

**INDEPENDENT  
ACCOUNTANT'S AUDIT REPORT  
CONSOLIDATED RURAL WATER  
AND SEWER DISTRICT NO. 1**

**SEPTEMBER 30, 2022**

BY



# Consolidated Rural Water and Sewer District No. 1

Hastings, Oklahoma  
Year Ended September 30, 2022

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## INDEPENDENT AUDITOR'S REPORT

Board of Trustees  
Consolidated Rural Water and Sewer District No. 1  
Jefferson County  
Hastings, Oklahoma

### Opinion

We have audited the accompanying financial statements of the business-type activities of the Consolidated Rural Water and Sewer District No. 1, Jefferson County, Hastings, Oklahoma (the District), which comprises the balance sheets as of September 30, 2022, and the related statements of income, retained earnings, and cash flows for the years then ended, and related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Consolidated Rural Water and Sewer District No. 1, Jefferson County, Hastings, Oklahoma as of September 30, 2022, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 Consolidated Rural Water and Sewer District No. 1, Jefferson County, Hastings, Oklahoma and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. 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 the 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 Consolidated Rural Water and Sewer District No. 1, Jefferson County, Hastings, Oklahoma's ability to continue

as a going concern within one year after the date that the financial statements are available to be issued.

### **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 opinion. 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 GAAS 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, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of these financial statements.

In performing an audit in accordance with GAAS, 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 Consolidated Rural Water and Sewer District No. 1, Jefferson County, Hastings, Oklahoma'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 Consolidated Rural Water and Sewer District No. 1, Jefferson County, Hastings, Oklahoma'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.

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require the budgetary comparison information on page 19 and the grant schedule on page 24 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. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary comparison and grant schedule is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

### **Supplementary Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Consolidated Rural Water and Sewer District No. 1's basic financial statements. The combining statement of net position, combining statement of revenue and expense and schedule of outstanding long-term debt are presented for purposes of additional analysis and are not a required part of the basic financial statements.

These supplemental schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining financial statements and the schedule of outstanding long-term debt are fairly stated in all material respects in relation to the basic financial statements as a whole.

### **Other Information**

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon. In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the

other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 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 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 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.

*Furrh & Associates, PC*

Furrh & Associates, PC  
Lawton, Oklahoma  
December 5, 2022

# Consolidated Rural Water and Sewer District No. 1

## Hastings, Oklahoma

### Statement of Net Position

For Year Ended September 30, 2022

#### ASSETS

##### Current Assets

Cash - Operating Accounts	\$ 2,596,464	
Temporary Investments - Due after 90 Days	586,566	
Net Accounts Receivable	223,235	
Inventory	73,643	
Prepaid Expense	44,716	
Accrued Interest Receivable	32	
Total Current Assets		\$ 3,524,656

##### Fixed Assets

Water and Sewer System	19,903,256	
Transportation Equipment	321,864	
Machinery and Equipment	158,035	
Buildings	114,359	
Office Equipment	34,157	
Accumulated Depreciation	(11,008,455)	
Net Fixed Assets		9,523,216

##### Other Assets

Cash - Reserve Accounts	148,700	
Cash & CD's - Reserve Accounts	200,000	
		348,700
Total Assets		\$ 13,396,572

Please see accompanying notes to financial statements.

# Consolidated Rural Water and Sewer District No. 1

## Hastings, Oklahoma

### Statement of Net Position

For Year Ended September 30, 2022

#### **LIABILITIES AND NET POSITION**

##### **Current Liabilities**

Current Portion of Long-Term Debt	\$	139,850	
Accounts Payable		111,878	
Accrued Compensated Absences		7,644	
Payroll Taxes & Related Payables		5,539	
Accrued Payroll		2,406	
Accrued Interest Payable		566	
Total Current Liabilities			\$ 267,883

##### **Long-Term Liabilities**

Notes Payable - Rural Development Administration	4,133,746	
Notes Payable - Arvest	356,727	
Less Current Portion	(139,850)	
Total Long-Term Liabilities		4,350,623
Total Liabilities		4,618,506

##### **Net Position**

Invested in Capital Assets, Net of Related Debt	5,032,743	
Restricted for Debt Service	348,700	
Unrestricted	3,396,623	
Total Net Position		8,778,066
Total Liabilities and Net Position		\$ 13,396,572

Please see accompanying notes to financial statements.



