

**Choctaw County Rural Water and Sewer District No. 1
Grant, Oklahoma**

**Financial Statements
and Reports of Independent Auditor**

October 31, 2024

Audited by

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

Broken Arrow, OK

Choctaw County Rural Water and Sewer District No. 1
Grant, Oklahoma
October 31, 2024

BOARD OF DIRECTORS

Chairperson

Susan Brewer

Vice-Chairperson

Glenn Clark

Secretary

Odis Brewer

Members

Larry Henson

Dewight Kos

FIELD MANAGER

Charles Motes

BOOKKEEPER

Jackie Anderson

Choctaw County Rural Water and Sewer District No. 1
Grant, Oklahoma
October 31, 2024

TABLE OF CONTENTS

	<u>Page</u>
Board of Directors	1
Table of Contents	2
Independent Auditor's Report	3-5
Management's Discussion and Analysis	6-9
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	10-11
Disposition of Prior Year's Significant Deficiencies and Material Instances of Noncompliance	12
Schedule of Audit Results, Findings & Questioned Costs	13
 <u>Combined Financial Statements:</u>	
Statement of Net Position	14
Statement of Revenue, Expenses and Changes in Net Position	15
Statement of Cash Flows	16
Notes to Financial Statements	17-21
 <u>Other Supplementary Information:</u>	
Schedule of Water Rates and Customers (unaudited)	22



BLEDSON, HEWETT & GULLEKSON
CERTIFIED PUBLIC ACCOUNTANTS, PLLLP

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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, 2024, 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, 2024, 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 January 13, 2025, 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

January 13, 2025

CHOCTAW COUNTY RURAL WATER AND SEWER DISTRICT NO. 1

MANAGEMENT'S DISCUSSION AND ANALYSIS

OCTOBER 31, 2024

Our discussion and analysis of Choctaw County Rural Water and Sewer District No. 1's financial performance provides an overview of the District's financial activities for the fiscal year ended October 31, 2024. Please read it in conjunction with the District's financial statements that begin on page 14.

FINANCIAL HIGHLIGHTS

- The District had approximately 926 users at fiscal year-end.
- The District's Net Position decreased by \$109,358 during the 2023-24 fiscal year.
- The District's operating expenses exceeded operating revenues by \$79,856 during the fiscal year.

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 decreased in 2023-24 from \$1,714,006 to \$1,604,648. Our analysis below focuses on the Net Position (Table 1) and in Changes in Net Position (Table 2) of the District's business-type activities.

Table 1- Net Position:

	<u>2023-24</u>	<u>2022-23</u>	<u>Variances</u>
Current and other assets	\$ 577,295	636,100	(58,805)
Capital assets, net	<u>2,376,437</u>	<u>2,536,886</u>	<u>(160,449)</u>
Total Assets	<u>\$ 2,953,732</u>	<u>3,172,986</u>	<u>(219,254)</u>
Current liabilities	\$ 140,989	135,123	5,866
Long-term liabilities	<u>1,208,095</u>	<u>1,323,857</u>	<u>(115,762)</u>
Total Liabilities	<u>1,349,084</u>	<u>1,458,980</u>	<u>(109,896)</u>
Invest. In capital assets, net			
of related debt	1,052,580	1,098,680	(46,100)
Restricted	135,870	138,750	(2,880)
Unrestricted	<u>416,198</u>	<u>476,576</u>	<u>(60,378)</u>
Total Net Position	<u>1,604,648</u>	<u>1,714,006</u>	<u>(109,358)</u>
Total Liab & Net Pos.	<u>2,953,732</u>	<u>3,172,986</u>	<u>(219,254)</u>

Net Position of the District decreased by 6.38% (\$1,604,648 compared to \$1,714,006). 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 \$476,576 to \$416,198.

Table 2- Changes in Net Position:

	<u>2023-24</u>	<u>2022-23</u>	<u>Variances</u>
Revenues:			
Charges for services	\$ 1,017,588	1,051,831	(34,243)
Memberships	19,682	20,183	(501)
Interest	<u>8,235</u>	<u>4,295</u>	<u>3,940</u>
Total Revenues	<u>1,045,505</u>	<u>1,076,309</u>	<u>(30,804)</u>
Expenses:			
Salaries, taxes and benefits	\$ 328,466	323,961	(4,505)
Maintenance and repairs	341,725	271,345	(70,380)
Insurance	105,396	67,945	(37,451)
Vehicle expenses	18,090	43,903	25,813
Other expenses	140,260	87,656	(52,604)
Depreciation / Amortization	163,507	157,214	(6,293)
Interest on debt	<u>57,419</u>	<u>41,519</u>	<u>(15,900)</u>
Total Expenses	<u>1,154,863</u>	<u>993,543</u>	<u>(161,320)</u>
Changes in Net Position	(109,358)	82,766	(192,124)
Net Position, Beginning	<u>1,714,006</u>	<u>1,631,240</u>	<u>82,766</u>
Net Position, Ending	<u>\$ 1,604,648</u>	<u>1,714,006</u>	<u>(109,358)</u>

The District's total revenue decreased by 2.86 percent (\$30,804). The total cost of all expenses increased by 16.24 percent (\$161,320).

