting the credit quality ratings of investments in debt securities as determined by nationally recognized statistical rating organizations rating agencies. Unless there is information to the contrary, obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk and do not require disclosure of credit quality.

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to

Consolidated Rural Water and Sewer District No. 1
Hastings, Oklahoma
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measure the fair value of the asset. Level 1 inputs are quoted prices in active markets identical assets; Level 2 inputs are significant other observable inputs. The valuations for Level 2 measurements are determined using quoted prices for similar assets or liabilities in active markets; Level 3 inputs are significant unobservable inputs.

The District invests \$598,573 in Certificate of Deposits.

Interest Rate Risk – This is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

NOTE 3 – ACCOUNTS RECEIVABLE

The District issues billings for water services at the end of the calendar month. The following includes the amount billed for water services not yet paid as of September 30, 2023:

	Accounts Receivable
Balance, October 1, 2022	\$ 223,235
Additions	35,994
Balance, September 30, 2023	\$ 259,229

NOTE 4 – INVENTORY

The District carries their inventory at cost. Their inventory is made of parts being held until use.

The balance of as September 30, 2023 is as follows:

	Inventory
Balance, October 1, 2022	\$ 73,643
Additions	33,062
Balance, September 30, 2023	\$ 106,705

NOTE 5 – PREPAID EXPENSES

The prepaid expense is made of insurances for employees and their facilities. The balance of their total prepaid insurance amount as of September 30, 2023 is as follows:

Consolidated Rural Water and Sewer District No. 1
Hastings, Oklahoma
Notes to Financial Statements
September 30, 2023

Balance, October 1, 2022	\$	44,716
Additions		0
Deletions		(4,802)
Balance, September 30, 2023	\$	39,914

NOTE 6 – CAPITAL ASSETS AND DEPRECIATION

Current year changes to capital assets were as follows:

	Balance 09/30/2022	Additions	Disposals	Balance 09/30/2023
<u>Capital Assets</u>				
Water & Sewer System	\$ 19,903,257	\$ 226,854	\$ 0	\$ 20,130,111
Transportation Equipment	321,864	142,616	(58,160)	406,320
Machinery & Equipment	158,035	64,163	0	222,198
Buildings	114,359	24,000	0	138,359
Office Equipment	34,157	1,269	0	35,426
Total	\$ 20,531,672	\$ 458,902	\$ (58,160)	\$ 20,932,414
<u>Accumulated Depreciation</u>				
Water & Sewer System	\$ 10,557,418	\$ 448,723	\$ 0	\$ 11,006,141
Transportation Equipment	213,498	48,570	(55,712)	206,356
Machinery & Equipment	139,876	6,141	0	146,017
Buildings	74,726	2,952	0	77,678
Office Equipment	22,937	2,381	0	25,318
Total	\$ 11,008,455	\$ 508,767	\$ (55,712)	\$ 11,461,510
Net Capital Assets	\$ 9,523,217			\$ 9,470,904

Total depreciation expense for the current year was \$508,767, which was charged against current operations.

NOTE 7 – ACCOUNTS PAYABLE

Accounts Payable is those amounts for goods or services received in September but not yet paid for as of September 30, 2023. The balance of their accounts payable is:

Consolidated Rural Water and Sewer District No. 1
Hastings, Oklahoma
Notes to Financial Statements
September 30, 2023

	Accounts Payable
Balance, October 1, 2022	\$ 111,878
Additions	0
Deletions	(60,507)
Balance, September 30, 2023	\$ 51,371

NOTE 8 – PAYROLL LIABILITIES

The District accrues a payroll liability and a liability for vacation pay or other compensated absences. Accrued payroll and compensated absences are reported as current liabilities in the statement of net assets.

Accrued payroll and compensated absences activity for the year ended September 30, 2023 is as follows:

	Accrued Payroll	Compensated Absences
Balance as of 10/01/2022	\$ 2,406	\$ 7,644
Additions	1,949	0
Deletions	0	(701)
Balance as of 09/30/2023	\$ 4,355	\$ 6,943

NOTE 9 – DEBT

Rural Development Administration

The total annual debt service requirements of the long-term mortgage notes to Rural Development Administration amounts to \$196,980 plus interest at 2.5-5.0% per annum, payable in total monthly payments of \$27,171.