# Consolidated Rural Water and Sewer District No. 1

## Hastings, Oklahoma

### Statement of Revenue, Expense, and Changes in Net Position

Year Ended September 30, 2022

#### Operating Revenue

Water Revenue	\$ 2,107,350	
Construction Revenue	134,817	
Tower Maintenance	134,766	
Benefit Unit Fees	108,594	
Other Revenue	70,059	
Penalty Revenue	30,175	
Sewer Revenue	11,258	
Meter Service Fees	8,533	
Reactivation Fees	6,470	
Total Revenue		\$ 2,612,022

#### Cost of Sales

System Maintenance and Repairs	393,848	
Water Purchased	135,697	
System Electricity	121,415	
Total Cost of Sales		650,960
Gross Operating Revenue		1,961,062

#### Operating Expense

Depreciation	494,737	
Salaries and Related Payroll Taxes	461,549	
Other Repairs and Maintenance	112,335	
Auto and Truck Expense	97,427	
Employee Health and Pension Benefits	81,387	
Insurance	56,263	
Miscellaneous	19,786	
Office Supplies and Expense	18,660	
Dues, Licenses, Fees, and Permits	16,481	
Utilities and Telephone	16,041	
Accounting	11,256	
Leases-Equipment	5,852	
Legal Expense	4,550	
Uniforms	3,239	
Advertising	541	
Total Operating Expense		1,400,104
Net Operating Revenue/(Loss)		\$ 560,958

Please see accompanying notes to financial statements.

# Consolidated Rural Water and Sewer District No. 1

## Hastings, Oklahoma

### Statement of Revenue, Expense, and Changes in Net Position

Year Ended September 30, 2022

#### Nonoperating Revenue (Expense)

CDBG Grant Revenue	\$	158,306	
Interest Income		6,349	
Gain on Sale of Asset		5,900	
Interest Expense		(127,672)	
Grant Expense		<u>(749,737)</u>	
Total Nonoperating Revenue (Expense)			<u>\$ (706,854)</u>
Net Revenue/(Loss)			(145,896)
Net Position, September 30, 2021			<u>8,923,962</u>
Net Position, September 30, 2022			<u><u>\$ 8,778,066</u></u>

Please see accompanying notes to financial statements.

# Consolidated Rural Water and Sewer District No. 1

## Hastings, Oklahoma

### Statement of Cash Flows

Year Ended September 30, 2022

#### **Cash Flow from Operating Activities**

Cash Received from Customers	\$	2,608,174	
Cash Paid for Water		(650,960)	
Cash Paid for Salaries and Related Costs		(454,820)	
Cash Paid to Suppliers		(359,491)	
Net Cash Provided by Operating Activities	\$		1,142,903

#### **Cash Flow from Capital and Related Financing Activities**

Payments on Long-Term Debt:			
Rural Development		(92,387)	
Arvest		(44,977)	
Interest on Long-Term Debt		(127,672)	
Net Cash Used by Capital and Related Financing Activities			(265,036)

#### **Cash Flow from Investing Activities**

Purchase of Fixed Assets		(130,219)	
Sale of Fixed Assets		5,900	
Interest Income		6,379	
Cash Received from Grants		158,306	
Cash Paid for Grant Expenses		(749,737)	
Net Cash Used by Investing Activities			(709,371)

Net Increase in Cash and Cash Equivalents 168,496

Cash and Cash Equivalents, September 30, 2021 3,363,234

Cash and Cash Equivalents, September 30, 2022 \$ 3,531,730

Please see accompanying notes to financial statements.

# Consolidated Rural Water and Sewer District No. 1

## Hastings, Oklahoma

### Statement of Cash Flows

Year Ended September 30, 2022

#### Reconciliation of Operating Income to Net Cash Provided by

##### Operating Activities

Net Operating Revenue	\$	560,958
Add, Depreciation		494,737
(Increase) Decrease in Other Current Assets:		
Prepaid Expense	\$	644
Inventory		5,233
Accounts Receivable		(3,848)
Increase (Decrease) in Other Current Liabilities:		
Accounts Payable		87,570
Accrued Payroll		(4,560)
Payroll Taxes Payable		3,835
Compensated Absences		(1,666)
		<u>87,208</u>
Net Cash Provided by Operating Activities	\$	<u><u>1,142,903</u></u>

Please see accompanying notes to financial statements.

