

**RURAL WATER DISTRICT NO. 1  
PAWNEE COUNTY  
Cleveland, Oklahoma**

**BASIC FINANCIAL STATEMENTS  
December 31, 2023**

**RURAL WATER DISTRICT NO. 1  
PAWNEE COUNTY  
Cleveland, Oklahoma**

**December 31, 2023**

**BOARD OF DIRECTORS**

President	David Smith
Vice-President	Rick Rogers
Secretary	Al Wheeler
Treasurer	Bob Boyd
Member	Bobby Brown
Member	James Cannon
Member	Todd Weldon

**GENERAL MANAGER**

Zack Rogers

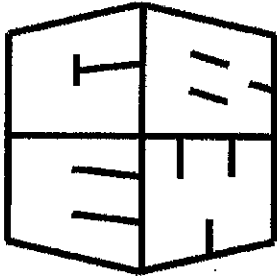
**BOOKKEEPER**

Michelle Welch

**RURAL WATER DISTRICT NO. 1  
PAWNEE COUNTY  
Cleveland, Oklahoma**

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## **CBEW Professional Group, LLP**

Certified Public Accountants

P.O. Box 790

Cushing, OK 74023

918-225-4216 FAX 918-225-4315

Charles E. Crooks, Jr., CPA – Trisha J. Rieman, CPA – Gabrielle Conchola, CPA

### **INDEPENDENT AUDITOR'S REPORT**

February 7, 2024

Board of Directors  
Rural Water District No. 1  
Pawnee County  
Cleveland, Oklahoma

#### ***Opinions***

We have audited the accompanying financial statements of the business-type activities of Rural Water District No. 1, Pawnee County, Cleveland, Oklahoma (the District), as of and for the years ended December 31, 2023 and 2022, and the related notes to the 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 Rural Water District No. 1, Pawnee County, Cleveland, Oklahoma as of December 31, 2023 and 2022, and the changes in financial position and cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinions***

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 District 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 District'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 the District'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 District'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 Matters***

***Required Supplementary Information***

The District has omitted Management's Discussion and Analysis that accounting principles generally accepted in the United States of America requires 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 (GASB), 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 opinions on the basic financial statements are not affected by this missing information.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated February 7, 2024, on our consideration of the Rural Water 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 to describe the scope of our testing of internal control over financial reporting and compliance and results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Rural Water District No. 1's internal control over financial reporting and compliance.

***CBEW Professional Group, LLP***

CBEW Professional Group, LLP  
Certified Public Accountants  
Cushing, Oklahoma

**RURAL WATER DISTRICT #1  
PAWNEE COUNTY  
Cleveland, Oklahoma**

**STATEMENT OF NET POSITION  
December 31, 2023 and 2022**

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<b>Assets:</b>		
Cash and cash equivalents (Note 1)	\$ 356,957	\$ 362,730
Investments	159,579	205,779
Restricted assets:		
Customer deposits (Note 1)	116,775	110,975
Receivables (net of allowance for uncollectible)	48,390	52,549
Prepaid expense	12,985	11,703
<b>Capital assets:</b>		
Water system, buildings, improvements and equipment, net of depreciation (Notes 1 & 3)	<u>435,533</u>	<u>363,780</u>
<b>Total assets</b>	<u>1,130,219</u>	<u>1,107,516</u>
<b>Deferred outflows of resources:</b>		
<b>Total deferred outflows</b>	<u>-</u>	<u>-</u>
<b>Current liabilities:</b>		
Accounts payable	21,135	35,349
Customer deposits	116,775	110,975
Current portion of notes payable (Note 3)	-	-
<b>Total current liabilities</b>	<u>137,910</u>	<u>146,324</u>
<b>Long-term liabilities:</b>		
Notes payable (Note 3)	<u>-</u>	<u>-</u>
<b>Total long-term liabilities</b>	<u>-</u>	<u>-</u>
<b>Total liabilities</b>	<u>137,910</u>	<u>146,324</u>
<b>Deferred inflows of resources:</b>		
<b>Total deferred inflows</b>	<u>-</u>	<u>-</u>
<b>Net position:</b>		
Net investment in capital assets	435,533	363,780
Temporarily restricted (Note 1)	-	-
Unrestricted	<u>556,776</u>	<u>597,412</u>
<b>Total net position</b>	<u>992,309</u>	<u>961,192</u>
<b>Total liabilities and net position</b>	<u>\$ 1,130,219</u>	<u>\$ 1,107,516</u>

The accompanying notes are an integral part of the basic financial statements.