Changes in total long-term debt for the Rural Development Administration loan for the current year were as follows:

Balance, September 30, 2022	\$ 4,133,749
Less, Current Year Principal Payments	(86,350)
Balance, September 30, 2023	\$ 4,047,399

The principal maturities for the succeeding five years and thereafter on the Rural Development Administration long-term debt will be approximately as follows:

Consolidated Rural Water and Sewer District No. 1
Hastings, Oklahoma
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September 30, 2023

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year Ended September 30, 2024	97,731	99,249	196,980
Year Ended September 30, 2025	100,203	96,777	196,980
Year Ended September 30, 2026	101,770	95,210	196,980
Year Ended September 30, 2027	104,266	92,714	196,980
Years Ended September 30, 2053	<u>3,643,429</u>	<u>1,291,151</u>	<u>4,934,580</u>
Total	<u>\$ 4,047,399</u>	<u>\$ 1,675,101</u>	<u>\$ 5,722,500</u>

Arvest Bank

The total annual debt service requirements of the long-term mortgage note to Arvest Bank amounts to \$35,569 plus interest at 4.25% per annum, payable in total monthly payments of \$5,502.

Changes in total long-term debt for the Arvest Bank loan for the current year were as follows:

Balance, September 30, 2022	\$ 356,727
Less, Current Year Principal Payments	<u>(31,473)</u>
Balance, September 30, 2023	<u>\$ 325,254</u>

The principal maturities for the succeeding five years and thereafter on the Arvest long-term debt will be approximately as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year Ended September 30, 2024	45,880	20,142	66,022
Year Ended September 30, 2025	47,868	18,154	66,022
Year Ended September 30, 2026	50,929	15,093	66,022
Year Ended September 30, 2027	53,005	13,017	66,022
Years Ended September 30, 2032	<u>127,572</u>	<u>30,641</u>	<u>158,213</u>
Total	<u>\$ 325,254</u>	<u>\$ 97,047</u>	<u>\$ 422,301</u>

Cash paid during the year for interest expense \$124,446.

NOTE 10 – PENSION ACCOUNTING

The District sponsors an employee deferred compensation plan under Section 457 of the Internal Revenue Code. All full time employees are eligible to participate, on a voluntary basis, with no waiting period requirements. Participating employees are 100% vested in all elected deferrals. Salary reductions under the plan may not exceed the lesser of \$7,500 or 1/3 of the participant's

Consolidated Rural Water and Sewer District No. 1
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Notes to Financial Statements
September 30, 2023

includable compensation. Employee contributions to the plan are made from payroll deductions from the participating employees. The District matches the employee contributions up to 4.5% of compensation contributed by the employee.

Costs of pension contributions for the current year were:

District	\$	11,189
Employees		14,937
Total	\$	26,126

Pension cost to the District for the past three years was:

09/30/2023	11,189
09/30/2022	10,566
09/30/2021	10,390
Total	\$ 32,145

Assets of the plan, which are invested in individual employee insurance annuity contracts, are not included in the financial statement of the District because of the fiduciary responsibility to use the plan assets only for the payment of benefits.

NOTE 11 – LEASES

The District engaged in a long-term lease with Standley Systems on February 8, 2019. This lease is a 60-month contract with monthly payments of \$230.26. As of September 30, 2023, the remaining lease balance of \$3,684 is below the materiality threshold.

NOTE 12 – LEGAL PROCEEDINGS

From time to time, the District is involved in certain legal proceedings arising in the normal course of business. In the opinion of management, the ultimate disposition of such proceedings will not have a material effect on the District’s financial statements.

NOTE 13 – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omission; injuries to employees; and natural disasters. Also, all personnel responsible for custody of cash were bonded during the fiscal year.

The District carries the following insurance coverage as protection against possible loss contingencies.

Consolidated Rural Water and Sewer District No. 1
Hastings, Oklahoma
Notes to Financial Statements
September 30, 2023

Rural Water Association Assurance Group
Officers and Directors Liability
Business Property Protection
General Liability
Automobile Protection
Fidelity Bond Coverage
Workers Compensation & Employers Liability

NOTE 14 – MANAGEMENT EVALUATION OF SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 15, 2023, the date which the financial statements were available to be issued.