**Consolidated Rural Water and Sewer District No. 1**  
**Hastings, Oklahoma**  
**Notes to Financial Statements**  
**September 30, 2022**

**Note 1 – Summary of Significant Accounting Policies**

The Consolidated Rural Water and Sewer District No. 1, Jefferson County, Oklahoma (the District), was organized December 1, 1975, by consolidation of previously existing Rural Water and Sewer District No. I, Jefferson County, Oklahoma, and Rural Water and Sewer District No. II, Jefferson County, Oklahoma. The District is organized under the Oklahoma Rural Water and Sewer Districts Act and is a political subdivision of the State of Oklahoma.

The District operates a water distribution and sewer service system for the communities of Addington and Hastings, Oklahoma, and a water distribution system over the remainder of its service area, which includes an area of approximately 1600 square miles in Jefferson, Stephens, Carter, Cotton, and Love Counties, Oklahoma. The District has installed its own water wells and purchases supplemental water from the cities of Comanche, Duncan, and Waurika, Oklahoma.

In addition to service to individual consumers, the District provides water to the Corps of Engineers Waurika Project and the Towns of Loco, Healdton, Terral, and Wilson, Oklahoma, for their respective distribution systems.

The District operates as an autonomous proprietary fund and its bookkeeping accounts and financial statements are maintained and presented as Enterprise Fund accounts.

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

The District keeps its books and prepares its financial statements on the accrual basis of accounting. Water and sewer revenues are recognized when billed. Cost of water sold is recognized when billed by the supplier. Service and installation fees are reported as revenue when received. Meter and installation costs are expensed as current operating costs. Inventories are recorded at the lower of cost or market value.

Accounts receivable is stated at net realizable value. Bad debts are recorded by the specific charge-off method.

**Note 2 – Bank Accounts**

For the purpose of the Statement of Cash Flows, the District considers all highly liquid investments to be cash equivalents. Certificates of deposit and other time deposits with an

**Consolidated Rural Water and Sewer District No. 1**  
**Hastings, Oklahoma**  
**Notes to Financial Statements**  
**September 30, 2022**

original maturity date of 90 days or less are considered cash equivalents. Cash and cash equivalents include the following accounts:

Petty Cash Fund	\$	552
Checking/Savings Accts:		
First Farmers National Bank - Operating Acct		788,216
First Famers National Bank - Tower Acct		521,649 *
First Farmers National Bank - Operating Hifi Acct		507,153
First Farmers National Bank - Construction Acct		387,971 *
First Farmers National Bank - CDBG Acct		290,625 *
First Bank & Trust Company - Membership		92,606 *
First Bank & Trust Company - Reserve Acct		74,834 #
First Farmers National Bank - Reserve Acct		73,866 #
First Farmers National Bank - HiFi Acct		6,510 *
First Bank & Trust Company - Debit Card Acct		1,182
Total		<u><u>2,745,164</u></u>

# - Reserve Accounts – Restricted cash accounts, held for mortgage loan reserve guaranty that are not available for operating activities.

\* Interest Bearing Accounts

The bank accounts used by the District are covered by F.D.I.C. insurance and a collateral pledge held by both First Farmers National Bank and First Bank and Trust.

**Note 3 – Income Tax Status**

As a political subdivision of the State of Oklahoma, the District is exempt from federal and state income taxes.

**Note 4 – Fixed Assets**

Fixed assets are recorded at cost and expenditures for maintenance and repairs are charged to current operations as incurred. Fixed assets costing less than \$500 per unit are charged to current expense.

# Consolidated Rural Water and Sewer District No. 1

## Hastings, Oklahoma Notes to Financial Statements September 30, 2022

Depreciation is computed by the straight-line method, using the following estimated useful lives.

Building	40 years
Water and Sewer System	40 years
Master Meters	20 years
Furniture and Fixtures	5 years
Machinery and Equipment	5-8 years
Transportation Equipment	3-5 years

Total depreciation expense for the current year was \$482,333, which was charged against current operations.