**RURAL WATER DISTRICT #1  
PAWNEE COUNTY  
Cleveland, Oklahoma**

**STATEMENT OF ACTIVITIES  
For the Years Ended December 31, 2023 and 2022**

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<b>Revenues:</b>		
Water sales	\$ 707,184	\$ 716,675
Late charges	8,393	8,882
Miscellaneous income	48,991	41,770
	<hr/>	<hr/>
<b>Total revenues</b>	<b>764,568</b>	<b>767,327</b>
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<b>Expenses:</b>		
Bank charges	7,900	7,431
Contract services	3,500	43,300
Depreciation	44,800	40,730
Employee benefits	7,978	7,700
Insurance	63,179	60,575
Legal and professional	7,576	9,442
Licenses and permits	3,706	3,583
Miscellaneous	6,244	8,182
Office supplies and postage	14,930	12,171
Payroll taxes	22,206	20,950
Rental expense	63,491	57,702
Repair and maintenance	34,313	33,280
Salaries and payroll expenses	290,274	273,849
Supplies	111,077	68,485
Telephone	3,904	3,545
Travel	1,503	2,936
Utilities	25,052	18,908
Water treatment	37,764	43,642
	<hr/>	<hr/>
<b>Total expenses</b>	<b>749,397</b>	<b>716,411</b>
	<hr/>	<hr/>
<b>Operating income (loss)</b>	<b>15,171</b>	<b>50,916</b>
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<b>Other income and expense:</b>		
Interest income	1,446	533
Sale of assets	14,500	-
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<b>Total other income and expense</b>	<b>15,946</b>	<b>533</b>
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<b>Change in net position - net income (loss)</b>	<b>31,117</b>	<b>51,449</b>
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<b>Net position - beginning of year</b>	<b>961,192</b>	<b>909,743</b>
	<hr/>	<hr/>
<b>Net position - end of year</b>	<b>\$ 992,309</b>	<b>\$ 961,192</b>
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The accompanying notes are an integral part of the basic financial statements.

**RURAL WATER DISTRICT #1  
PAWNEE COUNTY  
Cleveland, Oklahoma**

**STATEMENT OF CHANGES IN NET POSITION  
For the Years Ended December 31, 2023 and 2022**

	<b>Net Position (Unrestricted)</b>	<b>Net Position (Temporarily Restricted)</b>	<b>Total Net Assets</b>
<b>Balance - beginning of year 12-31-22</b>	\$ 961,192	\$ -	\$ 961,192
Change in net position	31,117	-	31,117
<b>Balance - end of year 12-31-23</b>	\$ 992,309	\$ -	\$ 992,309
<b>Balance - beginning of year 12-31-21</b>	\$ 909,743	\$ -	\$ 909,743
Change in net position	51,449	-	51,449
<b>Balance - end of year 12-31-22</b>	\$ 961,192	\$ -	\$ 961,192

The accompanying notes are an integral part of the basic financial statements.



