

**CHOCTAW COUNTY RURAL WATER
AND SEWER DISTRICT NO. 1**

GRANT, OKLAHOMA

FINANCIAL STATEMENTS AND AUDITOR'S REPORT

YEAR ENDED OCTOBER 31, 2022

Audited by

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

BROKEN ARROW, OK

CHOCTAW COUNTY RURAL WATER AND SEWER DISTRICT NO. 1
BOARD OF DIRECTORS
OCTOBER 31, 2022

BOARD OF DIRECTORS

Chairperson	Susan Brewer
Vice-Chairperson	Kooney Duncan
Secretary/Treasurer	Odis Brewer
Member	Glenn Clark
Member	Kenneth McMillian

MANAGER

Charles W. Motes

Bookkeeper

Traci Dickieson

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BLEDSON, HEWETT & GULLEKSON
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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Choctaw County Rural Water and Sewer District No. 1
Grant, Oklahoma

Report on the Audit of the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Choctaw County Rural Water and Sewer District No. 1 (the District), Grant, Oklahoma, as of and for the year ended October 31, 2022, 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 October 31, 2022, 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 5 - 8 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 21 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 December 2, 2022, 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

December 2, 2022

RURAL WATER AND SEWER DIST#1, CHOCTAW COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS

OCTOBER 31, 2022

Our discussion and analysis of the Rural Water & Sewer Dist#1, Choctaw County's financial performance provides an overview of the District's financial activities for the fiscal year ended October 31, 2022. Please read it in conjunction with the District's financial statements that begin on page 12.

FINANCIAL HIGHLIGHTS

- The District has over 900 users on its system.
- The District's Net position increased \$16,943 for the current fiscal year.
- The District's operating revenues exceeded operating expenses by \$66,064. During the 2021-22 fiscal year, the District actually brought in \$913,066 and spent \$847,002, plus \$68,994 in capital asset additions.

Using This Report

This annual 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 Statement

One of the most important questions asked about the District's finances is, "Is the District as a whole better 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 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 position. Over time, increases 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 Districts Net Position was higher in 2021-22, increasing from \$1,614,297 to \$1,631,240. Our analysis below focuses on the Net Position (Table1) and in Net position (Table 2) of the District's business-type activities.

Table 1- Net Position:

	2021-22	2020-21	Variances
Current and other assets	\$ 515,046	522,340	(7,294)
Capital assets, net	2,609,216	2,689,829	(80,613)
Total Assets	<u>\$ 3,124,262</u>	<u>3,212,169</u>	<u>(87,907)</u>
Current liabilities	\$ 115,780	120,426	4,646
Long-term liabilities	1,377,242	1,477,446	100,204
Total Liabilities	<u>\$ 1,493,022</u>	<u>1,597,872</u>	<u>104,850</u>
Invest. In capital assets, net of related debt	\$ 1,130,326	1,111,089	19,237
Restricted	101,648	101,294	354
Unrestricted	399,266	401,914	(2,648)
Total Net Position	<u>\$ 1,631,240</u>	<u>1,614,297</u>	<u>16,943</u>

Net Position of the District increased by 1.04% (\$1,631,240 compared to \$1,614,297). 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 \$401,914 to \$399,266.

Table 2- Changes in Net position:

	<u>2021-22</u>	<u>2020-21</u>	<u>Variances</u>
Revenues:			
Charges for services	\$ 876,023	813,907	62,116
Other revenue	45,443	24,774	20,669
Interest	632	653	(21)
PPP loan forgiveness	-	64,017	(64,017)
Total Revenues	<u>\$ 922,098</u>	<u>903,351</u>	<u>18,747</u>
Expenses:			
Salaries, taxes and benefits	\$ 285,984	286,864	880
Maintenance and repairs	206,770	215,765	8,995
Other expenses	201,583	200,457	(1,126)
Depreciation / Amortization	152,665	139,821	(12,844)
Interest on debt	58,153	59,764	1,611
Total Expenses	<u>\$ 905,155</u>	<u>902,671</u>	<u>(2,484)</u>
Changes in Net Position	16,943	680	16,263
Net Position, Beginning	<u>1,614,297</u>	<u>1,613,617</u>	<u>680</u>
Net Position, Ending	<u>\$ 1,631,240</u>	<u>1,614,297</u>	<u>16,943</u>

The District's total revenue increased by 2.07 percent (\$18,747). The total cost of all expenses increased by .28 percent (\$2,484).

