

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

GRANT, OKLAHOMA

FINANCIAL STATEMENTS AND AUDITOR'S REPORT

YEAR ENDED OCTOBER 31, 2023

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, 2023

BOARD OF DIRECTORS

Chairperson	Susan Brewer
Vice-Chairperson	Glenn Clark
Secretary/Treasurer	Odis Brewer
Member	Larry Henson
Member	Dewight Kos

MANAGER

Charles W. Motes

Bookkeeper

Traci Dickieson

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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, 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 October 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 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 November 27, 2023 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

November 27, 2023

# **RURAL WATER AND SEWER DIST#1, CHOCTAW COUNTY**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**OCTOBER 31, 2023**

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, 2023. Please read it in conjunction with the District's financial statements that begin on page 13.

### **FINANCIAL HIGHLIGHTS**

- The District has over 900 users on its system.
- The District's Net Position increased \$82,766 for the current fiscal year.
- The District's operating revenues exceeded operating expenses by \$99,807. During the 2022-23 fiscal year, the District actually brought in \$1,003,165 and spent \$956,358.
- The District increased sewer rates and installation fees in 2022-23.

### **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 District's Net Position was higher in 2022-23 increasing from \$1,631,240 to \$1,714,006. Our analysis below focuses on the Net Position (Table 1) and in Net position (Table 2) of the District's business-type activities.

**Table 1- Net Position:**

	<u>2022-23</u>	<u>2021-22</u>	<u>Variances</u>
Current and other assets	\$ 636,100	515,046	121,054
Capital assets, net	<u>2,536,886</u>	<u>2,609,216</u>	<u>(72,330)</u>
Total Assets	<u>\$ 3,172,986</u>	<u>3,124,262</u>	<u>48,724</u>
Current liabilities	\$ 135,123	115,780	(19,343)
Long-term liabilities	<u>1,323,857</u>	<u>1,377,242</u>	<u>53,385</u>
Total Liabilities	<u>1,458,980</u>	<u>1,493,022</u>	<u>34,042</u>
Invest. In capital assets, net of related debt	1,098,680	1,130,326	(31,646)
Restricted	138,750	101,648	37,102
Unrestricted	<u>476,576</u>	<u>399,266</u>	<u>77,310</u>
Total Net Position	<u>1,714,006</u>	<u>1,631,240</u>	<u>82,766</u>
Total Liab & Net Pos.	<u>\$ 3,172,986</u>	<u>3,124,262</u>	<u>116,808</u>

Net Position of the District increased by 5.07% (\$1,714,006 compared to \$1,631,240). 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, increased from \$399,266 to \$476,576.



**Table 2- Changes in Net position:**

	<u>2022-23</u>	<u>2021-22</u>	<u>Variances</u>
Revenues:			
Charges for services	\$ 1,019,023	876,023	143,000
Other revenue	32,808	37,043	(4,235)
Memberships	20,183	8,400	11,783
Interest	4,295	632	3,663
Total Revenues	<u>1,076,309</u>	<u>922,098</u>	<u>154,211</u>
Expenses:			
Salaries, taxes and benefits	\$ 323,961	285,984	(37,977)
Maintenance and repairs	271,345	206,770	(64,575)
Insurance	67,945	79,071	11,126
Vehicle expenses	43,903	30,186	(13,717)
Other expenses	87,656	92,326	4,670
Depreciation / Amortization	157,214	152,665	(4,549)
Interest on debt	41,519	58,153	16,634
Total Expenses	<u>\$ 993,543</u>	<u>905,155</u>	<u>(88,388)</u>
Changes in Net Position	82,766	16,943	65,823
Net Position, Beginning	<u>1,631,240</u>	<u>1,614,297</u>	<u>16,943</u>
Net Position, Ending	<u>\$ 1,714,006</u>	<u>1,631,240</u>	<u>82,766</u>

The District's total revenue increased by 16.72 percent (\$154,211). Increased sewer fees and membership fees helped to stabilize the 2022-23 budget for increased costs. The total cost of all expenses increased by 9.76 percent (\$88,388).