**RURAL WATER DISTRICT #1  
PAWNEE COUNTY  
Cleveland, Oklahoma**

**STATEMENT OF CASH FLOWS  
For the Years Ended December 31, 2023 and 2022**

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<b>Cash flows from operating activities:</b>		
Cash received from customers	\$ 768,727	\$ 752,928
Cash payments to suppliers for goods & contractors & other services	(720,093)	(667,160)
<b>Net cash provided by operating activities</b>	<u>48,634</u>	<u>85,768</u>
<b>Cash flows from capital and related financing activities:</b>		
Acquisition & construction of capital assets	(116,553)	(45,004)
Net change in meter deposits	5,800	8,150
Proceeds from sale of assets	14,500	-
<b>Net cash used in capital and related financing activities</b>	<u>(96,253)</u>	<u>(36,854)</u>
<b>Cash flows from investing activities:</b>		
(Purchase) liquidation of investments - unrestricted	46,200	(423)
Interest income	1,446	533
<b>Net cash provided by investing activities</b>	<u>47,646</u>	<u>110</u>
<b>Net increase (decrease) in cash</b>	27	49,024
<b>Cash and cash equivalents at beginning of year</b>	<u>473,705</u>	<u>424,681</u>
<b>Cash and cash equivalents at end of year</b>	<u>\$ 473,732</u>	<u>\$ 473,705</u>
<b>Reconciliation of operation income to net cash provided by operating activities:</b>		
Operating income (loss)	\$ 15,171	\$ 50,916
<b>Adjustments to reconcile net income to net cash provided by operating activities:</b>		
Depreciation	44,800	40,730
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	4,159	(14,399)
(Increase) decrease in prepaid expenses	(1,282)	(729)
Increase (decrease) in accounts payable	(14,214)	9,250
<b>Total adjustments</b>	<u>33,463</u>	<u>34,852</u>
<b>Net cash provided by operating activities</b>	<u>\$ 48,634</u>	<u>\$ 85,768</u>

The accompanying notes are an integral part of the basic financial statements.

**RURAL WATER DISTRICT NO. 1  
PAWNEE COUNTY  
Cleveland, Oklahoma**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
December 31, 2023 and 2022**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Rural Water District No. 1, Pawnee County, Oklahoma (the District), was created under the provisions of Title 82, O.S. 1981, Sections 1301-1321 on the 2<sup>nd</sup> day of January, 1970. The purpose of the District is to acquire water and water rights; to build and acquire pipelines and other facilities; and to operate the same for the purpose of providing water to serve the needs of owner and occupants of land located within the District, and others as authorized by the by-laws. The District is exempt from federal and state income taxes.

The District is governed by a Board of Directors that acts as the authoritative and legislative body of the entity. The Board of Directors is comprised of elected board members. All Board members serve without pay.

The more significant of the government's accounting policies are described below.

**A. Reporting Entity**

Rural Water District No. 1 is an independent, self-contained reporting entity with no associated component units. It is operated in a manner similar to a private business enterprise where the cost (expenses, including depreciation) of providing water services is financed through user charges.

**B. Measurement Focus, Basis of Accounting and Basis of Presentation – Fund Accounting**

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with Generally Accepted Accounting Principles (GAAP) promulgated in the United States of America. The accounting and financial reporting treatment is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operation are included on the statement of net position. The operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets. Depreciation expense is provided for capital assets based upon estimated useful lives.

Financial activity is accounted for on the flow of economic resources measurement focus using the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

**C. Assets, Liabilities and Equity**

**1. Deposits and Investments**

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.

All the bank deposits are held at one financial institution and are carried at cost. For purposes of statements of cash flows, the District considers cash and all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

**RURAL WATER DISTRICT NO. 1  
PAWNEE COUNTY  
Cleveland, Oklahoma**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
December 31, 2023 and 2022**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**C. Assets, Liabilities and Equity (Continued)**

**1. Deposits and Investments (Continued)**

*Custodial Credit Risk*

At December 31, 2023, the District held deposits of approximately \$633,311 at financial institutions. The District's cash deposits, including interest-bearing certificates of deposit, are entirely covered by Federal Depository Insurance (FDIC) or direct obligation of the U.S. Government insured or collateralized with securities held by the District or by its agent in the District's name. The District was under collateralized by \$222,928 at December 31, 2023.

*Investment Interest Rate Risk*

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.