Capital Assets

At October 31, 2022, the District had \$2,609,216 invested in capital assets, net of depreciation, including land, the water system, treatment plant, vehicles and equipment. In 2021-22, the District added \$68,994 in additions to capital assets, including pumps, meters, and a new truck. The District considers any item purchased in excess of \$1,000, and a useful life of over three years, to be classified as a capital asset.

Long-Term Debt

The District has outstanding Revenue Bonds with Oklahoma Water Resources Board. These bonds were incurred to pay off prior debt, and make various improvements and expansions over the years. On October 31, 2022, the District had outstanding long-term debt of \$1,410,000. The District also has a lease-purchase financing agreement for a backhoe with an outstanding balance of \$68,890. The balances of these debts are shown in detail in the notes section of this audit report on page 19.

Economic Factors and Next Year's Budget and Rates

For the upcoming fiscal year ending October 31, 2023, the District's operating budget is fairly consistent with prior years. Further water and sewer rates and service increases could be necessary due to economic factors.

Contacting the District's Financial Management

This financial report is designed to provide our customers and creditors with a general overview of the District's finances and to show 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 P.O. Box 63, Grant, OK or call (580) 326-7777



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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
Choctaw County Rural Water and Sewer District No. 1
Grant, 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 Choctaw County Rural Water and Sewer District No. 1 (the District), Grant, Oklahoma, as of and for the year ended October 31, 2022, 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 2, 2022.

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

December 2, 2022

CHOCTAW COUNTY RURAL WATER AND SEWER DISTRICT NO.1
DISPOSITION OF PRIOR YEAR'S SIGNIFICANT DEFICIENCIES
OCTOBER 31, 2022

There were no prior year significant deficiencies.

CHOCTAW COUNTY RURAL WATER AND SEWER DISTRICT NO. 1
SCHEDULE OF AUDIT RESULTS, FINDINGS AND QUESTIONED COSTS
OCTOBER 31, 2022

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 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

CHOCTAW COUNTY RURAL WATER AND SEWER DISTRICT NO. 1
STATEMENT OF NET POSITION
OCTOBER 31, 2022

	October 31,	
	2022	(Memo Only) 2021
<u>ASSETS-</u>		
Current Assets:		
Cash on hand	\$ 100	\$ 100
Cash in bank	167,988	167,615
Investments	188,563	188,093
Accounts receivable	67,281	66,531
Supplies Inventory	24,318	24,318
Prepaid insurance	11,461	17,452
Total current assets	<u>459,711</u>	<u>464,109</u>
Non-Current Assets:		
Bond trustee accounts	11,629	11,467
Bond issuance costs (net)	43,706	46,764
Total non-current assets	<u>55,335</u>	<u>58,231</u>
Capital Assets:		
Office furniture and fixtures	45,364	45,364
Equipment and tools	346,159	346,159
Transportation equipment	245,436	203,942
Water and sewer system	4,636,888	4,609,388
Buildings	85,941	85,941
Land and water rights	96,745	96,745
Total capital assets	5,456,533	5,387,539
Less accumulated depreciation	(2,847,317)	(2,697,710)
Total capital assets (net)	<u>2,609,216</u>	<u>2,689,829</u>
TOTAL ASSETS	<u>\$ 3,124,262</u>	<u>\$ 3,212,169</u>
<u>LIABILITIES-</u>		
Current Liabilities:		
Accounts payable	\$ 14,132	\$ 19,132
Current portion of debt due within one year	101,648	101,294
Total current liabilities	<u>115,780</u>	<u>120,426</u>
Non-Current Liabilities:		
Long-term debt	1,377,242	1,477,446
Total Liabilities	<u>1,493,022</u>	<u>1,597,872</u>
<u>NET POSITION-</u>		
Net investment in capital assets	1,130,326	1,111,089
Restricted for debt service	101,648	101,294
Unrestricted	399,266	401,914
Total Net Position	<u>1,631,240</u>	<u>1,614,297</u>
TOTAL LIABILITIES & NET POSITION	<u>\$ 3,124,262</u>	<u>\$ 3,212,169</u>

