

**CHEROKEE COUNTY RURAL WATER DISTRICT NO. 1  
FORT GIBSON, OKLAHOMA**

**FINANCIAL STATEMENTS  
AND REPORTS OF INDEPENDENT AUDITOR**

**DECEMBER 31, 2023**

Audited by

**BLEDSON, HEWETT & GULLEKSON  
CERTIFIED PUBLIC ACCOUNTANTS, PLLLP**

**BROKEN ARROW, OK**

**CHEROKEE COUNTY RURAL WATER DISTRICT NO. 1  
FORT GIBSON, OKLAHOMA  
BOARD OF DIRECTORS  
DECEMBER 31, 2023**

**BOARD OF DIRECTORS**

**Chairman**

Tom Cole

**Vice-Chairman**

Ethan Kaopio

**Secretary/Treasurer**

Jeff Delmedico

**Members**

Nick Reich

Dean Williams

**Plant Manager**

Jason Graber

**Office Manager**

Jaci Taylor, CPA - NEO Accounting PLLC

**CHEROKEE COUNTY RURAL WATER DISTRICT NO. 1**  
**FORT GIBSON, OKLAHOMA**  
DECEMBER 31, 2023

TABLE OF CONTENTS

	<u>Page</u>
Board of Directors	1
Table of Contents	2
Independent Auditor's Report	3
Management's Discussion and Analysis	6
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	10
Disposition of Prior Year's Significant Deficiencies	12
Schedule of Audit Results	13
 <u>COMBINED FINANCIAL STATEMENTS:</u>	
Statement of Net Position	14
Statement of Revenues, Expenses and Changes in Net Position	15
Statement of Cash Flows	16
Notes to Financial Statements	17
 <u>OTHER SUPPLEMENTARY INFORMATION:</u>	
Schedule of Water Rates and Customers (unaudited)	22



## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Cherokee County Rural Water District No. 1  
Fort Gibson, Oklahoma

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

We have audited the accompanying financial statements of the business-type activities of the Cherokee County Rural Water District No. 1 (the District), Fort Gibson, Oklahoma, 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 as listed in the table of contents.

### *Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District as of December 31, 2023, and the respective changes in financial position and its 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 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 opinion.

### *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.

### ***Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 6 - 9 be presented to supplement the basic financial statements. Such 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. We have applied certain limited procedures to the required supplemental information 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 responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the 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.

The prior year “memorandum only” comparative information and the supplementary information on page 22 are presented for the purposes of additional analysis and are not a required part of the basic financial statements of the District. Such information has not been subjected to the auditing procedures applied in our audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated May 13, 2024, on our consideration of the District’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 District’s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District’s internal control over financial reporting and compliance.

***Bledsoe, Hewett & Gullekson***

Bledsoe, Hewett & Gullekson  
Certified Public Accountants, PLLLP

May 13, 2024

**RURAL WATER DISTRICT NO. 1, CHEROKEE COUNTY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**DECEMBER 31, 2023**

Our discussion and analysis of the Rural Water District No. 1, Cherokee County's financial performance provides an overview of the District's financial activities for the fiscal year ended December 31, 2023. Please read it in conjunction with the District's financial statements that begin on page 14.

**FINANCIAL HIGHLIGHTS:**

- The District's total operating revenues exceeded total operating expenses by \$38,494. Overall, the District's total net position increased by \$181,544 in the current fiscal year. The cash and cash equivalents decreased by \$31,608 in 2023.
- The District earned \$1,683 in interest earnings during 2023, which is \$1,391 more than the prior year.
- The District opened 3 new bank accounts to account for the various funding sources and uses for the ongoing Muskogee tie-in project.
- The District was awarded a \$4,671,972 grant from the U.S. Environmental Protection Agency (EPA) for various water system improvements that include water lines, pump station, water storage tank, and a line connection to Muskogee County RWD No. 7. The District will draw down on the funds as work is completed in 2024 and 2025.
- The District was awarded a \$100,000 Rural Infrastructure Grant from OWRA and DEQ for system improvements. The District received approximately \$50,000 from this grant in 2023 and received the additional funds in 2024.
- The District received approximately \$90,000 in funding from Cherokee Nation for various system improvements.
- The District continued to pay on their existing debt. An additional principal payment of \$37,500 was paid on the District's truck loan. The additional payment will allow for the loan to be paid off in 2024, two years earlier than originally scheduled. Funds were awarded from the Cherokee County Clerk's office as part of ARPA funding to make this payment.