Consolidated Rural Water and Sewer District No. 1

Hastings, Oklahoma

Budgetary Comparison Schedule

Year Ended September 30, 2023

	Budget	Actual	Over (Under) Budget
<u>Revenue</u>			
Water Revenue	\$ 2,208,000	\$ 2,194,200	\$ (13,800)
ODOT Revenue	200,000	179,720	(20,280)
Tower Maintenance	136,800	138,036	1,236
Construction Revenue	136,000	138,059	2,059
Benefit Unit Fees	70,000	79,102	9,102
Other Revenue	45,000	42,862	(2,138)
Penalty Revenue	30,000	28,867	(1,133)
Sewer Revenue	11,000	11,303	303
Interest Income	10,000	43,151	33,151
Meter Service Fees	8,000	6,328	(1,672)
Reactivation Fees	7,000	12,953	5,953
CDBG Grant Revenue	0	5,588	5,588
Gain on Sale of Asset	0	17,552	17,552
Total Revenue	2,861,800	2,897,721	35,921
<u>Cost of Sales</u>			
System Maintenance and Repairs	643,500	666,312	22,812
System Electricity	100,000	121,863	21,863
Water Purchased	90,000	56,072	(33,928)
Total Cost of Sales	833,500	844,247	10,747
Gross Revenue	2,028,300	2,053,474	25,174
<u>Operating Expense</u>			
Salaries and Related Payroll Taxes	492,000	531,368	39,368
Capital Improvements	300,000	0	(300,000)
Construction	245,000	0	(245,000)
ODOT Project Expense	200,000	195,141	(4,859)
Auto and Truck Expense	99,000	97,442	(1,558)
Employee Health and Pension Benefits	95,000	88,033	(6,967)
Insurance	68,300	59,688	(8,612)
Miscellaneous	64,000	72,873	8,873
Tools	50,000	3,938	(46,062)
Dues, Licenses, Fees, and Permits	35,000	20,106	(14,894)
Interest Expense	25,000	124,446	99,446
Office Supplies and Expense	22,000	12,130	(9,870)
Utilities and Telephone	19,500	15,842	(3,658)

Please see accompanying notes to the financial statements.

Consolidated Rural Water and Sewer District No. 1

Hastings, Oklahoma

Budgetary Comparison Schedule

Year Ended September 30, 2023

	<u>Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Accounting	15,000	13,097	(1,903)
Legal Expense	10,000	27,535	17,535
Leases-Equipment	5,000	11,709	6,709
Uniforms	2,500	3,321	821
Advertising	1,000	1,387	387
Grant Expense	0	34,440	34,440
Depreciation	0	508,767	508,767
Total Operating Expense	<u>1,748,300</u>	<u>1,821,263</u>	<u>72,963</u>
Transfers In	36,000	0	(36,000)
Net Revenue (Loss)	<u><u>\$ 316,000</u></u>	<u><u>\$ 232,211</u></u>	<u><u>\$ (83,789)</u></u>

Please see accompanying notes to the financial statements.

Consolidated Rural Water and Sewer District No. 1
Notes to Required Supplementary Information
Year Ended September 30, 2023

Note 1 – Budgets and Budgetary Accounting

The District’s annual operating budget represents appropriations as authorized by the Governing Board in accordance with the provisions of the Oklahoma statutes.

The District operates under the guidelines of the “Municipal Budget Act” which allows the Governing Board to prepare its budgets based upon its estimated revenue. In addition, revisions may be made to the budget throughout the year as authorized by the Governing Board. The legal level of control of the budget is the expenditure category. The expenditure categories required by the applicable state statutes are:

1. Personal Services
2. Maintenance and Operations
3. Capital Outlays

It is the District’s policy that all appropriations lapse at the end of the fiscal year.

The operating budgets of the grants cover the period designated in the grant documents. The District prepares its annual operating budget on the accrual basis of accounting, the same basis used to account for actual revenues and expenditures.

