

**McIntosh County Rural Water District No. 13
Henryetta, Oklahoma**

Financial Statements and Auditor's Reports

Year Ended October 31, 2023

Audited by

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

BROKEN ARROW, OK

McIntosh County Rural Water District No. 13
Henryetta, Oklahoma
October 31, 2023

BOARD OF DIRECTORS

Chairman

Vincent Williams

Vice-Chairman

David Berry

Secretary/Treasurer

Stretch May

Members

Brock Barber

R. Wyatt Secor

FIELD MANAGER

Scott Gillan

OFFICE MANAGER

Rhonda Roberts

BOOKKEEPER

Jamie Long

McIntosh County Rural Water District No. 13
Henryetta, Oklahoma
October 31, 2023

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
McIntosh County Rural Water District No. 13
Henryetta, Oklahoma

Report on the Audit of the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the McIntosh County Rural Water District No. 13 (the District), Henryetta, Oklahoma, as of and for the year ended October 31, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District as of October 31, 2023, and the respective changes in financial position and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 - 8 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the

information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The prior year “memorandum only” comparative information and the supplementary information on page 23 are presented for the purposes of additional analysis and are not a required part of the basic financial statements of the District. Such information has not been subjected to the auditing procedures applied in our audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2023, on our consideration of the District’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District’s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District’s internal control over financial reporting and compliance.

Bledsoe, Hewett & Gullekson

Bledsoe, Hewett & Gullekson
Certified Public Accountants, PLLLP

December 12, 2023

McINTOSH COUNTY RURAL WATER DISTRICT NO. 13, HENRYETTA, OK
MANAGEMENT'S DISCUSSION AND ANALYSIS

October 31, 2023

Our discussion and analysis of the McIntosh County Rural Water District No. 13, Henryetta, Oklahoma, McIntosh County's financial performance provides an overview of the District's financial activities for the fiscal year ended October 31, 2023. Please read it in conjunction with the District's financial statements that begin on page 13.

FINANCIAL HIGHLIGHTS:

- The District's total operating revenue exceeded total operating expenses by \$112,734.
- The District's overall total net position increased by \$255,508 in the current fiscal year.
- The District paid off the existing OWRB loan. The OWRB loan was not scheduled to be paid off until the 2024 fiscal year, thus saving the District interest payments.
- The District added \$54,354 in capital assets in 2023, which included a new truck and some office improvements.
- Membership numbers continued to be strong in 2023, with 605 total active users at fiscal year-end.
- The District received \$138,154 in restitution and insurance settlements related to previous fiscal year's misappropriated funds.
- The District switched to an accrual basis of accounting that recognized revenue when it is earned and accrued liabilities as they are incurred.

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 Revenue, 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.

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 was higher in 2023, increasing from \$1,367,230 to \$1,683,662. 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:

	<u>2023</u>	<u>2022</u>	<u>Variances</u>
Current and other assets	\$ 811,528	594,797	216,731
Capital assets, net	873,651	907,433	(33,782)
Total Assets	<u>\$ 1,685,179</u>	<u>1,502,230</u>	<u>182,949</u>
Current liabilities	\$ 1,517	65,000	63,483
Long-term liabilities	-	70,000	70,000
Total Liabilities	<u>\$ 1,517</u>	<u>135,000</u>	<u>133,483</u>
Invest. In capital assets, net of related debt	\$ 873,651	772,433	101,218
Restricted	1,000	83,028	(82,028)
Unrestricted	809,011	511,769	297,242
Total Net Position	<u>\$ 1,683,662</u>	<u>1,367,230</u>	<u>316,432</u>

Net Position of the District increased by 23.14 percent (\$1,683,662 compared to \$1,367,230). 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 \$511,769 to \$809,011.

