

Hughes County Rural Water District No. 1
Wetumka, Oklahoma

Financial Statements and Auditor's Reports

Year Ended December 31, 2024

Audited by

BLEDSON, HEWETT & GULLEKSON
CERTIFIED PUBLIC ACCOUNTANTS, PLLLP

BROKEN ARROW, OK

Hughes County Rural Water District No. 1
Wetumka, Oklahoma
Board of Directors
December 31, 2024

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Hughes County Rural Water District No. 1
Wetumka, Oklahoma
December 31, 2024

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Hughes County Rural Water District No. 1
Wetumka, Oklahoma

Report on the Audit of the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Hughes County Rural Water District No. 1, Wetumka, Oklahoma (the District), as of and for the year ended December 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

As discussed in Note 1, the District prepares its financial statements on the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District as of December 31, 2024, and the respective changes in the modified-cash basis financial position and its cash flows for the year then ended, in accordance with the modified cash basis of accounting described in Note 1.

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.

Emphasis of Matter – Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 1, and for determining that the modified cash basis of accounting is an acceptable basis for presentation of the financial statements in the circumstances. Management is responsible 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 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 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 supplemental 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 January 31, 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 31, 2025

Hughes County Rural Water District No. 1
Management's Discussion and Analysis
December 31, 2024

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

FINANCIAL HIGHLIGHTS

- During the 2024 fiscal year, the District's total operating revenues exceeded total operating expenses by \$56,174. The District's cash and cash equivalents increased by \$92,590 during the 2024 fiscal year.
- During the 2024 fiscal year, the District was awarded \$620,000 in American Rescue Plan Act (ARPA) funds from OWRB for water well rehabilitation projects. As of December 31, 2024, the District is still in the bidding process of the project and has not yet received or expended any of these funds.
- The District continued to pay on their two notes with USDA Rural Development.
- District membership remained steady in 2024 with a total of 490 members at year-end.

Using This Report

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

Basis of Accounting

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

The Financial Statements

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

The Financial Statements – cont'd

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

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

Net Position and Changes in Net Position

The District's Net Position increased in 2024, increasing from \$1,816,171 to \$1,830,242. Our analysis below focuses on the Net Position (Table 1) and Changes in Net Position (Table 2) of the District's business-type activities.

Table 1 – Net Position:

	2024	2023	Variances
Current assets	\$ 401,103	311,291	89,812
Restricted assets	118,359	115,581	2,778
Capital assets, net	3,478,996	3,607,777	(128,781)
Total Assets	<u>\$ 3,998,458</u>	<u>4,034,649</u>	<u>(36,191)</u>
Current liabilities	\$ 54,103	50,258	(3,845)
Long-term liabilities	2,114,113	2,168,220	54,107
Total Liabilities	<u>\$ 2,168,216</u>	<u>2,218,478</u>	<u>50,262</u>
Invest. In capital assets, net of related debt	\$ 1,310,780	1,389,299	(78,519)
Restricted	118,359	115,581	2,778
Unrestricted	401,103	311,291	89,812
Total Net Position	<u>\$ 1,830,242</u>	<u>1,816,171</u>	<u>14,071</u>

Net Position of the District increased by 0.77 percent (\$1,830,242 compared to \$1,816,171). 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 \$311,291 to \$401,103.

Table 2 – Changes in Net Position:

	<u>2024</u>	<u>2023</u>	<u>Variances</u>
Revenues:			
Charges for services	\$ 484,639	501,064	(16,425)
Other fees	14,053	24,204	(10,151)
Grant proceeds	0	64,209	(64,209)
Interest	7,295	1,337	5,958
Total Revenues	<u>505,987</u>	<u>590,814</u>	<u>(84,827)</u>
Expenses:			
Water purchases	32,562	35,281	2,719
Maintenance and repairs	43,545	313,713	270,168
Other expenses	202,000	42,191	(159,809)
Depreciation	164,411	164,202	(209)
Interest on debt	49,398	50,515	1,117
Total Expenses	<u>491,916</u>	<u>605,902</u>	<u>113,986</u>
Change in Net Position	14,071	(15,088)	29,159
Net Position, Beginning	1,816,171	1,830,690	(14,519)
Prior Period Adjustment	<u>0</u>	<u>569</u>	<u>(569)</u>
Net Position, Ending	<u>\$ 1,830,242</u>	<u>1,816,171</u>	<u>14,071</u>

The District's total operating revenues decreased by 14.36 percent (\$84,827), which was primarily due to no grant revenue being received in fiscal year 2024, compared to \$64,209 received in fiscal year 2023. The total cost of all goods and services decreased by 18.81 percent (\$113,986), which was primarily due to less repairs and maintenance expenses in fiscal year 2024.