**Using This Report**

This report is presented in a format consistent with the presentation requirements of the Governmental Accounting Standards Board (GASB) Statement No. 34, as applicable to the District's basis of accounting.

## **Basis of Accounting**

The District has elected to present its financial statements in the accrual basis of accounting. According to the accrual basis, revenues are recorded when earned and expenses are recognized when incurred. This policy is in accordance with generally accepted accounting principles.

## **The Financial Statements**

One of the most important questions asked about the District's finances is, "Is the District as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position, the Statement of Revenues, Expenses and changes in Net Position, and the Statement of Cash Flows report information about the District and about its activities in a way that helps answer this question.

These three statements report the District's net position and the changes in them. You can think of the District's net position – the difference between assets and liabilities – as one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net position are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in water rates paid or charged and the condition of the District's water system, to assess the overall health of the District.

The District has only one type of fund or activity, which is defined as *Business-type activities*. This is considered a proprietary fund. This means the District charges a fee to customers to help it cover all or most of the cost of certain services it provides.

## **Net Position, and Changes in Net Position**

The District's Net Position was higher in 2023, increasing from \$1,609,345 to \$1,790,889. Our analysis below focuses on the Net Position (Table 1) and Changes in Net Position (Table 2) of the District's business-type activities.

**Table 1 – Net Position:**

	<u>2023</u>	<u>2022</u>	<u>Variances</u>
Current and other assets	\$ 134,859	173,355	(38,496)
Capital assets, net	<u>1,862,014</u>	<u>1,701,299</u>	<u>160,715</u>
Total Assets	<u>\$ 1,996,873</u>	<u>1,874,654</u>	<u>122,219</u>
Current liabilities	\$ 52,684	51,310	(1,374)
Long-term liabilities	<u>153,300</u>	<u>213,999</u>	<u>60,699</u>
Total Liabilities	<u>\$ 205,984</u>	<u>265,309</u>	<u>59,325</u>
Invest. In capital assets, net of related debt	\$ 1,688,222	1,456,500	231,722
Restricted	37,760	41,341	(3,581)
Unrestricted	<u>64,907</u>	<u>111,504</u>	<u>(46,597)</u>
Total Net Position	<u>\$ 1,790,889</u>	<u>1,609,345</u>	<u>181,544</u>

Net Position of the District increased by 11.28 percent (\$1,790,889 compared to \$1,609,345). Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – decreased from \$111,504 to \$64,607.

**Table 2 – Changes in Net Position:**

	<u>2023</u>	<u>2022</u>	<u>Variances</u>
Revenues:			
Charges for services	\$ 368,446	323,853	44,593
Other revenue	147,608	646,211	(498,603)
Interest	<u>1,683</u>	<u>292</u>	<u>1,391</u>
Total Revenues	<u>517,737</u>	<u>970,356</u>	<u>(452,619)</u>
Expenses:			
Salaries, taxes and benefits	75,454	78,119	2,665
Maintenance and repairs	45,316	34,962	(10,354)
Other expenses	149,301	174,500	25,199
Depreciation	59,881	59,642	(239)
Interest on debt	<u>6,241</u>	<u>2,112</u>	<u>(4,129)</u>
Total Expenses	<u>336,193</u>	<u>349,335</u>	<u>13,142</u>
Changes in Net Position	181,544	621,021	(439,477)
Net Position, Beginning	<u>1,609,345</u>	<u>988,324</u>	<u>621,021</u>
Net Position, Ending	<u>\$ 1,790,889</u>	<u>1,609,345</u>	<u>181,544</u>

The District's total revenues decreased by 46.64 percent (\$452,619), mostly due to the grant funds received from the Cherokee Nation in 2022. The total cost of all services decreased by 3.76 percent (\$13,142).

### **Capital Assets**

At December 31, 2023, the District had \$1,862,014 invested in capital assets, net of depreciation, including land, buildings, the water system, pump stations, vehicles and equipment. Additional capital assets of \$220,596 were added during the 2023 fiscal year, which included a water line improvements, system improvements, a mower, and costs associated with the Muskogee RWD No. 7 tie-in project.

### **Long-Term Debt**

The District had one note with the Oklahoma Water Resources Board and one truck note with Armstrong Bank. The total outstanding loan balance decreased from \$244,799 to \$173,792 in 2023.