Current year changes to fixed assets were as follows:

	Balance 09/30/2021	Additions	Disposals	Balance 09/30/2022
<u>Assets</u>				
Water & Sewer System	\$ 19,826,263	\$ 76,993	\$ 0	\$ 19,903,256
Transportation Equipment	298,097	48,611	(24,844)	321,864
Machinery & Equipment	158,036	0	0	158,036
Buildings	114,359	0	0	114,359
Office Equipment	29,541	4,615	0	34,156
Total	<u>\$ 20,426,296</u>	<u>\$ 130,219</u>	<u>\$ (24,844)</u>	<u>\$ 20,531,671</u>
<u>Accumulated Depreciation</u>				
Water & Sewer System	\$ 10,110,132	\$ 447,286	\$ 0	\$ 10,557,418
Transportation Equipment	201,379	36,963	(24,844)	213,498
Machinery & Equipment	133,678	6,198	0	139,876
Buildings	72,074	2,652	0	74,726
Office Equipment	21,299	1,638	0	22,937
Total	<u>\$ 10,538,562</u>	<u>\$ 494,737</u>	<u>\$ (24,844)</u>	<u>\$ 11,008,455</u>
Net Fixed Assets	<u>\$ 9,887,734</u>			<u>\$ 9,523,216</u>

### Note 5 – Inventory

Inventories of replacement parts and consumable supplies are recorded at cost.

**Consolidated Rural Water and Sewer District No. 1**  
**Hastings, Oklahoma**  
**Notes to Financial Statements**  
**September 30, 2022**

**Note 6 – Investments**

The District has the following investments which are legal investments under the Oklahoma Statutes:

Certificates of Deposit:

1st Farmers CD #7902	
Maturity 06/21/2022, interest paid monthly at 0.25%	\$ 131,000
CD # 7039 1st Farmers	
Maturity 11/16/2022, interest paid monthly at 0.30%	100,000
1st Bank & Trust # 41630	
Maturity 03/31/2022, interest paid monthly at 0.30%	133,726
Arvest CD # 237786	
Maturity 5/26/2022, interest paid quarterly	167,695
Arvest CD# 480940277	
Maturity 06/12/2022, interest paid quarterly	54,145
Total	<u>\$ 586,566</u>

All investments are covered by FDIC insurance and/or collateral pledge agreements.

**Note 7 – Insurance against Loss Contingencies**

The District maintains the following insurance coverage for protection against possible loss contingencies:

Description

Rural Water Association Assurance Group  
Officers and Directors Liability  
Business Property Protection  
General Liability  
Automobile Protection  
Fidelity Bond Coverage  
Workers Compensation & Employers Liability



**Consolidated Rural Water and Sewer District No. 1**  
**Hastings, Oklahoma**  
**Notes to Financial Statements**  
**September 30, 2022**

**Note 8 – Debt**

**Rural Development Administration**

The total annual debt service requirements of the long-term mortgage notes to Rural Development Administration amounts to \$196,980 plus interest at 2.5-5.0% per annum, payable in total monthly payments of \$27,171.

Changes in total long-term debt for the Rural Development Administration loan for the current year were as follows:

Balance, September 30, 2021	\$ 4,226,133
Less, Current Year Principal Payments	<u>(92,387)</u>
Balance, September 30, 2022	<u><u>\$ 4,133,746</u></u>

The principal maturities for the succeeding five years and thereafter on the Rural Development Administration long-term debt will be approximately as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year Ended September 30, 2023	95,876	101,104	196,980
Year Ended September 30, 2024	97,731	99,249	196,980
Year Ended September 30, 2025	100,203	96,777	196,980
Year Ended September 30, 2026	101,770	95,210	196,980
Years Ended September 30, 2053	<u>3,738,166</u>	<u>1,383,865</u>	<u>5,122,031</u>
Total	<u><u>\$ 4,133,746</u></u>	<u><u>\$ 1,776,205</u></u>	<u><u>\$ 5,909,951</u></u>

**Arvest Bank**

The total annual debt service requirements of the long-term mortgage note to Arvest Bank amounts to \$35,569 plus interest at 4.25% per annum, payable in total monthly payments of \$5,502.