Capital Assets

At December 31, 2024, the District had \$3,478,996 invested in capital assets, net of depreciation, including land, the water system, vehicles and equipment. In 2024, the District added a water well liner and an updated SCADA system to their list of capital assets.

Long-Term Debt

The District was indebted to the USDA Office of Rural Development for two notes obtained for water line extensions and upgrades. Both notes are for a 40 year term at an interest rate of 2.25%. The total outstanding principal balance, for both notes, as of December 31, 2024, was \$2,168,216. See additional information regarding long-term debt on pages 19-20.

Economic Factors and Next Year's Budget and Rates

The District's budget for fiscal year 2025 will remain much like previous years budgets. The Board of Directors does anticipate small budget changes made primarily to better allow for office and field personnel operations, without the necessity of hiring additional part-time or permanent employees.

Contacting the District's Management

This report is designed to provide our customers and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District Office at P.O. Box 160, Wetumka, OK 74536 or call (918) 569-4326.



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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
Hughes County Rural Water District No. 1
Wetumka, 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 Hughes County Rural Water District No. 1, Wetumka, Oklahoma (the District), as of and for the year ended December 31, 2024, and the related notes to the financial statements, which collectively comprise the District's basic modified cash basis financial statements, and have issued our report thereon dated January 31, 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 identified one deficiency in internal control that we consider to be a material weakness. This finding is identified as item 2024-1 in the accompanying Schedule of Audit Results, Findings & Questioned Costs.

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 31, 2025

HUGHES COUNTY RURAL DISTRICT NO. 1
Disposition of Prior Year's Significant Deficiencies
December 31, 2024

2023-1 Internal Control – Segregation of Duties

Finding – Presently, the same individual performs all accounting functions: receives utility service-related payments, is responsible for service billing and adjustments, makes bank deposits, writes checks, reconciles the monthly bank statements and prepares monthly financial reports. This is considered a lack of segregation of duties.

Recommendation – While it may not be cost effective to hire additional administrative staff that would be necessary in order to adequately segregate the responsibilities, the District should consider a formal evaluation of their risks associated with this lack of segregation of duties. In response to the identified risks, consideration should be given to identifying and implementing controls that could help mitigate the risks associated with the lack of segregation of duties.

Disposition – This continues to be a finding.

HUGHES COUNTY RURAL WATER DISTRICT NO. 1
Schedule of Audit Results, Findings & Questioned Costs
December 31, 2024

Section 1 – Summary of Auditor’s Results:

1. An unqualified opinion report was issued on the financial statements.
2. The audit disclosed a significant deficiency in the internal controls, which was not considered to be a material weakness.
3. The audit disclosed no instances of noncompliance which were material to the financial statements.

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

2024-1 Internal Control – Segregation of Duties

Criteria – The segregation of duties and responsibilities between different individuals for custody of assets, recordkeeping for those assets, and reconciliation of those asset accounts is an important control activity needed to adequately protect the District’s assets and ensure accurate financial reporting.

Condition – Presently the same individual performs all accounting functions: receives utility service-related payments, is responsible for service billing and adjustments, makes bank deposits, writes checks, reconciles the monthly bank statements and prepares monthly financial reports.

Cause – The District’s limited size and staffing resources have made it difficult for management to provide sufficient staffing to fully segregate incompatible duties in a cost-effective manner.

Effect or Potential Effect – Without sufficient segregation of duties, the risk significantly increases that errors and fraud related to the accounting functions, including misappropriation of assets, could occur and not be detected within a timely basis.

Recommendation – While it may not be cost effective to hire additional administrative staff that would be necessary in order to adequately segregate the responsibilities, the District should consider a formal evaluation of their risks associated with this lack of segregation of duties. In response to the identified risks, consideration should be given to identifying and implementing controls that could help mitigate the risks associated with the lack of segregation of duties.

Management Response – Management agrees with this finding and will provide adequate staffing once annual collections increase enough to justify the extra expense.

HUGHES COUNTY RURAL WATER DISTRICT NO. 1

STATEMENT OF NET POSITION - MODIFIED CASH BASIS

DECEMBER 31, 2024

	2024	-Memorandum- -Only- 2023
ASSETS:		
Current assets:		
Cash-		
Operating account	\$ 182,261	144,986
Constructon account	25	165,300
Savings account (Mabrey)	63,333	0
Savings account (Tinker)	5	5
Unrestricted investments (Edward Jones)	154,479	0
Deposits (ORWA)	1,000	1,000
Total current assets	401,103	311,291
Restricted assets:		
Restricted investments (Tinker)	118,359	115,581
Capital assets:		
Water distribution system	6,442,049	6,406,419
Equipment	42,308	42,308
Less: accumulated depreciation	(3,005,361)	(2,840,950)
Total capital assets, net of depreciation	3,478,996	3,607,777
TOTAL ASSETS	\$ 3,998,458	\$ 4,034,649
LIABILITIES:		
Current liabilities:		
Current portion of long-term debt	\$ 51,403	50,258
Long-term liabilities:		
Long-term notes payable	2,116,813	2,168,220
Total Liabilities	2,168,216	2,218,478
NET POSITION:		
Net investment in capital assets	1,310,780	1,389,299
Restricted for debt service	118,359	115,581
Unrestricted	401,103	311,291
Total Net Position	1,830,242	1,816,171
TOTAL LIABILITIES AND NET POSITION	\$ 3,998,458	4,034,649