Capital Assets

At October 31, 2024, the District had \$2,376,437 invested in capital assets, net of depreciation, including land, the water system, treatment plant, vehicles and equipment. During the 2023-24 fiscal year, the District did not purchase any capital assets. 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. The District also has outstanding lease purchases for a backhoe and two trucks. On October 31, 2024, the District had outstanding long-term debt of \$1,323,857. The balances of these debts are shown in detail in the *Notes to the Financial Statements* 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, 2025, 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, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 13, 2025.

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 District'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, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District'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 District'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

January 13, 2025

CHOCTAW COUNTY RURAL WATER AND SEWER DISTRICT NO.1
DISPOSITION OF PRIOR YEAR'S SIGNIFICANT DEFICIENCIES AND
MATERIAL INSTANCES OF NONCOMPLIANCE
OCTOBER 31, 2024

There were no prior year significant deficiencies or material instances of noncompliance.

CHOCTAW COUNTY RURAL WATER AND SEWER DISTRICT NO. 1
SCHEDULE OF AUDIT RESULTS, FINDINGS AND QUESTIONED COSTS
OCTOBER 31, 2024

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, 2024

	October 31,	
<u>ASSETS-</u>	2024	(Memo Only) 2023
Current Assets:		
Cash on hand	\$ 100	\$ 100
Cash in bank	198,164	230,579
Investments	198,496	189,926
Accounts receivable	84,585	121,330
Supplies Inventory	40,944	36,234
Prepaid insurance	4,173	3,705
Total current assets	<u>526,462</u>	<u>581,874</u>
Non-Current Assets:		
Bond trustee accounts	13,243	13,578
Bond issuance costs (net)	37,590	40,648
Total non-current assets	<u>50,833</u>	<u>54,226</u>
Capital Assets:		
Office furniture and fixtures	45,364	45,364
Equipment and tools	354,159	354,159
Transportation equipment	306,969	306,969
Water and sewer system	4,649,181	4,649,181
Buildings	85,941	85,941
Land and water rights	96,745	96,745
Total capital assets	<u>5,538,359</u>	<u>5,538,359</u>
Less accumulated depreciation	<u>(3,161,922)</u>	<u>(3,001,473)</u>
Total capital assets (net)	<u>2,376,437</u>	<u>2,536,886</u>
TOTAL ASSETS	<u>\$ 2,953,732</u>	<u>\$ 3,172,986</u>
 <u>LIABILITIES-</u>		
Current Liabilities:		
Accounts payable	\$ 25,227	\$ 20,774
Current portion of debt due within one year	115,762	114,349
Total current liabilities	<u>140,989</u>	<u>135,123</u>
Non-Current Liabilities:		
Long-term debt	1,208,095	1,323,857
Total Liabilities	<u>1,349,084</u>	<u>1,458,980</u>
 <u>NET POSITION-</u>		
Net investment in capital assets	1,052,580	1,098,680
Restricted for debt service	135,870	138,750
Unrestricted	416,198	476,576
Total Net Position	<u>1,604,648</u>	<u>1,714,006</u>
TOTAL LIABILITIES & NET POSITION	<u>\$ 2,953,732</u>	<u>\$ 3,172,986</u>

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

CHOCTAW COUNTY RURAL WATER AND SEWER DISTRICT NO. 1
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED OCTOBER 31, 2024

	2023-24	(Memo Only) 2022-23
Revenue from Operations:		
Water / Sewer sales & services	\$ 1,017,588	\$ 1,051,831
Expenses from Operations:		
Salaries and taxes	328,466	327,899
Professional fees	24,167	13,712
Utilities	49,247	40,826
Insurance	105,396	67,945
Repairs and maintenance	108,214	80,795
Supplies and materials	233,511	190,550
Vehicles	18,090	43,903
Office and postage	40,257	29,180
Depreciation	160,449	154,156
Amortization	3,058	3,058
Bank Service	3,937	0
Reimbursements	17,098	0
Miscellaneous	5,554	0
Total expenses from operations	<u>1,097,444</u>	<u>952,024</u>
Net Income (Loss) from Operations	(79,856)	99,807
Non-Operating Income / Expense:		
Interest revenue	8,235	4,295
Memberships	19,682	20,183
Interest expense on debt payments	(57,419)	(41,519)
Total non-operating income / expense	<u>(29,502)</u>	<u>(17,041)</u>
Change in net position - net income (loss)	(109,358)	82,766
Net Position - beginning of year	<u>1,714,006</u>	<u>1,631,240</u>
Net Position - end of year	<u>\$ 1,604,648</u>	<u>\$ 1,714,006</u>