Consolidated Rural Water and Sewer District No. 1

Hastings, Oklahoma

Comparative Statement of Net Position

Years Ended September 30, 2023

	09/30/2023	09/30/2022	Increase (Decrease)
<u>Current Assets</u>			
Cash	\$ 2,644,079	\$ 2,596,464	\$ 47,615
Temp. Investments - Due Within 90 Days	100,000	0	100,000
Temp. Investments - Due After 90 Days	489,573	586,566	(96,993)
Net Accounts Receivable	259,229	223,235	35,994
Inventory	106,705	73,643	33,062
Prepaid Expense	39,914	44,716	(4,802)
Interest Receivable	187	32	155
<u>Fixed Assets</u>			
Water and Sewer System (Net)	9,123,970	9,345,838	(221,868)
Machinery and Equipment (Net)	76,181	18,159	58,022
Transportation Equipment (Net)	199,964	108,366	91,598
Office Equipment (Net)	10,108	11,220	(1,112)
Buildings (Net)	60,681	39,633	21,048
<u>Other Assets</u>			
Cash - Reserve Accounts	156,394	148,700	7,694
Cash & CD's - Reserve Accounts	200,000	200,000	0
Total Assets	\$ 13,466,985	\$ 13,396,572	\$ 70,413
<u>Current Liabilities</u>			
Current Portion of LT Debt	\$ 140,339	\$ 139,850	\$ 489
Accounts Payable	51,371	111,878	(60,507)
Compensated Absences	6,943	7,644	(701)
Payroll Taxes & Related Payables	20,820	5,539	15,281
Accrued Payroll	4,355	2,406	1,949
Accrued Interest Payable	566	566	0
<u>Long Term Liabilities</u>			
Notes Payable - Rural Development	4,047,399	4,133,746	(86,347)
Notes Payable - Arvest	325,254	356,727	(31,473)
Less: Current Portion	(140,339)	(139,850)	(489)
Total Liabilities	4,456,708	4,618,506	(161,798)
<u>Net Position</u>			
Invested in Capital Assets (Net)	5,098,251	5,032,743	65,508
Restricted for Debt Service	356,394	348,700	7,694
Unrestricted	3,555,632	3,396,623	159,009
Total Net Position	9,010,277	8,778,066	232,211
Total Liabilities and Net Position	\$ 13,466,985	\$ 13,396,572	\$ 70,413

Please see accompanying notes to the financial statements.

Consolidated Rural Water and Sewer District No. 1

Hastings, Oklahoma

Comparative Statement of Revenue and Expense

Year Ended September 30, 2023

	<u>Year Ended</u> <u>09/30/2023</u>	<u>Year Ended</u> <u>09/30/2022</u>	<u>(Increase)</u> <u>Decrease</u>
<u>Revenue</u>			
Water Revenue	\$ 2,194,200	\$ 2,107,350	\$ 86,850
Construction Revenue	138,059	134,817	3,242
Tower Maintenance	138,036	134,766	3,270
Benefit Unit Fees	79,102	108,594	(29,492)
Penalty Revenue	28,867	30,175	(1,308)
Other Revenue	42,862	70,059	(27,197)
Sewer Revenue	11,303	11,258	45
Reactivation Fees	12,953	6,470	6,483
Meter Service Fees	6,328	8,533	(2,205)
Total Revenue	<u>2,651,710</u>	<u>2,612,022</u>	<u>39,688</u>
<u>Cost of Sales</u>			
System Maintenance and Repairs	666,312	393,848	272,464
System Electricity	121,863	121,415	448
Water Purchased	56,072	135,697	(79,625)
Total Cost of Sales	<u>844,247</u>	<u>650,960</u>	<u>193,287</u>
Gross Operating Revenue	1,807,463	1,961,062	(153,599)
<u>Operating Expense</u>			
Depreciation	508,767	494,737	14,030
Salaries and Related Payroll Taxes	531,368	461,549	69,819
Employee Health and Pension Benefits	88,033	81,387	6,646
Other Repairs and Maintenance	0	112,335	(112,335)
Tools	3,938	0	3,938
Auto and Truck Expense	97,442	97,427	15
Insurance	59,688	56,263	3,425
Office Supplies and Expense	12,130	18,660	(6,530)
Dues, Licenses, Fees, and Permits	20,106	16,481	3,625
Utilities and Telephone	15,842	16,041	(199)
Miscellaneous	72,873	19,786	53,087
Accounting	13,097	11,256	1,841
Legal Expense	27,535	4,550	22,985
Leases-Equipment	11,709	5,852	5,857
Uniforms	3,321	3,239	82
Advertising	1,387	541	846
Total Operating Expense	<u>1,467,236</u>	<u>1,400,104</u>	<u>67,132</u>
Net Operating Revenue/(Loss)	340,227	560,958	(220,731)

Please see accompanying notes to the financial statements.