The accompanying notes are an integral part of the financial statements

HUGHES COUNTY RURAL WATER DISTRICT NO. 1
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
-MODIFIED CASH BASIS-
FOR THE YEAR ENDED DECEMBER 31, 2024

	2024	-Memorandum- -Only- 2023
Operating Revenues:		
Water revenue	\$ 484,639	501,064
Benefit units	2,400	4,400
Refunds/rentals	5,949	19,363
Other sales and services	5,704	441
Total operating revenues	<u>498,692</u>	<u>525,268</u>
Operating Expenses:		
Water purchases	32,562	35,281
Depreciation	164,411	164,202
Contract labor	102,507	92,279
Utilities / Phone	18,946	19,258
Repairs and maintenance	43,545	153,104
Supplies and materials	6,735	25,383
Chemicals	29,573	31,600
Insurance	21,901	10,088
Office	2,539	6,708
Professional fees	2,800	3,500
Testing and other fees	10,524	11,347
Account refunds	2,472	579
Miscellaneous	4,003	2,058
Total expenses from operations	<u>442,518</u>	<u>555,387</u>
Operating Income (Loss)	56,174	(30,119)
Non-Operating Revenues (Expenses):		
Grant proceeds received	0	64,209
Interest income	7,295	1,337
Interest paid on long-term debt	(49,398)	(50,515)
Total non-operating revenues (expenses)	<u>(42,103)</u>	<u>15,031</u>
Change in Net Position	14,071	(15,088)
Total Net Position, beginning of period	1,816,171	1,830,690
Prior Period Adjustment	<u>0</u>	<u>569</u>
Total Net Position, end of period	<u>\$ 1,830,242</u>	<u>1,816,171</u>

The accompanying notes are an integral part of the financial statements

HUGHES COUNTY RURAL WATER DISTRICT NO. 1
STATEMENT OF CASH FLOWS - MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2024

	2024	-Memorandum- -Only- 2023
Cash Flows from Operating Activities:		
Receipts from customers	\$ 498,692	525,263
Payments to vendors	(278,107)	(391,180)
Net Cash Provided by (used in) Operating Activities	<u>220,585</u>	<u>134,083</u>
Cash Flows from Capital and Related Financing Activities:		
Capital assets purchased	(35,630)	(8,580)
Principal paid on long-term debt	(50,262)	(49,145)
Interest paid on long-term debt	(49,398)	(50,515)
Net Cash Provided by (used in) Capital and Related Financing Activities	<u>(135,290)</u>	<u>(108,240)</u>
Cash Flows from Investing Activities:		
Grant proceeds	0	64,209
Interest earned on investments	7,295	1,337
Net Cash Provided by (used in) Investing Activities	<u>7,295</u>	<u>65,546</u>
Net increase (decrease) in cash and cash equivalents	92,590	91,389
Cash and cash equivalents, beginning of period	<u>426,872</u>	<u>335,483</u>
Cash and cash equivalents, end of period	<u><u>\$ 519,462</u></u>	<u><u>426,872</u></u>
Reconciliation of operating income (loss) to net cash provided by operating activities:		
Operating Income (loss)	\$ 56,174	(30,119)
Adjustments to reconcile net income to net cash provided (used) by operating activities:		
Depreciation Expense	<u>164,411</u>	<u>164,202</u>
Net cash provided by operating activities	<u><u>\$ 220,585</u></u>	<u><u>134,083</u></u>

The accompanying notes are an integral part of the financial statements

HUGHES COUNTY RURAL WATER DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2024

Note 1 – Significant Accounting Policies

Reporting Entity

The District is recognized as a public, not-for-profit rural water district under Oklahoma Statutes, Title 82. The District is an independent, self-contained reporting entity with no associated component units. It is operated in a manner similar to a private business enterprise, where the cost of providing water services is financed through user charges.

Basis of Accounting

The modified cash basis of accounting is followed for all accounts. Revenues are recorded when received and expenditures are recognized when paid. This is a comprehensive basis of accounting other than generally accepted accounting principles (GAAP). The Government Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements.