### **Capital Assets**

At October 31, 2023 the District had \$2,536,886 invested in capital assets, net of depreciation, including land, the water system, treatment plant, vehicles and equipment. In 2022-23 the District added \$81,826 in additions to capital assets, including pumps and meters, and two new trucks. 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, 2023 the District had outstanding long-term debt of \$1,325,000. The District also had a lease-purchase financing agreement for a backhoe with an outstanding balance of \$52,242. In 2022-23 the District lease-purchased two trucks, and traded in two older vehicles. The outstanding balances for these two trucks

was \$60,964. 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, 2024 the District's operating budget is fairly consistent with prior years. Attempts are being made to obtain grant funding for system upgrades and for drilling a new well. Water and sewer rates and service increases could be necessary in the future due to current 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, 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 November 27, 2023.

**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

November 27, 2023

CHOCTAW COUNTY RURAL WATER AND SEWER DISTRICT NO.1  
DISPOSITION OF PRIOR YEAR'S SIGNIFICANT DEFICIENCIES  
OCTOBER 31, 2023

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, 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 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, 2023**

	October 31,	
	2023	(Memo Only) 2022
<b><u>ASSETS-</u></b>		
Current Assets:		
Cash on hand	\$ 100	\$ 100
Cash in bank	230,579	167,988
Investments	189,926	188,563
Accounts receivable	121,330	67,281
Supplies Inventory	36,234	24,318
Prepaid insurance	3,705	11,461
Total current assets	<u>581,874</u>	<u>459,711</u>
Non-Current Assets:		
Bond trustee accounts	13,578	11,629
Bond issuance costs (net)	40,648	43,706
Total non-current assets	<u>54,226</u>	<u>55,335</u>
Capital Assets:		
Office furniture and fixtures	45,364	45,364
Equipment and tools	354,159	346,159
Transportation equipment	306,969	245,436
Water and sewer system	4,649,181	4,636,888
Buildings	85,941	85,941
Land and water rights	96,745	96,745
Total capital assets	5,538,359	5,456,533
Less accumulated depreciation	(3,001,473)	(2,847,317)
Total capital assets (net)	<u>2,536,886</u>	<u>2,609,216</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 3,172,986</u></b>	<b><u>\$ 3,124,262</u></b>
<b><u>LIABILITIES-</u></b>		
Current Liabilities:		
Accounts payable	\$ 20,774	\$ 14,132
Current portion of debt due within one year	114,349	101,648
Total current liabilities	<u>135,123</u>	<u>115,780</u>
Non-Current Liabilities:		
Long-term debt	1,323,857	1,377,242
Total Liabilities	<u>1,458,980</u>	<u>1,493,022</u>
<b><u>NET POSITION-</u></b>		
Net investment in capital assets	1,098,680	1,130,326
Restricted for debt service	138,750	101,648
Unrestricted	476,576	399,266
Total Net Position	<u>1,714,006</u>	<u>1,631,240</u>
<b>TOTAL LIABILITIES &amp; NET POSITION</b>	<b><u>\$ 3,172,986</u></b>	<b><u>\$ 3,124,262</u></b>

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, 2023**

	<u>2022-23</u>	<u>(Memo Only)</u> <u>2021-22</u>
<b>Revenue from Operations:</b>		
Water sales	\$ 908,737	\$ 840,836
Sewer sales	110,286	35,187
Other	32,808	37,043
Total revenue from operations	<u>1,051,831</u>	<u>913,066</u>
<b>Expenses from Operations:</b>		
Salaries	301,441	266,851
Taxes	22,520	19,133
Professional fees	10,451	4,686
Contract labor	3,261	14,945
Utilities	34,634	38,317
Insurance	67,945	79,071
Repairs and maintenance	80,795	103,340
Supplies and materials	190,550	103,430
Vehicles (gas and oil)	43,903	30,186
Telephone	6,192	5,868
Office	22,348	21,619
Depreciation	154,156	149,607
Amortization	3,058	3,058
Postage	6,832	4,655
Retirement	3,938	2,236
Total expenses from operations	<u>952,024</u>	<u>847,002</u>
Net Income (Loss) from Operations	99,807	66,064
<b>Non-Operating Income/Expense:</b>		
Interest revenue	4,295	632
Memberships	20,183	8,400
Interest expense on debt payments	(41,519)	(58,153)
Total non-operating income/expense	<u>(17,041)</u>	<u>(49,121)</u>
Change in net position - net income (loss)	82,766	16,943
Net Position - beginning of year	<u>1,631,240</u>	<u>1,614,297</u>
<b>Net Position - end of year</b>	<u><b>\$ 1,714,006</b></u>	<u><b>\$ 1,631,240</b></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, 2023**