The accompanying notes are an integral part of the financial statements

CHOCTAW COUNTY RURAL WATER AND SEWER DISTRICT NO. 1
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED OCTOBER 31, 2022

	<u>2021-22</u>	<u>(Memo Only) 2020-21</u>
Revenue from Operations:		
Water sales	\$ 840,836	\$ 790,561
Sewer sales	35,187	23,346
Other	37,043	17,405
Total revenue from operations	<u>913,066</u>	<u>831,312</u>
Expenses from Operations:		
Salaries	266,851	266,639
Taxes	19,133	20,225
Professional fees	4,686	4,736
Contract labor	14,945	26,106
Utilities	38,139	31,954
Insurance	79,071	72,830
Repairs and maintenance	103,340	106,802
Supplies and materials	103,430	108,963
Vehicles (gas and oil)	30,186	29,586
Telephone	5,868	5,319
Office materials and supplies	21,619	19,663
Water purchases	178	427
Depreciation	149,607	136,763
Amortization	3,058	3,058
Postage	4,655	4,774
Retirement	2,236	5,062
Total expenses from operations	<u>847,002</u>	<u>842,907</u>
Net Income (Loss) from Operations	66,064	(11,595)
Non-Operating Income/Expense:		
Interest revenue	632	653
Memberships	8,400	7,369
PPP loan forgiveness	0	64,017
Interest expense on debt payments	(58,153)	(59,764)
Total non-operating income/expense	<u>(49,121)</u>	<u>12,275</u>
Change in net position - net income (loss)	16,943	680
Net Position - beginning of year	<u>1,614,297</u>	<u>1,613,617</u>
Net Position - end of year	<u><u>\$ 1,631,240</u></u>	<u><u>\$ 1,614,297</u></u>

The accompanying notes are an integral part of the financial statements

CHOCTAW COUNTY RURAL WATER AND SEWER DISTRICT NO. 1
STATEMENT OF CASH FLOWS
FOR YEAR ENDED OCTOBER 31, 2022

	2021-22	(Memo Only) 2020-21
Cash Flows from Operating Activities:		
Cash received from customers	\$ 912,316	\$ 843,146
Cash payments to employees	(266,851)	(266,639)
Cash payments to suppliers for goods and contractors and other services	(426,495)	(440,433)
Net Cash Provided by Operating Activities	<u>218,970</u>	<u>136,074</u>
Cash Flows from Investing Activities:		
Capital assets sold (purchased)	(68,994)	(60,500)
Membership units	8,400	12,000
Interest and dividends	632	653
Net Cash Provided by Investing Activities	<u>(59,962)</u>	<u>(47,847)</u>
Cash Flows from Capital and Related Financing Activities:		
Bond trustee accounts liquidated (added)	(162)	(10,743)
Interest payments on debt	(58,153)	(59,764)
Principal payments on debt	(99,850)	(80,000)
Net Cash Provided by Capital and Related Financing Activities	<u>(158,165)</u>	<u>(150,507)</u>
Net increase (decrease) in cash and cash equivalents	843	(62,280)
Cash & cash equivalents, beginning of period	<u>355,808</u>	<u>418,088</u>
Cash & cash equivalents, end of period	<u>\$ 356,651</u>	<u>\$ 355,808</u>
 Reconciliation of operating income (loss) to net cash provided by operating activities:		
Operating income (loss)	\$ 66,064	\$ (11,595)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation and amortization expense	152,665	139,821
(Increase) decrease in accounts receivable	(750)	4,465
(Increase) decrease in prepaid expenses	5,991	(7,104)
(Decrease) increase in accounts payable	(5,000)	10,487
Net cash provided by operating activities	<u><u>\$ 218,970</u></u>	<u><u>\$ 136,074</u></u>

The accompanying notes are an integral part of the financial statements

CHOCTAW COUNTY RURAL WATER AND SEWER DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2022

Note A – Significant Accounting Policies

Nature of Organization

The Choctaw County Rural Water and Sewer District No. 1 (the District) was created under the provisions of Title 82 of Oklahoma Statutes, Section 1324.1 – 1324.35 and the Laws of the State of Oklahoma. The purpose of this District is to provide water and sewer services to users.