Consolidated Rural Water and Sewer District No. 1

Hastings, Oklahoma

Comparative Statement of Revenue and Expense

Year Ended September 30, 2023

	<u>Year Ended</u> <u>09/30/2023</u>	<u>Year Ended</u> <u>09/30/2022</u>	<u>(Increase)</u> <u>Decrease</u>
<u>Nonoperating Revenue / (Expense)</u>			
Grant Revenue	\$ 5,588	\$ 158,306	\$ (152,718)
ODOT Reimbursement	179,720	0	179,720
ODOT Project Expense	(195,141)	0	(195,141)
Interest Income	43,151	6,349	36,802
Gain on Disposal of Asset	17,552	5,900	11,652
Interest Expense	(124,446)	(127,672)	3,226
Grant Expense	<u>(34,440)</u>	<u>(749,737)</u>	<u>715,297</u>
Total Nonoperating Revenue / (Expense)	<u>(108,016)</u>	<u>(706,854)</u>	<u>598,838</u>
Net Revenue/(Loss)	232,211	(145,896)	378,107
Net Position, Beg of year	<u>8,778,066</u>	<u>8,923,962</u>	<u>(145,896)</u>
Net Position, End of Year	<u>\$ 9,010,277</u>	<u>\$ 8,778,066</u>	<u>\$ 232,211</u>

Please see accompanying notes to the financial statements.

Consolidated Rural Water and Sewer District No. 1
Hastings, Oklahoma
Community Development Block Grant
Revenue and Expenditures Compared with Budget
Year Ended September 30, 2023

	<u>Budget</u>	<u>Prior Year</u>	<u>Current Year</u>	<u>Total</u>	<u>(Over) Under Budget</u>
<u>Revenue</u>					
Grant Revenue	\$ 299,999	\$ 294,411	\$ 5,588	\$ 299,999	\$ 0
Grant Match	811,407	665,981	161,650	827,631	(16,224)
 Total Revenue	 1,111,406	 960,392	 167,238	 1,127,630	 (16,224)
<u>Expenditures</u>					
Construction	993,932	842,902	156,213	999,115	(5,183)
Engineering	63,474	53,953	0	53,953	9,521
Inspection	30,000	42,380	8,385	50,765	(20,765)
Administration	24,000	21,157	2,640	23,797	203
 Total Expenditures	 1,111,406	 960,392	 167,238	 1,127,630	 (16,224)
 <u>Revenue Over (Under) Expenditures</u>	 <u>\$ 0</u>	 <u>\$ 0</u>	 <u>\$ 0</u>	 <u>\$ 0</u>	 <u>\$ 0</u>

Contract No.: 18231 CDBG 18
Contract Period: 09/03/2021 - 09/02/2023

Please see accompanying notes to the financial statements.

Consolidated Rural Water and Sewer District No. 1
Hastings, Oklahoma
Community Development Block Grant
Revenue and Expenditures Compared with Budget
Year Ended September 30, 2023

	Budget	Current Year	(Over) Under Budget
<u>Revenue</u>			
Grant Revenue	\$ 600,000	\$ 0	\$ 600,000
Grant Match	600,000	0	600,000
Total Revenue	1,200,000	0	1,200,000
<u>Expenditures</u>			
Construction	1,200,000	0	1,200,000
Total Expenditures	1,200,000	0	1,200,000
<u>Revenue Over (Under) Expenditures</u>	\$ 0	\$ 0	\$ 0

CFDA: 14.228

Contract No.: 19159 CDBG 23

Contract Period: 07/31/2023 - 07/30/2025

Please see accompanying notes 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***

Board of Trustees
Consolidated Rural Water and Sewer District No. 1
Jefferson County
Hastings, Oklahoma

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 Consolidated Rural Water and Sewer District No. 1, as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 15, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Consolidated Rural Water and Sewer District No. 1'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 District's internal control. Accordingly, we do not express an opinion on the effectiveness of Consolidated Rural Water and Sewer District No. 1'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 identified one deficiency in internal control that we consider to be material weaknesses. Finding 2023-1. Additional material weaknesses may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Consolidated Rural Water and Sewer District No. 1'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.

Furrh & Associates, PC

FURRH & **A**SSOCIATES, PC

Lawton, Oklahoma

December 15, 2023

Consolidated Rural Water and Sewer District No. 1

Hastings, Oklahoma

Schedule of Findings

Year Ended September 30, 2023

Reportable Conditions of Internal Control, Compliance and Other Matters

2023-1 Lack of Management Oversight

Condition – Management did not perform any oversight of the accounting personnel.

Effect – The lack of oversight could result in unauthorized financial transactions that would go undetected.

Cause – Management lacks training in accounting principles.

Recommendation – We recommend that Management implement policies and procedures to increase oversight of the accounting functions. We also recommend that Management document compliance with these policies and procedures.

Management's Response –