Changes in total long-term debt for the Arvest Bank loan for the current year were as follows:

Balance, September 30, 2021	\$ 401,704
Less, Current Year Principal Payments	<u>(44,977)</u>
Balance, September 30, 2022	<u><u>\$ 356,727</u></u>

# Consolidated Rural Water and Sewer District No. 1

## Hastings, Oklahoma

### Notes to Financial Statements

September 30, 2022

The principal maturities for the succeeding five years and thereafter on the Arvest long-term debt will be approximately as follows:

	Principal	Interest	Total
Year Ended September 30, 2023	43,974	22,048	66,022
Year Ended September 30, 2024	45,880	20,142	66,022
Year Ended September 30, 2025	47,868	18,154	66,022
Year Ended September 30, 2026	50,929	15,093	66,022
Years Ended September 30, 2032	168,076	43,658	211,734
Total	<u>\$ 356,727</u>	<u>\$ 119,095</u>	<u>\$ 475,822</u>

#### **Note 9 – Supplemental Disclosures**

Supplemental disclosure of cash flow information:

Cash paid during the year for interest expense	<u>\$ 127,672</u>
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#### **Note 10 – Compensated Absences**

Accrued compensated absences includes the following:

Earned Unpaid Vacation/Sick Leave	<u>\$ 7,644</u>
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#### **Note 11 – Pension Accounting**

The District sponsors an employee deferred compensation plan under Section 457 of the Internal Revenue Code. All full time employees are eligible to participate, on a voluntary basis, with no waiting period requirements. Participating employees are 100% vested in all elected deferrals. Salary reductions under the plan may not exceed the lesser of \$7,500 or 1/3 of the participant's includable compensation. Employee contributions to the plan are made from payroll deductions from the participating employees. The District matches the employee contributions up to 4.5% of compensation contributed by the employee.

Costs of pension contributions for the current year were:

District	\$ 10,566
Employees	<u>14,750</u>
Total	<u>\$ 25,316</u>

**Consolidated Rural Water and Sewer District No. 1**  
**Hastings, Oklahoma**  
**Notes to Financial Statements**  
**September 30, 2022**

Pension cost to the District for the past three years was:

09/30/2022	\$	10,566
09/30/2021		10,390
09/30/2020		11,454
Total	\$	<u>32,410</u>

Assets of the plan, which are invested in individual employee insurance annuity contracts, are not included in the financial statement of the District because of the fiduciary responsibility to use the plan assets only for the payment of benefits.

**Note 12 – Leases**

The District engaged in a long-term lease with Standley Systems on February 8, 2019. This lease is a 60-month contract with monthly payments of \$230.26. As of September 30, 2022, the remaining lease balance of \$6,447 is below the materiality threshold.

**Note 13 – Subsequent Events**

In preparing the accompanying audited financial statements, management reviewed all known events that have occurred after September 30, 2022 and through December 5, 2022, the date the financial statements were available for issuance, for inclusion in the financial statements and footnotes.



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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 Trustees  
Consolidated Rural Water and Sewer District No. 1  
Jefferson County  
Hastings, Oklahoma

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of Consolidated Rural Water and Sewer District No. 1, as of and for the year ended September 30, 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 5, 2022.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Consolidated Rural Water and Sewer District No. 1's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of Consolidated Rural Water and Sewer District No. 1's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

As part of obtaining reasonable assurance about whether Consolidated Rural Water and Sewer District No. 1's financial statements are free from 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 determination of financial statement amounts. 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.