### **Economic Factors and Next Year's Budget and Rates**

For the upcoming fiscal year ending December 31, 2024 the District's projected budget is fairly consistent with the 2023 fiscal year.

This District will continue District-wide improvements related to the Muskogee tie-in project that are currently ongoing and being funded with the EPA grant. Completion of the \$4,671,972 project is expected in 2025.

For the fiscal year 2024, the District does not foresee any water rate increases. However, the District may have to increase rates to users in future years to meet the demands of the struggling economy. If demand is increased on existing lines and equipment, or additional memberships are substantially increased, it may be necessary for the District to incur some long-term debt to meet these demands.

### **Contacting the District**

This report is designed to provide our customers and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District Office at 21439 Hwy80, Fort Gibson, OK 74434, or call (918) 400-1043.



**BLEDSON, HEWETT & GULLEKSON**  
CERTIFIED PUBLIC ACCOUNTANTS, PLLLP

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**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 Directors  
Cherokee County Rural Water District No. 1  
Fort Gibson, Oklahoma

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Cherokee County Rural Water District No. 1 (the District), Fort Gibson, Oklahoma, 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 May 13, 2024.

**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 District's internal control. Accordingly, we do not express an opinion on the effectiveness of 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.

## **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, non-compliance 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.

*Bledsoe, Hewett & Gullekson*

Bledsoe, Hewett & Gullekson  
Certified Public Accountants, PLLLP

May 13, 2024

CHEROKEE COUNTY RURAL WATER DISTRICT NO. 1  
FORT GIBSON, OKLAHOMA  
DISPOSITION OF PRIOR YEAR'S SIGNIFICANT DEFECIENCIES  
DECEMBER 31, 2023

There were no prior year significant deficiencies.

**CHEROKEE COUNTY RURAL WATER DISTRICT NO. 1**  
**FORT GIBSON, OKLAHOMA**  
**SCHEDULE OF AUDIT RESULTS**  
**DECEMBER 31, 2023**

Section 1 – Summary of Auditor’s Results:

1. An unmodified opinion report was issued on the financial statements.
2. The audit did not identify any material weaknesses and did not report any significant deficiencies not considered to be material weaknesses in the internal controls over financial reporting.
3. The audit disclosed no instances of noncompliance, which are material to the financial statements.

Section 2 – Findings relating to the financial statements required to be reported in accordance with GAGAS:

NONE

Cherokee County Rural Water District No. 1  
Statement of Net Position  
December 31, 2023

<b><u>ASSETS:</u></b>	<b>2023</b>	<b>-Memorandum- -Only- 2022</b>
	<hr/>	<hr/>
Current assets:		
Cash	\$ 68,554	\$ 106,039
Accounts receivable	11,895	17,756
Prepaid insurance	1,780	2,176
Total current assets	<hr/> 82,229 <hr/>	<hr/> 125,971 <hr/>
Restricted assets:		
Restricted cash per contracts	4,168	0
Restricted cash with fiscal agent	9,458	7,749
Restricted investment with fiscal agents	33,592	33,592
Total restricted assets	<hr/> 47,218 <hr/>	<hr/> 41,341 <hr/>
Capital assets:		
Construction in progress	0	87,510
Property, plant and equipment	2,755,921	2,447,815
Less: accumulated depreciation	(893,907)	(834,026)
Total noncurrent assets	<hr/> 1,862,014 <hr/>	<hr/> 1,701,299 <hr/>
Other assets:		
Loan costs, net of amortization	<hr/> 5,412 <hr/>	<hr/> 6,043 <hr/>
<b>TOTAL ASSETS</b>	<hr/> <b>\$ 1,996,873</b> <hr/>	<hr/> <b>\$ 1,874,654</b> <hr/>
 <b><u>LIABILITIES:</u></b>		
Accounts payable	\$ 32,192	\$ 20,510
Notes payable - current portion	20,492	30,800
Notes payable - long-term portion	<hr/> 153,300 <hr/>	<hr/> 213,999 <hr/>
Total Liabilities	<hr/> 205,984 <hr/>	<hr/> 265,309 <hr/>
 <b><u>NET POSITION:</u></b>		
Net investment in capital assets	1,688,222	1,456,500
Restricted for debt service	37,760	33,592
Unrestricted assets	<hr/> 64,907 <hr/>	<hr/> 119,253 <hr/>
Total Net Position	<hr/> 1,790,889 <hr/>	<hr/> 1,609,345 <hr/>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<hr/> <b>\$ 1,996,873</b> <hr/>	<hr/> <b>\$ 1,874,654</b> <hr/>