*Investment Credit Risk*

The District has no policy that limits its investment choices other than the limitation 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 limitation, 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 and in which investments consist of the investments mentioned in the previous paragraphs (a.-d.).

The investments held at December 31, 2023 are as follows:

Type	Weighted Average Maturity (Months)	Credit Rating	Market Value	Cost
Investments				
Money Market	N/A	AAAm	\$ 473,732	\$ 473,732
CDs	18 Months		159,579	159,579
<b>Total investments</b>			<b>\$ 633,311</b>	<b>\$ 633,311</b>

**RURAL WATER DISTRICT NO. 1  
PAWNEE COUNTY  
Cleveland, Oklahoma**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
December 31, 2023 and 2022**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**C. Assets, Liabilities and Equity (Continued)**

**1. Deposits and Investments (Continued)**

*Concentration of Investment Credit Risk*

The District places no limit on the amount it may invest in any one issuer. The District has the following of credit risk: 75% in Money Market funds (\$473,732) and 25% in CDs (\$159,579).

**2. Restricted Cash and Investments**

The restricted cash is the result of certain funds are restricted for customer deposits and are reflected as an asset and a corresponding liability.

**3. Fair Value of Financial Instruments**

The District's financial instruments include cash and cash equivalents, accounts receivable, accounts payable and notes payable. The District's estimate of the fair value of all financial instruments does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying statement of net position. The carrying amount of these financial instruments approximates fair value because of the short maturity of these instruments.

**4. Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

**5. Inventories**

Inventories consist primarily of water stored in lines for use in the distribution process. Inventory is expensed when purchased.

**6. Capital Assets**

Additions to the water storage delivery system and other equipment are recorded at cost or, if contributed property, at their estimated acquisition value at time of contribution. Repairs and maintenance are recorded as expenses; renewals and betterments are capitalized. The District maintains a capitalization threshold of \$500 and an estimated useful life in excess of two (2) years.

**RURAL WATER DISTRICT NO. 1  
PAWNEE COUNTY  
Cleveland, Oklahoma**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
December 31, 2023 and 2022**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**C. Assets, Liabilities and Equity (Continued)**

**6. Capital Assets (Continued)**

Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

Water system	50 years
Buildings	39 years
Equipment	5-7 years
Vehicles	5 years
Office equipment	5 years

**7. Compensated Absences**

It is the District's policy to permit employees to accumulate earned but unused vacation time. Full-time employees are granted vacation and sick leave benefits in varying amounts to specified maximums depending on tenure. The District has not accrued compensated absences because the amount, if any, would not be material to the financial statements.

**8. Net Position**

In the basic financial statements, net position represents the difference between assets and liabilities. Net position invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvement of those assets.

**9. Resource Use Policy**

It is in the District's policy for all funds that when an expenditure/expense is incurred for purposes for which both restricted and unrestricted resources, including net positions, are available, the District considers restricted amounts to be spent first before any unrestricted amounts are used.

**D. Revenues, Expenses and Other Changes in Net Position**

**1. Operating Revenues and Expenses**

Operating revenues and expenses are principally from water sales and connection fees charged to new system subscribers. Customer water consumption is determined by monthly meter readings taken by the customer and once annually by District personnel. The water sales from subscriber water consumption billed but unpaid at the District's year-end are recognized as revenue in the current year and reported in the statement of net position as accounts receivable. Operating expense consist of those costs necessary to operate and maintain the water distribution system and for general administration of the District.

**2. Non-Operating Revenue and Expenses**

Non-operating revenues and expenses consist of investment earnings, interest expense incurred on the District's notes payable and gains and losses on sales or the abandonment of long-lived assets.

**RURAL WATER DISTRICT NO. 1  
PAWNEE COUNTY  
Cleveland, Oklahoma**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
December 31, 2023 and 2022**

**2. CAPTIAL ASSETS**

The following is a summary of changes in property, plant and equipment.