*Furrh & Associates, PC*

**FURRH & ASSOCIATES, PC**

Lawton, Oklahoma

December 5, 2022

# Consolidated Rural Water and Sewer District No. 1

## Hastings, Oklahoma

### Revenues and Expenses Compared with Budget

Year Ended September 30, 2022

	<u>Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
<b><u>Revenue</u></b>			
Water Revenue	\$ 2,110,000	\$ 2,107,350	\$ (2,650)
CDBG Grant Revenue	299,999	158,306	(141,693)
ODOT Revenue	200,000	0	(200,000)
Construction Revenue	132,500	134,817	2,317
Tower Maintenance	132,500	134,766	2,266
Other Revenue	40,000	75,959	35,959
Benefit Unit Fees	55,000	108,594	53,594
Penalty Revenue	30,000	30,175	175
Sewer Revenue	12,001	11,258	(743)
Reactivation Fees	5,000	6,470	1,470
Interest Income	15,000	6,349	(8,651)
Meter Service Fees	4,000	8,533	4,533
Total Revenue	<u>3,036,000</u>	<u>2,782,577</u>	<u>(253,423)</u>
<b><u>Cost of Sales</u></b>			
System Maintenance and Repairs	440,000	393,848	(46,152)
System Electricity	95,000	121,415	26,415
Water Purchased	75,000	135,697	60,697
Total Cost of Sales	<u>610,000</u>	<u>650,960</u>	<u>40,960</u>
<b>Gross Revenue</b>	2,426,000	2,131,617	(294,383)
<b><u>Operating Expense</u></b>			
Grant Expense	750,000	749,737	(263)
Salaries and Related Payroll Taxes	436,000	461,549	25,549
Depreciation	300,000	494,737	194,737
Employee Health and Pension Benefits	110,000	81,387	(28,613)
Other Repairs and Maintenance	108,000	112,335	4,335
Insurance	78,500	56,263	(22,237)
Dues, Licenses, Fees, and Permits	78,000	16,481	(61,519)
Auto and Truck Expense	72,000	97,427	25,427
Miscellaneous	40,320	23,025	(17,295)
Office Supplies and Expense	37,000	18,660	(18,340)
Interest Expense	25,000	127,672	102,672
Utilities and Telephone	17,000	16,041	(959)
Legal Expense	10,000	4,550	(5,450)
Accounting	10,000	11,256	1,256
Leases-Equipment	5,000	5,852	852
Advertising	1,500	541	(959)
Total Operating Expense	<u>2,078,320</u>	<u>2,277,513</u>	<u>199,193</u>
<b>Net Revenue (Loss)</b>	<u><u>\$ 347,680</u></u>	<u><u>\$ (145,896)</u></u>	<u><u>\$ (493,576)</u></u>

Please see accompanying notes to the financial statements.

# Consolidated Rural Water and Sewer District No. 1

Hastings, Oklahoma

## Comparative Statement of Net Position

Years Ended September 30, 2022

	09/30/2022	09/30/2021	Increase (Decrease)
<b><u>Current Assets</u></b>			
Cash	\$ 2,596,464	\$ 2,429,804	\$ 166,660
Temp. Investments - Due After 90 Days	586,566	585,783	783
Accounts Receivable	223,235	219,387	3,848
Inventory	73,643	78,876	(5,233)
Prepaid Expense	44,716	45,360	(644)
Interest Receivable	32	75	(43)
<b><u>Fixed Assets</u></b>			
Water and Sewer System (Net)	9,345,838	9,716,132	(370,294)
Machinery and Equipment (Net)	18,159	24,357	(6,198)
Transportation Equipment (Net)	108,366	96,718	11,648
Office Equipment (Net)	11,220	8,242	2,978
Buildings (Net)	39,633	42,285	(2,652)
<b><u>Other Assets</u></b>			
Cash - Reserve Accounts	148,700	147,647	1,053
Cash & CD's - Reserve Accounts	200,000	200,000	0
Total Assets	<u>\$ 13,396,572</u>	<u>\$ 13,594,666</u>	<u>\$ (198,094)</u>
<b><u>Current Liabilities</u></b>			
Current Portion of LT Debt	\$ 139,850	\$ 135,840	\$ 4,010
Accounts Payable	111,878	24,308	87,570
Compensated Absences	7,644	9,310	(1,666)
Payroll Taxes & Related Payables	5,539	1,704	3,835
Accrued Payroll	2,406	6,966	(4,560)
Accrued Interest Payable	566	579	(13)
<b><u>Long Term Liabilities</u></b>			
Notes Payable - Rural Development	4,133,746	4,226,133	(92,387)
Notes Payable - Arvest	356,727	401,704	(44,977)
Less: Current Portion	<u>(139,850)</u>	<u>(135,840)</u>	<u>(4,010)</u>
Total Liabilities	<u>4,618,506</u>	<u>4,670,704</u>	<u>(52,198)</u>
<b><u>Net Position</u></b>			
Invested in Capital Assets (Net)	5,032,743	5,259,897	(227,154)
Restricted for Debt Service	348,700	347,647	1,053
Unrestricted	<u>3,396,623</u>	<u>3,316,418</u>	<u>80,205</u>
Total Net Position	<u>8,778,066</u>	<u>8,923,962</u>	<u>(145,896)</u>
Total Liabilities and Net Position	<u>\$ 13,396,572</u>	<u>\$ 13,594,666</u>	<u>\$ (198,094)</u>

Please see accompanying notes to the financial statements.