Table 2 – Changes in Net Position:

	<u>2023</u>	<u>2022</u>	<u>Variances</u>
Revenues:			
Charges for services	\$ 591,937	558,029	33,908
Reimbursements	138,154	30,220	107,934
Other collections	18,658	10,796	7,862
Membership income	8,000	7,000	1,000
Interest	9,981	822	9,159
Total Revenues	<u>766,730</u>	<u>606,867</u>	<u>159,863</u>
Expenses:			
Salaries, taxes and benefits	179,268	167,962	(11,306)
Maintenance and water	84,803	96,817	12,014
Other expenses	153,654	112,313	(41,341)
Depreciation	88,136	83,101	(5,035)
Interest on debt	5,361	7,416	2,055
Lost deposits - write off theft	-	104,794	104,794
Total Expenses	<u>511,222</u>	<u>572,403</u>	<u>61,181</u>
Changes in Net Position	255,508	34,464	221,044
Net Position, Beginning	1,367,230	1,332,766	34,464
Prior Period Adjustment	<u>60,924</u>	<u>-</u>	<u>60,924</u>
Net Position, Ending	<u>\$ 1,683,662</u>	<u>1,367,230</u>	<u>316,432</u>

The District's total revenues increased by 26.34 percent (\$159,863). The total cost of all goods and services decreased by 10.69 percent (\$61,181), mostly due to the theft write-off in 2022.

Capital Assets

At October 31, 2023 the District had \$873,651 invested in capital assets, net of depreciation, including land, the water plant and system, vehicles and equipment. Capital assets of \$54,354 were added in 2023 which included the purchase of a new truck and various office improvements.

Long-Term Debt

The promissory note with the Oklahoma Water Resources Board was approved in 2009. The note was for \$835,000 and will be paid back in bi-annual payments over 15 years, at an interest rate of 1.145%. The loan balance was paid off during the 2023 fiscal year. There was no debt outstanding at October 31, 2023

Economic Factors and Next Year's Budget and Rates

For the upcoming fiscal year ending October 31, 2024, the District's budget is fairly consistent with the prior fiscal year. The normal cost of operation continues to increase for all areas of the economy, and rural water is not exempt from these increases.

The District intends to continue to transfer money into its capital improvements and depreciation bank account each month as a savings for future District capital projects.

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 395977 E 1150 RD, Henryetta, OK 74437 or call (918) 652-8709.



BLED SOE, HEWETT & GULLEKSON
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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
McIntosh County Rural Water District No. 13
Henryetta, 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 McIntosh County Rural Water District No. 13 (the District), Henryetta, Oklahoma, as of and for the year ended October 31, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 12, 2023.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of District's internal control. Accordingly, we do not express an opinion on the effectiveness of District's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Bledsoe, Hewett & Gullekson

Bledsoe, Hewett & Gullekson
Certified Public Accountants, PLLLP

December 12, 2023

McINTOSH COUNTY RURAL DISTRICT NO. 13
Disposition of Prior Year's Significant Deficiencies
October 31, 2023

22-1 – Lack of Segregation of Duties

The District strengthened internal controls during the 2022-23 fiscal year. Both employees in the office are involved in the various accounting functions to best segregate duties when only two employees are employed. In addition, the Board has taken an increased oversight role in reviewing and approving financial transactions.

McINTOSH COUNTY RURAL WATER DISTRICT NO. 13
Schedule of Audit Results
October 31, 2023

Section 1 – Summary of Auditor’s Results:

1. An unmodified opinion report was issued on the financial statements.
2. The audit did not identify any material weaknesses and did not report any significant deficiencies not considered to be material weaknesses in the internal controls over financial reporting.
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:

None

McINTOSH COUNTY RURAL WATER DISTRICT NO. 13
Statement of Net Position
October 31, 2023

	<u>2023</u>	<u>-Memorandum- -Only- 2022</u>
<u>ASSETS</u>		
Current Assets:		
Cash in bank - unrestricted	\$ 747,630	\$ 511,769
Accounts receivable	51,774	0
Cash in bank - restricted (debt service)	0	82,028
Prepaid insurance	11,124	0
Total current assets	<u>810,528</u>	<u>593,797</u>
Capital Assets:		
Water system & lines	2,883,524	2,883,524
Equipment and tools	243,179	199,430
Buildings	68,685	58,080
Total capital assets	3,195,388	3,141,034
Less: accumulated depreciation	<u>(2,321,737)</u>	<u>(2,233,601)</u>
Capital assets, net	<u>873,651</u>	<u>907,433</u>
Other Assets:		
ORWA reserve certificate	<u>1,000</u>	<u>1,000</u>
TOTAL ASSETS	<u>\$ 1,685,179</u>	<u>\$ 1,502,230</u>
 <u>LIABILITIES</u>		
Current Liabilities:		
Accounts payable	\$ 1,517	\$ 0
Current maturities of long-term debt	0	65,000
Total current liabilities	<u>1,517</u>	<u>65,000</u>
Non-Current Liabilities:		
Long-Term Debt, less current maturities-	<u>0</u>	<u>70,000</u>
Total Liabilities	<u>\$ 1,517</u>	<u>\$ 135,000</u>
 <u>NET POSITION</u>		
Net investment in capital assets	873,651	772,433
Restricted	1,000	83,028
Unrestricted assets	<u>809,011</u>	<u>511,769</u>
Total Net Position	<u>1,683,662</u>	<u>1,367,230</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 1,685,179</u>	<u>\$ 1,502,230</u>