	Balance December 31, 2022	Additions	Deletions	Balance December 31, 2023
Land	\$ -	\$ -	\$ -	\$ -
Construction in progress	-	-	-	-
Water system	1,165,764	66,185	-	1,231,949
Buildings	137,704	-	-	137,704
Equipment	123,603	50,368	36,400	137,571
Vehicles	122,763	-	14,075	108,688
Office equipment	29,325	-	-	29,325
Total	<u>1,579,159</u>	<u>116,553</u>	<u>50,475</u>	<u>1,645,237</u>
Less accumulated depreciation	1,215,379	44,800	50,475	1,209,704
Net	<u>\$ 363,780</u>	<u>\$ 71,753</u>	<u>\$ -</u>	<u>\$ 435,533</u>

	Balance December 31, 2021	Additions	Deletions	Balance December 31, 2022
Land	\$ -	\$ -	\$ -	\$ -
Construction in progress	-	-	-	-
Water system	1,165,764	-	-	1,165,764
Buildings	137,704	-	-	137,704
Equipment	121,075	2,528	-	123,603
Vehicles	83,475	39,288	-	122,763
Office equipment	26,137	3,188	-	29,325
Total	<u>1,534,155</u>	<u>45,004</u>	<u>-</u>	<u>1,579,159</u>
Less accumulated depreciation	1,174,649	40,730	-	1,215,379
Net	<u>\$ 359,506</u>	<u>\$ 4,274</u>	<u>\$ -</u>	<u>\$ 363,780</u>

**RURAL WATER DISTRICT NO. 1  
PAWNEE COUNTY  
Cleveland, Oklahoma**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
December 31, 2023 and 2022**

**3. LONG-TERM DEBT**

No long-term debt has been issued by the District.

**4. RISK MANAGEMENT**

Rural Water District No. 1 is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District continues to carry commercial insurance for these risks, including general and auto liability, property damage, and public officials' liability. Settled claims resulting from these risks have not exceeded the commercial insurance coverage in any of the past three fiscal years.

**5. DEFERRED COMPENSATION AND PENSION PLAN**

The District offers a simple individual retirement plan for employees. The District has approved a contribution to the employee's Simple IRA account each month. Employees are allowed to contribute a portion of their own salary each month with a 3% match by the District. All amounts are 100% vested at the date of contribution. The District's contributions to the plan for December 31, 2023 and 2022 were \$7,978 and \$7,700.

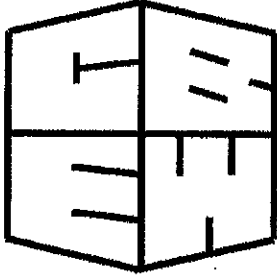
**6. UNRECORDED RECEIVABLE**

In April 2013, embezzlement took place and the amount was estimated to be \$98,625. The court ordered restitution payback in the amount of \$46,000. The District received \$2,700 and \$3,700 in 2023 and 2022 in restitution payments. The balance of the restitution as of December 31, 2023 and 2022 is \$15,110 and \$17,810. There is a probability that some or all of the remaining monies will not be recovered in future years so the receivable does not appear within the financial statements but income is recognized when received.

**RURAL WATER DISTRICT NO. 1  
PAWNEE COUNTY  
Cleveland, Oklahoma**

**REPORT REQUIRED BY *GOVERNMENT AUDITING STANDARDS*  
December 31, 2023**





**CBEW Professional Group, LLP**

Certified Public Accountants

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Cushing, OK 74023

918-225-4216 FAX 918-225-4315

Charles E. Crooks, Jr., CPA – Trisha J. Rieman, CPA – Gabrielle Conchola, CPA

**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**

February 7, 2024

Board of Directors  
Rural Water District No. 1  
Pawnee County  
Cleveland, 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 the Rural Water District No. 1, Pawnee County, Cleveland, Oklahoma (the District), as of and for the year ended December 31, 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 February 7, 2024. The District did not present the Management's Discussion and Analysis required by the Governmental Accounting Standards Board.

***Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing 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 the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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.

***Report on Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the District's financial statements are free of 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 financial statements. 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.

***CBEW Professional Group, LLP***

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