The accompanying notes to the financial statements are an integral part of this statement

Cherokee County Rural Water District No. 1  
Statement of Revenues, Expenses and Changes in Net Position  
For The Year Ended December 31, 2023

	2023	-Memorandum- -Only- 2022
<b>Operating Revenues:</b>		
Water sales and other sales	\$ 368,446	\$ 323,853
<b>Operating Expenses:</b>		
Chemicals	19,660	21,196
Professional fees	19,333	22,771
Supplies and parts	30,649	42,992
Equipment rental	1,602	7,130
Insurance and bonds	24,222	16,128
Water purchased	1,056	1,216
Miscellaneous	2,766	670
Office supplies and postage	5,102	10,483
Dues and memberships	9,477	13,011
Repairs and contract labor	45,316	34,962
Salaries	69,775	72,232
Payroll taxes	5,679	5,887
Utilities and telephone	20,944	23,429
Vehicles	7,584	8,758
Water testing	6,275	5,490
Bad debt	0	595
Depreciation	59,881	59,642
Amortization	631	631
Total expenses from operations	329,952	347,223
Operating Income (Loss)	38,494	(23,370)
<b>Non-Operating Revenues (Expenses):</b>		
Interest income	1,683	292
Cherokee Nation grant	92,546	603,916
Other grants	55,062	42,295
Interest paid on long-term debt	(6,241)	(2,112)
Total non-operating revenues (expenses)	143,050	644,391
Change in Net Position	181,544	621,021
Total Net Position, beginning of period	1,609,345	988,324
<b>Total Net Position, end of period</b>	<b>\$ 1,790,889</b>	<b>\$ 1,609,345</b>

The accompanying notes to the financial statements are an integral part of this statement

Cherokee County Rural Water District No. 1  
Statement of Cash Flows  
For the Year Ended December 31, 2023

	2023	Memorandum Only 2022
<b>Cash Flows from Operating Activities:</b>		
Receipts from customers	\$ 364,612	\$ 323,853
Payments to employees	(69,775)	(72,232)
Payments to vendors	(177,892)	(196,089)
Net Cash Provided by Operating Activities	116,945	55,532
 <b>Cash Flows from Investing Activities:</b>		
Interest revenue	1,683	292
 <b>Cash Flows from Capital and Related Financing Activities:</b>		
Capital assets purchased	(220,596)	(664,969)
Cherokee Nation grant	92,546	603,916
Other grants	55,062	42,295
Loan proceeds	0	53,299
Interest expense on debt	(6,241)	(2,112)
Principal payments on debt	(71,007)	(22,996)
Adjustment to prior balances	0	(1,298)
Net Cash Provided by (used in) Capital and Related Financing Activities	(150,236)	8,135
 Net Increase (Decrease) in Cash	(31,608)	63,959
 Cash and cash equivalents, beginning of period	147,380	83,421
 <b>Cash and cash equivalents, end of period</b>	<b>\$ 115,772</b>	<b>\$ 147,380</b>
 <b>Reconciliation of operating income (loss) to net cash provided by operating activities:</b>		
Operating Income	\$ 38,494	\$ (23,370)
Adjustments to reconcile operating income to net cash provided (used by operating activities):		
Depreciation Expense	59,881	59,642
Amortization Expense	631	631
(Increase) decrease in accounts receivable	5,861	9,579
(Increase) decrease in prepaid expenses	396	(686)
Increase (decrease) in accounts payables	11,682	9,736
Net Cash Provided by Operating Activities	\$ 116,945	\$ 55,532

The accompanying notes to the financial statements are an integral part of this statement

**Cherokee County Rural Water District No. 1  
Fort Gibson, Oklahoma  
Notes to Financial Statements  
December 31, 2023**

**Note A – Significant Accounting Policies**

Organization

Cherokee County Rural Water District No. 1 (the District) is an Oklahoma rural water district organized under Title 82 of Oklahoma Statutes to provide water service to rural residents of Cherokee County, Oklahoma. The District is considered a political subdivision of the State of Oklahoma.

Basis of Accounting

The accrual basis of accounting is followed for all accounts. Revenues are recorded when earned and liabilities are recognized when incurred. This policy is in accordance with generally accepted accounting principles. The District has also complied with GASB Statement No. 34 financial reporting requirements.