# Consolidated Rural Water and Sewer District No. 1

Hastings, Oklahoma

## Comparative Statement of Revenue and Expense

Year Ended September 30, 2022

	Year Ended 09/30/2022	Year Ended 09/30/2021	(Increase) Decrease
<b><u>Revenue</u></b>			
Water Revenue	\$ 2,107,350	\$ 1,956,529	\$ 150,821
Construction Revenue	134,817	131,960	2,857
Tower Maintenance	134,766	131,949	2,817
Benefit Unit Fees	108,594	32,667	75,927
Penalty Revenue	30,175	21,717	8,458
Other Revenue	70,059	208,451	(138,392)
Sewer Revenue	11,258	11,078	180
Reactivation Fees	6,470	3,187	3,283
Meter Service Fees	8,533	4,104	4,429
Total Revenue	2,612,022	2,501,642	110,380
<b><u>Cost of Sales</u></b>			
System Maintenance and Repairs	393,848	1,012,462	(618,614)
System Electricity	121,415	91,022	30,393
Water Purchased	135,697	75,545	60,152
Total Cost of Sales	650,960	1,179,029	(528,069)
Gross Operating Revenue	1,961,062	1,322,613	638,449
<b><u>Operating Expense</u></b>			
Depreciation	494,737	482,333	12,404
Salaries and Related Payroll Taxes	461,549	407,668	53,881
Employee Health and Pension Benefits	81,387	70,237	11,150
Other Repairs and Maintenance	112,335	58,250	54,085
Auto and Truck Expense	97,427	77,174	20,253
Insurance	56,263	41,457	14,806
Office Supplies and Expense	18,660	22,173	(3,513)
Dues, Licenses, Fees, and Permits	16,481	19,689	(3,208)
Utilities and Telephone	16,041	15,720	321
Miscellaneous	19,786	11,074	8,712
Accounting	11,256	7,689	3,567
Legal Expense	4,550	5,700	(1,150)
Leases-Equipment	5,852	3,426	2,426
Uniforms	3,239	1,971	1,268
Advertising	541	492	49
Total Operating Expense	1,400,104	1,225,053	175,051
Net Operating Revenue/(Loss)	560,958	97,560	463,398

Please see accompanying notes to the financial statements.



# Consolidated Rural Water and Sewer District No. 1

Hastings, Oklahoma

## Comparative Statement of Revenue and Expense

Year Ended September 30, 2022

	<u>Year Ended</u> <u>09/30/2022</u>	<u>Year Ended</u> <u>09/30/2021</u>	<u>(Increase)</u> <u>Decrease</u>
<b><u>Nonoperating Revenue / (Expense)</u></b>			
Grant Revenue	\$ 158,306	\$ 49,591	\$ 108,715
Interest Income	6,349	7,657	(1,308)
Gain on Disposal of Asset	5,900	0	5,900
Interest Expense	(127,672)	(198,554)	70,882
Grant Expense	<u>(749,737)</u>	<u>0</u>	<u>(749,737)</u>
Total Nonoperating Revenue / (Expense)	<u>(706,854)</u>	<u>(141,306)</u>	<u>(565,548)</u>
Net Revenue/(Loss)	(145,896)	(43,746)	(102,150)
Net Position, Beg of year	<u>8,923,962</u>	<u>8,967,708</u>	<u>(43,746)</u>
Net Position, End of Year	<u><u>\$ 8,778,066</u></u>	<u><u>\$ 8,923,962</u></u>	<u><u>\$ (145,896)</u></u>

Please see accompanying notes to the financial statements.

# Consolidated Rural Water and Sewer District No. 1

Hastings, Oklahoma

Community Development Block Grant

Revenue and Expenditures Compared with Budget

Year Ended September 30, 2022

	<u>Budget</u>	<u>Prior Year</u>	<u>Current Year</u>	<u>Total</u>	<u>(Over) Under Budget</u>
<b><u>Revenue</u></b>					
Grant Revenue	\$ 299,999	\$ 0	\$ 294,411	\$ 294,411	\$ 5,588
Grant Match	811,407	59,017	606,964	665,981	145,426
Total Revenue	1,111,406	59,017	901,375	960,392	151,014
<b><u>Expenditures</u></b>					
Construction	993,932	6,612	836,290	842,902	151,030
Engineering	63,474	47,605	6,348	53,953	9,521
Inspection	30,000	0	42,380	42,380	(12,380)
Administration	24,000	4,800	16,357	21,157	2,843
Total Expenditures	1,111,406	59,017	901,375	960,392	151,014
<u>Revenue Over (Under) Expenditures</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

Contract No.: 18231 CDBG 18

Contract Period: 09/3/2021 - 09/02/2023

Please see accompanying notes to the financial statements.