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

McINSTOSH COUNTY RURAL WATER DISTRICT NO. 13
Statement of Revenues, Expenses and Changes in Net Position
For The Year Ended October 31, 2023

	2023	-Memorandum- -Only- 2022
Revenue from Operations:		
Water sales & services	\$ 591,937	\$ 558,029
Memberships	8,000	7,000
Other income and fees	18,658	10,796
Total revenue from operations	618,595	575,825
Expenses from Operations:		
Water purchases	10,333	32,103
Salary and taxes	179,268	167,962
Insurance	17,502	12,097
System maintenance and repair	74,470	64,714
Office and postage	37,039	17,270
Professional fees	44,103	20,818
Utilities and telephone	31,210	31,035
Vehicle expenses	12,538	16,943
Miscellaneous	5,613	5,457
Depreciation	88,136	83,101
Due and fees	5,649	8,693
Total expenses from operations	505,861	460,193
Operating Income (Loss)	112,734	115,632
Non-operating income:		
Interest earnings	2,738	822
Realized gain from debt service accounts	7,243	0
Reimbursements	0	30,220
Insurance settlements & restitution	138,154	0
Total other income	148,135	31,042
Non-operating expenses:		
Lost deposits due to theft	0	(104,794)
Interest paid on debt	(5,361)	(7,416)
Total other expenses	(5,361)	(112,210)
Change in Net Position	255,508	34,464
Total Net Position, beginning of period	1,367,230	1,332,766
Prior period adjustment	60,924	0
Total Net Position, end of period	\$ 1,683,662	\$ 1,367,230

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

McINTOSH COUNTY RURAL WATER DISTRICT NO. 13
Statement of Cash Flows
For Year Ended October 31, 2023

	2023	-Memorandum- -Only- 2022
Cash Flows from Operating Activities:		
Receipts from customers	\$ 618,138	\$ 575,982
Payments to employees	(179,268)	(167,962)
Payments to vendors	(238,457)	(209,287)
Net cash provided by operating activities	200,413	198,733
Cash Flows from Capital and Related Financial Activities:		
Lost deposits due to theft	0	(104,794)
Principal payments on long-term debt	(135,000)	(65,000)
Interest payments on long-term debt	(5,361)	(8,055)
Insurance and restitution payments	138,154	0
Customer reimbursement	0	30,500
Purchase of capital assets	(54,354)	(36,141)
Net cash provided by (used in) capital and related financial activities	(56,561)	(183,490)
Cash Flows from Investing Activities:		
Interest revenue	9,981	822
Net increase (decrease) in cash and equivalents	153,833	16,065
Cash and cash equivalents, beginning of period	593,797	577,732
Cash and cash equivalents, end of period	\$ 747,630	\$ 593,797
 Reconciliation of operating net income (loss) to net cash provided by operating activities:		
Net income (loss) from operations	\$ 112,734	\$ 115,632
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation Expense	88,136	83,101
(Increase) decrease in accounts receivable	(51,774)	0
(Increase) decrease in prepaid expenses	(11,124)	0
Increase (decrease) in accounts payable	1,517	0
Prior period adjustment - cash to accrual basis	60,924	0
Net Cash Provided by Operating Activities	\$ 200,413	\$ 198,733

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

McINTOSH COUNTY RURAL WATER DISTRICT NO. 13

Henryetta, Oklahoma

Notes to the Financial Statements

October 31, 2023

Note 1 – Summary of Significant Accounting Policies

Reporting Entity

The McIntosh County Rural Water District No. 13 (the District) was incorporated in 2002 under the Laws of the State of Oklahoma in accordance with Title 82 of the Oklahoma Statutes, as a subdivision of the State of Oklahoma. The District operates and maintains a water treatment and distribution system within McIntosh County, Oklahoma, and provides potable water services for members around Henryetta, Oklahoma.