	<u>2022-23</u>	<u>(Memo Only)</u> <u>2021-22</u>
<b>Cash Flows from Operating Activities:</b>		
Cash received from customers	\$ 821,749	\$ 912,316
Cash payments to employees	(301,441)	(266,851)
Cash payments to suppliers for goods and contractors and other services	(503,180)	(426,495)
Net Cash Provided by Operating Activities	<u>205,454</u>	<u>218,970</u>
<b>Cash Flows from Investing Activities:</b>		
Capital assets sold (purchased)	(81,826)	(68,994)
Membership units	20,183	8,400
Interest and dividends	4,295	632
Net Cash Provided by Investing Activities	<u>(57,348)</u>	<u>(59,962)</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>		
Added lease-purchase debt	61,533	0
Interest payments on debt	(41,519)	(58,315)
Principal payments on debt	(102,217)	(99,850)
Net Cash Provided by Capital and Related Financing Activities	<u>(82,203)</u>	<u>(158,165)</u>
Net increase (decrease) in cash and cash equivalents	65,903	843
Cash & cash equivalents, beginning of period	<u>356,651</u>	<u>355,808</u>
Cash & cash equivalents, end of period	<u><u>\$ 422,554</u></u>	<u><u>\$ 356,651</u></u>
<b>Reconciliation of operating income (loss) to net cash provided by operating activities:</b>		
Operating income (loss)	\$ 99,807	\$ 66,064
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation and amortization expense	157,214	152,665
(Increase) decrease in accounts receivable	(54,049)	(750)
(Increase) decrease in supplies inventory	(11,916)	0
(Increase) decrease in prepaid insurance	7,756	5,991
(Decrease) increase in accounts payable	6,642	(5,000)
Net cash provided by operating activities	<u><u>\$ 205,454</u></u>	<u><u>\$ 218,970</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, 2023**

**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. The Board of Directors consists of five members.

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 Antlers, Oklahoma and at October 31, 2023 are detailed as follows:

Water and Sewer account	\$ 219,725
Emergency account	39,800
Less: outstanding checks	<u>(28,946)</u>
Total	<u><u>\$ 230,579</u></u>

The District closed a savings account in 2022-23 and opened an Emergency Account with funds from the Water and Sewer Account.

Investments

All investments are recorded at cost. Investments at October 31, 2023 are detailed as follows:

FirstBank, Antlers, Oklahoma	
Certificate of Deposit No. 45463, dated 9-23-23, due 9-23-24 @ 4.5%	<u><u>\$ 189,926</u></u>

**CHOCTAW COUNTY RURAL WATER AND SEWER DISTRICT NO. 1**  
**NOTES TO FINANCIAL STATEMENTS**  
**OCTOBER 31, 2023**

**Note A – Significant Accounting Policies – cont'd**

**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, 2023 the District held deposits of approximately \$449,451 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).

**CHOCTAW COUNTY RURAL WATER AND SEWER DISTRICT NO. 1**  
**NOTES TO FINANCIAL STATEMENTS**  
**OCTOBER 31, 2023**

**Note A – Significant Accounting Policies – cont’d**

Accounts Receivable

Billings for accounts receivable (water and sewer) at October 31, 2023 were \$121,330. 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:

	11/1/2022 Amount	Additions	Deletions	10/31/2023 Amount
Office furn. & fixt.	\$ 45,364	-	-	45,364
Equipment & tools	346,159	8,000	-	354,159
Transportation equip.	245,436	61,533	-	306,969
Water & sewer sys.	4,636,888	12,293	-	4,649,181
Buildings	85,941	-	-	85,941
Land & water rights	96,745	-	-	96,745
<b>Total Fixed Assets</b>	<b>5,456,533</b>	<b>81,826</b>	<b>-</b>	<b>5,538,359</b>
Less: Accumulated Depreciation	<u>(2,847,317)</u>	<u>(154,156)</u>	<u>-</u>	<u>(3,001,473)</u>
<b>Total</b>	<b><u>\$ 2,609,216</u></b>	<b><u>(72,330)</u></b>	<b><u>-</u></b>	<b><u>2,536,886</u></b>

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, 2023**

**Note B – Accumulated Unpaid Vacation and Sick Pay**

At October 31, 2023 no determination of the aggregate dollar value of vacation or sick pay had been made.