Basis of Accounting

The accrual basis of accounting is followed for all accounts. Revenues are recorded when earned and accrued liabilities are recognized when incurred. This policy is in accordance with generally accepted accounting principles.

Cash

The District's operating accounts are with FirstBank in Hugo, Oklahoma and Ameristate Bank in Atoka, Oklahoma, and, at October 31, 2022, are detailed as follows:

Savings account (included in "investments")	\$ 982
Water and Sewer account (FirstBank)	67,757
Water and Sewer account (Ameristate)	131,401
Less: outstanding checks	<u>(31,170)</u>
Total	<u><u>\$ 168,970</u></u>

Investments

All investments are recorded at cost. Investments at October 31, 2022, are detailed as follows:

Bancfirst, Hugo, Oklahoma	
Certificate of Deposit No. 45463, dated 9-23-22, due 9-23-23, @ 1.25%	<u><u>\$ 187,581</u></u>

CHOCTAW COUNTY RURAL WATER AND SEWER DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2022

Note A – Significant Accounting Policies – cont’d

Accounts Receivable

Billings for accounts receivable (water and sewer) at October 31, 2022 were \$67,281. An allowance for doubtful accounts was not computed on this balance. The direct write-off method is used by the District for bad accounts, which is not materially different from computing an allowance.

Inventory

Supplies inventory is valued at the lower of cost or market, using the FIFO method (first in, first out).

Capital Assets

Capital (“fixed”) assets are valued at cost; depreciation is computed by use of the straight-line method. The activity for capital assets (any item over \$1,000) are as follows:

	11/1/2021 Amount	Additions	Deletions	10/31/2022 Amount
Office furn. & fixt.	\$ 45,364	-	-	45,364
Equipment & tools	346,159	-	-	346,159
Transportation equip.	203,942	41,494	-	245,436
Water & sewer sys.	4,609,388	27,500	-	4,636,888
Buildings	85,941	-	-	85,941
Land & water rights	96,745	-	-	96,745
Total Fixed Assets	5,387,539	68,994	-	5,456,533
Less: Accumulated Depreciation	(2,697,710)	(149,607)	-	(2,847,317)
Total	\$ 2,689,829	(80,613)	-	2,609,216

Federal Income Tax

The District is exempt from federal and state income taxes.

Statement of Cash Flows

For purposes of the statement of cash flows, the District considers all highly liquid investments, such as certificates of deposit and savings accounts, as cash equivalents.

CHOCTAW COUNTY RURAL WATER AND SEWER DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2022

Note B – Cash 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.

Bank deposits are held at several financial institutions 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.

Custodial Credit Risk - At October 31, 2022, the District held deposits of approximately \$387,721 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.

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 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 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).

Note C – Accumulated Unpaid Vacation and Sick Pay

At October 31, 2022, no determination of the aggregate dollar value of vacation or sick pay had been made.

CHOCTAW COUNTY RURAL WATER AND SEWER DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2022

Note D – Long-Term Debt

Long-term debt at October 31, 2022, is summarized as follows:

Series 2017 Promissory Note to Oklahoma Water Resources Board, dated June 6, 2017, totaling \$1,815,000 variable interest rates, payable in semi-annual principal and interest installments, final payment due Sept. 15, 2035	\$ 1,410,000
Lease-Purchase agreement for a backhoe with SNB Bank, dated Sept. 23, 2020, totaling \$101,036, 2.15% interest rate, payable in monthly principal and interest installments of \$1,497, final payment due Sept. 23, 2026	<u>68,890</u>
Total long-term debt	<u>\$ 1,478,890</u>