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

CHOCTAW COUNTY RURAL WATER AND SEWER DISTRICT NO. 1
STATEMENT OF CASH FLOWS
FOR YEAR ENDED OCTOBER 31, 2024

	2023-24	(Memo Only) 2022-23
Cash Flows from Operating Activities:		
Cash received from customers	\$ 1,054,333	\$ 1,017,965
Cash payments to employees	(328,466)	(301,441)
Cash payments to suppliers for goods and contractors and other services	(606,196)	(511,070)
Net Cash Provided by Operating Activities	<u>119,671</u>	<u>205,454</u>
Cash Flows from Investing Activities:		
Capital assets sold (purchased)	0	(81,826)
Membership units	19,682	20,183
Interest earnings	8,570	2,346
Net Cash Provided by Investing Activities	<u>28,252</u>	<u>(59,297)</u>
Cash Flows from Capital and Related Financing Activities:		
Added lease-purchase debt	0	61,533
Interest payments on debt	(57,419)	(41,519)
Principal payments on debt	(114,349)	(102,217)
Net Cash Provided by Capital and Related Financing Activities	<u>(171,768)</u>	<u>(82,203)</u>
Net increase (decrease) in cash and cash equivalents	(23,845)	63,954
Cash & cash equivalents, beginning of period	<u>420,605</u>	<u>356,651</u>
Cash & cash equivalents, end of period	<u>\$ 396,760</u>	<u>\$ 420,605</u>
 Reconciliation of operating income (loss) to net cash provided by operating activities:		
Operating income (loss)	\$ (79,856)	\$ 99,807
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation and amortization expense	163,507	157,214
(Increase) decrease in accounts receivable	36,745	(54,049)
(Increase) decrease in supplies inventory	(4,710)	(11,916)
(Increase) decrease in prepaid insurance	(468)	7,756
(Decrease) increase in accounts payable	4,453	6,642
Net cash provided by operating activities	<u><u>\$ 119,671</u></u>	<u><u>\$ 205,454</u></u>

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

CHOCTAW COUNTY RURAL WATER AND SEWER DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2024

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, 2024, are detailed as follows:

Water and Sewer account	\$ 153,714
Emergency account	44,650
Less: outstanding checks	<u>(200)</u>
Total	<u><u>\$ 198,164</u></u>

Investments

All investments are recorded at cost. Investments at October 31, 2024, are detailed as follows:

FirstBank, Antlers, Oklahoma	
Certificate of Deposit No. 45463, dated 9-23-24,	
matures 9-23-25, interest rate 4.0%	<u><u>\$ 189,926</u></u>

CHOCTAW COUNTY RURAL WATER AND SEWER DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2024

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, 2024, the District held deposits of approximately \$396,860 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, 2024

Note A – Significant Accounting Policies – cont’d

Accounts Receivable

Billings for accounts receivable (water and sewer) at October 31, 2024, were \$84,585. 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:

	10/31/2023			10/31/2024
	Amount	Additions	Deletions	Amount
Office furn. & fixt.	\$ 45,364	-	-	45,364
Equipment & tools	354,159	-	-	354,159
Transportation equip.	306,969	-	-	306,969
Water & sewer sys.	4,649,181	-	-	4,649,181
Buildings	85,941	-	-	85,941
Land & water rights	96,745	-	-	96,745
Total Fixed Assets	5,538,359	-	-	5,538,359
Less: Accumulated Depreciation	(3,001,473)	(160,449)	-	(3,161,922)
Total	\$ 2,536,886	(160,449)	-	2,376,437

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, 2024

Note B – Accumulated Unpaid Vacation and Sick Pay

At October 31, 2024, 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, 2024:

	Loans Payable	Capital Leases	Total
Balance, Nov. 1, 2023	\$ 1,325,000	113,206	1,438,206
Retirements	<u>(90,000)</u>	<u>(24,349)</u>	<u>(114,349)</u>
Balance, Oct. 31, 2024	<u>\$ 1,235,000</u>	<u>88,857</u>	<u>1,323,857</u>

Long-term debt at October 31, 2024, is summarized as follows:

	<u>Amount Outstanding</u>
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	\$ 1,235,000
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	35,233
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	27,951
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>25,673</u>
Total long-term debt	<u>\$ 1,323,857</u>

CHOCTAW COUNTY RURAL WATER AND SEWER DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2024

Note C – Long-Term Debt – cont'd

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

Year Ending October 31,	Principal	Interest	Total
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>\$ 1,323,857</u>	<u>303,911</u>	<u>1,627,768</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, 2024, were \$13,243 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 (loss) from operations	\$ (79,856)
Add:	
Depreciation and amortization	163,507
Membership fees	19,682
Interest income	8,235
Income available for debt service	<u>\$ 111,568</u>
Debt service:	
Interest expense	\$ 57,419
Principal payments	114,349
Total debt service requirements	<u>\$ 171,768</u>
Debt service coverage ratio	<u>0.6</u>

Note D – Subsequent Events

Management has evaluated subsequent events through January 10, 2025, 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, 2024

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 926 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