Cash and Cash Equivalents

The District's cash and cash equivalents, as shown in the financial statements, are amounts that are not subject to fluctuations and have a maturity of less than three months. Cash and investments are detailed as follows:

	December 31,	
	2024	2023
Mabrey Bank:		
Operating Account	\$ 182,261	144,986
Construction Account	25	165,300
Savings Account	63,333	0
Tinker Federal Credit Union:		
Certificate of deposit (restricted)	118,359	115,581
Savings Account	5	5
Edward Jones:		
Government Money Market Account	154,479	0
ORWA deposit	1,000	1,000
Total Cash and Cash Equivalents	<u>\$ 519,462</u>	<u>426,872</u>

HUGHES COUNTY RURAL WATER DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2024

Note 1 – Significant Accounting Policies – cont’d

Collateral Pledged

It appears that all accounts were adequately insured by \$250,000 of FDIC coverage as of December 31, 2024.

Restricted Asset – Investment Reserves

In compliance with USDA Rural Development regulations, cash reserves have been established to collect up to one year’s payments on the notes payable, or \$99,660, at which time deposits in the reserve can be suspended. The reserve account funds have been deposited in an interest-bearing certificate of deposit at Tinker Federal Credit Union, which is insured by the federal government. At December 31, 2024, the restricted asset-investment reserve balance was \$118,359.

Inventory

The District does not maintain inventory records of parts and supplies, but charges these purchases to maintenance or supplies, as they are needed.

Memorandum Totals

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

Note 2 - Capital Assets

Any items purchased or constructed in excess of \$1,000 and a useful life of over two years is considered a capital (fixed) asset by the District and will be depreciated over a specific time. Capital assets and additions are recorded at cost. Depreciation of the waterworks system and improvements is provided using the straight-line method based on a forty-year life. Equipment is depreciated over a five-year life. Depreciation expense for the year is presented as an operating expense and closed, along with other operating expenses, directly to retained earnings.

HUGHES COUNTY RURAL WATER DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2024

Note 2 - Capital Assets – cont'd

Capital asset information for the District is shown below:

	12/31/2023 Amount	Additions	Deletions	12/31/2024 Amount
Water System & Equipment	\$ 6,406,419	35,630	0	6,442,049
Equipment	42,308	0	0	42,308
Less: Accumulated Depreciation	<u>(2,840,950)</u>	<u>(164,411)</u>	<u>0</u>	<u>(3,005,361)</u>
Total	<u>\$ 3,607,777</u>	<u>(128,781)</u>	<u>0</u>	<u>3,478,996</u>

The District added two capital assets during the 2024 fiscal year totaling \$35,630, which included a water well liner and SCADA software expenses. Depreciation expense for the year, as shown above, was \$164,411.

Note 3 – Long-Term Debt

The District is indebted to the USDA Rural Development Program for two notes obtained to finance system improvements. The notes are secured by system revenues and property, plant and equipment. Long-term debt at December 31, 2024, is summarized as follows:

Note No. 91-14, issued for \$2,218,000, dated 1-28-15, at 2.25% interest, due in monthly installments of \$7,142 for 40 years, or until paid	\$ 1,864,775
Note No. 91-16, issued for \$361,000, dated 1-28-15, at 2.25% interest, due in monthly installments of \$1,163 for 40 years, or until paid;	303,441
Less: Current maturities of long-term debt	<u>(51,403)</u>
Total Long-Term Debt, Less Current Maturities	<u>\$ 2,116,813</u>

HUGHES COUNTY RURAL WATER DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2024

Note 3 – Long-Term Debt – cont’d

The estimated maturities for future years, based on the required monthly payments, are detailed as follows:

<u>Year</u>	<u>Loan 91-14</u>	<u>Loan 91-16</u>	<u>Total</u>
2025	\$ 44,200	7,203	51,403
2026	45,205	7,366	52,571
2027	46,233	7,534	53,767
2028	47,284	7,705	54,989
2029	48,359	7,880	56,239
2030-34	258,793	42,171	300,964
2035-39	289,577	47,187	336,764
2040-44	324,024	52,800	376,824
2045-54	761,097	123,598	884,695
Total	<u>\$ 1,864,772</u>	<u>303,444</u>	<u>2,168,216</u>

Note 4 – Subsequent Events

Management has evaluated subsequent events through January 31, 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.

HUGHES COUNTY RURAL DISTRICT NO. 1

Schedule of Water Rates and Customers

-Unaudited Information-

December 31, 2024

Water Rates

Base amount		\$20.00 minimum
Cost per 1,000 gallons	=	\$9.10 per 1,000 gallons

Water Loss

	2024	2023
Total gallons purchased & pumped	54,486,000	63,462,000
Total gallons sold to District customers	(38,936,000)	(42,220,000)
Total water loss	<u>15,550,000</u>	<u>21,242,000</u>
Percentage of water loss	28.54%	33.47%

Source – District Sold vs Purchased report

Customers

The District had approximately 490 customers at the close of the fiscal year.

Current membership cost is \$400 plus parts and labor.