**Note C – Long-Term Debt**

The following is a summary of the long-term debt transactions of the District for the year ended October 31, 2023:

	Loans Payable	Capital Leases	Total
Balance, Nov. 1, 2022	\$ 1,410,000	68,890	1,478,890
Additions	-	61,533	61,533
Retirements	(85,000)	(17,217)	(102,217)
Balance, Oct. 31, 2023	<u>\$ 1,325,000</u>	<u>113,206</u>	<u>1,438,206</u>

Long-term debt at October 31, 2023 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	\$ 1,325,000
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	52,242
Lease-Purchase agreement for a 2022 Nissan Truck with Crysler Capital, dated Aug. 31, 2023, totaling \$31,960, at 14.28% interest, payable in monthly principal and interest installments of \$677, final payment due Sept. 15, 2029	31,673
Lease-Purchase agreement for a 2023 Dodge Truck with Crysler Capital, dated Aug. 31, 2023, totaling \$29,573, at 12.39% interest, payable in monthly principal and interest installments of \$587, final payment due Sept. 15, 2029	<u>29,291</u>
Total long-term debt	<u>\$ 1,438,206</u>

**CHOCTAW COUNTY RURAL WATER AND SEWER DISTRICT NO. 1**  
**NOTES TO FINANCIAL STATEMENTS**  
**OCTOBER 31, 2023**

**Note C – Long-Term Debt – cont'd**

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

Year Ending October 31,	Principal	Interest	Total
2024	\$ 114,349	57,419	171,768
2025	115,762	53,126	168,888
2026	122,427	48,581	171,008
2027	110,935	43,119	154,054
2028	117,492	37,362	154,854
2028-32	592,241	108,923	701,164
2033-37	265,000	12,800	277,800
Total	<u>\$ 1,438,206</u>	<u>361,330</u>	<u>1,799,536</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, 2023 were \$13,578 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.

**Debt Service Coverage Calculation:**

Income from operations	\$ 99,807
Add:	
Depreciation and amortization	157,214
Membership fees	20,183
Interest income	4,295
Income available for debt service	<u>\$ 281,499</u>
Debt service:	
Interest expense	\$ 57,419
Principal payments	114,349
Total debt service requirements	<u>\$ 171,768</u>
Debt service coverage ratio	<u>1.6</u>

**Note D – Subsequent Events**

Management has evaluated subsequent events through November 27, 2023 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, 2023**

**Water Rates**

0 – 2,000 gallons	=	\$40.00
2,000 – 3,000 gallons	=	\$42.75
3,000 – 8,000 gallons	=	\$47.75 + \$6.00 per 1,000 gallons
8,000+ gallons	=	\$77.75 + \$6.90 per 1,000 gallons

**Sewer Rates**

0 – 2,000 gallons	=	\$20.04
2,000 – 3,000 gallons	=	\$21.79 + 2.75 per 1,000 gallons
3,000 – 6,000 gallons	=	\$24.54 + 3.75 per 1,000 gallons
6,000 – 8,000 gallons	=	\$35.79 + 4.00 per 1,000 gallons
8,000 – 10,000 gallons	=	\$43.79 + 4.00 per 1,000 gallons
10,000 – 15,000 gallons	=	\$51.79 + 4.00 per 1,000 gallons
15,000 – 18,000 gallons	=	\$71.79 + 4.25 per 1,000 gallons
18,000 – 25,000 gallons	=	\$84.54 + 4.25 per 1,000 gallons
25,000 – 35,000 gallons	=	\$114.29 + 4.50 per 1,000 gallons
35,000 – 45,000 gallons	=	\$159.29 + 4.50 per 1,000 gallons
45,000+ gallons	=	\$204.29 + 5.00 per 1,000 gallons

**Customers**

The District had 920 water and sewer customers at the close of the fiscal year.

**Costs**

Benefit unit cost is \$1,250 residential and \$1,650 commercial  
Membership fee only is \$100  
Reconnect fee is \$125