Fund Accounting

The District is accounted for within the framework of enterprise fund accounting. Propriety Fund Type Enterprise Funds are used to account for operations that are operated in a manner similar to private business enterprises wherein the intent of the District's Board of Directors is to recover the cost of providing goods and services through user charges.

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 basis of accounting is in accordance with generally accepted accounting principles.

The District follows GASB issued Statement No. 34 "Basic Financial Statements and Management's Discussion and Analysis for State and Local Government." This statement established financial reporting requirements for state and local governments throughout the United States.

Budgetary Data

The District is required by its loan agreements to prepare annually an estimated budget.

Cash and Cash Equivalents

For purposes of the statement of cash flows, cash and cash equivalents consist of unrestricted cash in the checking accounts.

McINTOSH COUNTY RURAL WATER DISTRICT NO. 13

Henryetta, Oklahoma

Notes to the Financial Statements

October 31, 2023

Note 1 – Summary of Significant Accounting Policies - (cont'd)

The District's cash accounts at October 31, 2023 are detailed as follows:

Cash on hand	\$	200
First National Bank & Trust, Okmulgee, Ok-		
Operations account		183,432
Capital Improvements account		30,070
Depreciation account		547,292
Plus: Outstanding deposits		1,529
Less: Outstanding checks		<u>(14,893)</u>
Total Cash	\$	<u>747,630</u>

Custodial Credit Risk

At October 31, 2023 the District held deposits of approximately \$760,794 at financial institutions. The District's cash deposits, including interest-bearing certificates of deposit are 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.

The District has also purchased reserve certificate totaling \$1,000 from the Oklahoma Rural Water Association Assurance Group (ORWAA). These certificates are held as a deposit by ORWAA as a self-insurance reserve.

Investment Credit Risk

The District has no policy that limits its investment choices other than the limitation of state law as follows:

- a. Direct obligation 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.

McINTOSH COUNTY RURAL WATER DISTRICT NO. 13

Henryetta, Oklahoma

Notes to the Financial Statements

October 31, 2023

Note 1 – Summary of Significant Accounting Policies - (cont'd)

- 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.).

Accounts Receivable

Billings for accounts receivable at October 31, 2023 were \$51,774. No allowance for doubtful accounts was computed because the effect of bad debts on the financial statements is not considered material.

Equity Classification

Equity is classified as net position and displayed in three components:

- 1. Net investment in capital assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets and adjusted for any deferred inflows and outflows of resources attributable to capital assets and related debt.
- 2. Restricted – Consists of restricted assets reduced by liabilities and deferred inflows or resources related to those assets, with restriction constraints placed on the use either by (a) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (b) law through constructional provisions or enabling legislation.

McINTOSH COUNTY RURAL WATER DISTRICT NO. 13

Henryetta, Oklahoma

Notes to the Financial Statements

October 31, 2023

Note 1 – Summary of Significant Accounting Policies - (cont'd)

3. Unrestricted – Net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

It is the District's policy to first use restricted net resources prior to the use of unrestricted net resources when an expense is incurred for purposes for which both restricted and unrestricted net resources are available.

Revenues & Expenses

Operating revenues and expenses for proprietary funds result from providing services and producing and delivering goods and/or services. They also include all revenues and expenses not related to capital and related financing, noncapital financing, or investing activities.

Governmental Accounting Standards Board Statement No. 34

In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments. Certain of the significant changes in the Statement include the following:

1. For the first time the financial statement should include:
 - a. A Management Discussion and Analysis (MD&A) section providing analysis of the District's overall financial position and results of operations.
 - b. Financial statements prepared using full accrual accounting for all of the District's activities, except for including the General capital assets or infrastructure (liens, pump stations, etc.).
2. A change in the fund financial statements to focus on major funds.