Cash

The District’s accounts are with Firstar Bank and Armstrong Bank, Muskogee, Oklahoma, and are detailed as follows:

	December 31,	
	2023	2022
Operating account	\$ 88,058	344,658
Muskogee RWD #7 escrow	4,168	0
EPA grant (construction)	0	0
ORWA grants	5,230	0
Add: deposits in transit	606	0
Less: outstanding checks	(25,340)	(238,619)
<b>Total</b>	<b>\$ 72,722</b>	<b>106,039</b>

Investments

The bookkeeper is authorized by the Board of Directors to invest certain amounts of money from available funds. The types of investments available are specified in and limited by Oklahoma Statutes, which includes certificates of deposit and governmental securities. Investments are recorded on the financial records and in the financial statements at cost. Income from investments is recorded when collected.

**Cherokee County Rural Water District No. 1**  
**Fort Gibson, Oklahoma**  
**Notes to Financial Statements**  
**December 31, 2023**

Restricted Asset – Investment Reserves

In compliance with Oklahoma Water Resources Board Loan Agreement, the District is required to establish, fund and maintain a Debt Service Account and a Debt Service Reserve Account. These funds can only be used by the Local Trustee to pay the principal or, premium, if any, and interest on the note and any other indebtedness issued therewith as the same become due and payable. These accounts are fully funded as stipulated by Article 1.11 of the Loan Agreement. The reserve account funds have been deposited in an interest-bearing money market accounts at the Bank of Oklahoma, Oklahoma City, Oklahoma, which is insured by the federal government. At December 31, 2023, the restricted assets are detailed as follows:

Bank of Oklahoma, Tulsa, Oklahoma:	
Money Market account No. 83-6084-06-1, @.90%	\$ 33,592
Checking account No. 83-6084-06-1	<u>9,458</u>
Total	<u>\$ 43,050</u>

The District also holds \$4,168 in Armstrong Bank as part of an escrow agreement with Muskogee County RWD #7. The funds can be used to pay any past due balances owed to Muskogee County RWD #7 for water purchased by the District.

Collateral Pledged

All funds were adequately insured by the \$250,000 FDIC coverage per banking institution as of December 31, 2023.

Accounts Receivable

Billings for accounts receivable at December 31, 2023 were \$32,269. The amount of allowance for doubtful accounts was computed at \$20,374, or all accounts over 30 days past due. The net accounts receivable balance at December 21, 2023 was \$11,895.

Memorandum Totals

The “Memorandum Only” captions above the total columns mean that amounts are presented for overview information purposes only.

**Cherokee County Rural Water District No. 1**  
**Fort Gibson, Oklahoma**  
**Notes to Financial Statements**  
**December 31, 2023**

Federal Income Tax

The District is exempt from Federal and State income taxes.

Capital Assets

Capital assets are valued at cost, depreciation is computed by use of the straight line method. The estimated useful lives of these assets are as follows:

Land	N/A
Office furniture	5 years
Equipment & tools	5 years
Water & sewer system	40 years
Buildings	20-40 years
Computer equipment	3 years

The capital asset information for the District is shown below:

	12/31/2022			12/31/2023
	Amount	Additions	Deletions	Amount
Land	\$ 16,647	-	-	16,647
Water System	2,303,109	294,203	-	2,597,312
Bldg & Equip.	128,060	13,902	-	141,962
Constr in Progress	87,510	-	(87,510)	-
Less: Accumulated Depreciation	(834,026)	(59,881)	-	(893,907)
<b>Total</b>	<b>\$ 1,701,300</b>	<b>248,224</b>	<b>(87,510)</b>	<b>1,862,014</b>

**Cherokee County Rural Water District No. 1**  
**Fort Gibson, Oklahoma**  
**Notes to Financial Statements**  
**December 31, 2023**

**Note B – Long-term Debt**

Long-term debt as of December 31 is summarized as follows:

	2023	2022
Note FAP-98-0029-L, variable interest rate, mortgage payable to the Oklahoma Water Resource Board, required semi-annual installments, through August 15, 2030	\$ 173,100	191,500
Promissory Note #700072135 with Armstrong, Bank, Muskogee, OK, interest rate of 4.828% payable in monthly installments of \$1,225 until November 18, 2026 (Truck Loan)	692	53,299
Total Long-term debt	173,792	244,799
Less: current maturities	(20,492)	(30,800)
Total	\$ 153,300	213,999

The maturities for the next five years plus the total amount due thereafter are detailed as follows:

Year	Total	OWRB	Truck Loan
2024	\$ 20,492	19,800	692
2025	21,500	21,500	-
2026	23,300	23,300	-
2027	25,100	25,100	-
2028	27,200	27,200	-
2029-30	56,200	56,200	-
Total	\$ 173,792	173,100	692

**Cherokee County Rural Water District No. 1**  
**Fort Gibson, Oklahoma**  
**Notes to Financial Statements**  
**December 31, 2023**

**Note C – Contributed Capital**

In 2021, the District received \$84,750 in grant funds from OWRB, \$15,000 in grant funds from Cherokee Nation, and \$6,000 in other grant funds. In 2022, the District received \$603,916 in grant funds from Cherokee Nation and \$42,294 in other grant funds for system improvements. In 2023, the District received \$92,546 in grant funds from Cherokee Nation and \$55,062 in grant funds from OWRA.

**Note D – Insurance and Surety Bond Coverage**

At December 31, 2023, the District had appropriate coverage against all major perils.

**Note E – Subsequent Events**

Management has evaluated subsequent events through May 13, 2024 which is the date the financial statements were available to be issued and have determined that no additional information needs to be added to the financial statements.

**CHEROKEE COUNTY RURAL WATER DISTRICT NO. 1**  
**Schedule of Water Rates and Customers**  
**-Unaudited Information-**  
**December 31, 2023**

Water Rates (revised January 1, 2023)

Monthly minimum charge: \$45.00

0 – 1,000 gallons	=	\$8.00 per 1,000 gallons
1,000 – 2,000 gallons	=	\$9.00 per 1,000 gallons
2,001 – 3,000 gallons	=	\$10.00 per 1,000 gallons
3,001 – 4,000 gallons	=	\$11.00 per 1,000 gallons
4,001 – 5,000 gallons	=	\$12.00 per 1,000 gallons
5,001 – 6,000 gallons	=	\$14.00 per 1,000 gallons
6,001 – 7,000 gallons	=	\$16.00 per 1,000 gallons
7,001 – 8,000 gallons	=	\$18.00 per 1,000 gallons
8,001 – 9,000 gallons	=	\$18.00 per 1,000 gallons
9,001 – 10,000 gallons	=	\$18.00 per 1,000 gallons
10,001 – 11,000 gallons	=	\$20.00 per 1,000 gallons
11,001 – 12,000 gallons	=	\$20.00 per 1,000 gallons
12,001 – 13,000 gallons	=	\$20.00 per 1,000 gallons
13,001 – 14,000 gallons	=	\$20.00 per 1,000 gallons
14,001 – 15,000 gallons	=	\$20.00 per 1,000 gallons
15,001 – 16,000 gallons	=	\$22.00 per 1,000 gallons
16,001 – 17,000 gallons	=	\$22.00 per 1,000 gallons
17,001 – 18,000 gallons	=	\$22.00 per 1,000 gallons
18,001 – 19,000 gallons	=	\$22.00 per 1,000 gallons
19,001 – 20,000 gallons	=	\$22.00 per 1,000 gallons
20,000 + gallons	=	\$25.00 each 1,000 gal

Customers

The District had 331 active customer accounts at the close of the fiscal year.

Current membership/tap fee is \$2,500.



**BLEDSON, HEWETT & GULLEKSON**  
CERTIFIED PUBLIC ACCOUNTANTS, PLLLP

Eric M. Bledsoe, CPA  
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Christopher P. Gullekson, CPA

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May 13, 2024

Board of Directors  
Cherokee County Rural Water District No. 1  
Fort Gibson, Oklahoma

Dear Board of Directors:

The following section contains the observations and recommendations relayed to management that are immaterial control deficiencies, which we feel need to be communicated to you so that appropriate action may be taken to correct these deficiencies. These items are not included in your audit report, as they are not considered material in nature. They are simply observations of some immaterial findings that could evolve into material findings if not addressed or corrected.

Board Minutes

We observed that the 2024 calendar of meeting dates was not submitted to the Cherokee County Clerk's office until January 9, 2024. Oklahoma Statutes require that each governing board provide written notice to the County Clerk of all upcoming meetings for each calendar year by December 15<sup>th</sup> of the previous year.

We take this opportunity to thank you and your professional staff for the outstanding cooperation and invaluable assistance you gave us during our recent onsite audit work.

Sincerely,

Christopher P. Gullekson

For

Bledsoe, Hewett & Gullekson  
Certified Public Accountants, PLLLP