The estimated maturities for long-term debt mortgages for the next five (5) years, and in total thereafter, are detailed as follows:

Year Ending October 31,	Principal	Interest	Total
2023	\$ 101,648	52,756	154,404
2024	107,009	49,674	156,683
2025	107,379	46,424	153,803
2026	112,854	43,166	156,020
2027	100,000	39,000	139,000
2028-32	560,000	128,430	688,430
2033-37	390,000	25,280	415,280
Total	<u>\$ 1,478,890</u>	<u>384,730</u>	<u>1,863,620</u>

Restricted Assets

Under the terms of the 2017 loan agreement, the District must maintain restricted funds. The loan agreement requires the District to maintain trustee accounts in the form of a debt service fund and a construction fund. The funds are held at The Bank of Oklahoma. The balances of these accounts as of October 31, 2022 were \$11,629 in the debt service fund, and \$0 in the construction fund. A debt service reserve fund is not required as long as the District maintains a debt coverage ratio of 1.40 times (instead of the usual 1.25 times). If the District does not maintain a debt coverage ratio of 1.40 times or higher, they would have to fund a debt service reserve account within 24 months.

CHOCTAW COUNTY RURAL WATER AND SEWER DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2022

Note D – Long-Term Debt – cont'd

Debt Service Coverage Calculation:

Income from operations	\$ 66,064
Add:	
Depreciation and amortization	152,665
Membership fees	-
Interest income	632
Income available for debt service	<u>\$ 219,361</u>
Debt service:	
Interest expense	\$ 58,153
Principal payments	99,850
Total debt service requirements	<u>\$ 158,003</u>
Debt service coverage ratio	<u>1.4</u>

Note E – Subsequent Events

Management has evaluated subsequent events through December 2, 2022, 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.

CHOCTAW COUNTY RURAL DISTRICT NO. 1
Schedule of Water Rates and Customers
-Unaudited Information-
October 31, 2022

Water Rates

0 – 1,000 gallons	=	\$40.00
2,000 gallons	=	\$42.75
3,000 gallons	=	\$47.75
4,000 – 8,000 gallons	=	\$53.75 + \$6.00 per 1,000 gallons over 4,000
9,000+ gallons	=	\$84.65 + \$6.90 per 1,000 gallons over 9,000

Sewer Rates

0 – 1,000 gallons	=	\$18.04
1,000+ gallons	=	\$18.04 + .63 per 1,000 gallons

Customers

The District had 912 water customers and 92 sewer customers at the close of the fiscal year.

Costs

Benefit unit cost is \$1,000 residential and \$1,400 commercial
Membership fee only is \$100
Reconnect fee is \$75



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December 2, 2022

Mr. Charles Motes, Manager
Choctaw County Rural Water & Sewer District No. 1
Grant, Oklahoma

Dear Mr. Motes:

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.

Financial Reporting

During our audit, we observed several key accounting functions are not properly ran through the District's accounting software. It appears that some monthly District obligations, such as employee health insurance, were not recorded as an expense in the software. In addition, although customer payments are recorded in the software, the corresponding revenue recognition entry is not recorded in the software. This resulted in revenue amounts reported on the operating statement each month that did not reflect the actual revenues collected. We recommend that the District bookkeeper consider different procedures for recording the District transactions. One suggested procedure would be to have the operating statement each month reflect the actual banking transactions for that month. The revenues on the operating statement should match the total deposits from the bank statement and the expenditures should match the total checks/withdrawals from the bank statement. The bank statement should then be attached to the operating statement each month and reviewed by the Board. These procedures would more closely resemble a cash basis of bookkeeping and will ensure accurate financial information is reported. Another alternative would be to record every transaction in the software and classify each transaction using double entry accounting methods. While the District does have the software available for this type of reporting, additional training would need to be provided so that all transactions are recorded properly. This is a repeat finding.

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,

A handwritten signature in black ink, appearing to read 'C. P. Gullekson', with a stylized, flowing script.

Christopher P. Gullekson

For

Bledsoe, Hewett & Gullekson
Certified Public Accountants, PLLLP