Income Taxes

The District is exempt from income taxes as a political subdivision of the State of Oklahoma.

McINTOSH COUNTY RURAL WATER DISTRICT NO. 13

Henryetta, Oklahoma

Notes to the Financial Statements

October 31, 2023

Note 1 – Summary of Significant Accounting Policies - (cont'd)

Memorandum Totals

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

Note 2 – Capital Assets

Capital Assets

Capital assets are valued at cost, depreciation is computed by use of the straight-line method. The estimated useful lives of these assets are as follows:

Land	n/a
Office furniture & fixtures	5 years
Equipment & tools	5 years
Transportation equipment	5 years
Water & sewer system	40 years
Buildings	25 years
Computer equipment	3 years

The dollar threshold for capitalization has been set at \$1,000.

The following is a summary of the property, plant and equipment of the District as of October 31, 2023:

	Balance at Oct. 31, 2022	Additions	Deletions	Balance at Oct. 31, 2023
Land	\$ -	-	-	-
Water system & lines	2,883,524	-	-	2,883,524
Equipment and tools	199,430	43,749	-	243,179
Buildings	58,080	10,605	-	68,685
Subtotal	3,141,034	54,354	-	3,195,388
Less: Accumulated Depreciation	(2,233,601)	(88,136)	-	(2,321,737)
Total	\$ 907,433	(33,782)	-	873,651

McINTOSH COUNTY RURAL WATER DISTRICT NO. 13

Henryetta, Oklahoma

Notes to the Financial Statements

October 31, 2023

Note 3 – Notes Payable

Long-Term Debt consists of a loan with the Oklahoma Water Resources Board (OWRB). The District borrowed \$835,000 from OWRB to refinance existing debt and make system improvements.

The notes payable at October 31st are detailed as follows:

	<u>2023</u>	<u>2022</u>
OWRB loan FAP-09-002-L, issued for \$835,000, dated 11-24-09, at 1.145% interest, due in semi-annual installments, final payment due in 2024	\$ -	<u>135,000</u>

The outstanding loan with OWRB was paid off during the 2022-23 fiscal year with excess funds earned in the debt service reserve accounts.

Note 4 – Contingencies

Litigation

According to management, there were no known contingent liabilities at October 31, 2023 which would have a material effect on the financial statements.

Note 5 – Insurance Coverage

The District is exposed to various levels of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District carries a commercial blanket of coverage and worker's compensation for risk of loss. There has been no significant reduction in the District's insurance coverage from the previous year. In addition, there have been no settlements in excess of the District's coverage in any of the prior three fiscal years.

There has been no significant reduction in the District's insurance coverage from the previous year. In addition, there have been no settlements in excess of the District's coverage in any of the prior three fiscal years.

Note 6 – Benefits

The District does not provide retirement or insurance benefits to employees.

McINTOSH COUNTY RURAL WATER DISTRICT NO. 13
Henryetta, Oklahoma
Notes to the Financial Statements
October 31, 2023

Note 7 –Prior Period Adjustment

During the 2023 fiscal year, the District has elected to report their financial statements on an accrual basis of accounting, rather than on a modified cash basis. Under the accrual basis of accounting revenues are recorded when earned and accrued liabilities are recognized when incurred. The change in accounting principles resulted in an increase to the prior period's reported Net Position. This \$60,924 increase is shown on the financial statements as a period adjustment.

Note 8 – Subsequent Events

The District did not have any subsequent events through December 12, 2023 which is the date of the financial statements were issued, for events requiring recording or disclosure in the financial statements for the year ending October 31, 2023.

McINTOSH COUNTY RURAL DISTRICT NO. 13
Schedule of Water Rates and Customers
-Unaudited Information-
October 31, 2023

Water Rates

Residential

0 gallons	=	\$32.00 minimum
0 – 1,000 gallons	=	\$10.00 per thousand
1,001 – 2,000 gallons	=	\$11.50 per thousand
2,001 – 3,000 gallons	=	\$12.00 per thousand
3,001 – 4,000 gallons	=	\$12.50 per thousand
4,001 – 5,000 gallons	=	\$13.00 per thousand
5,001 – 20,000 gallons	=	\$16.00 per thousand
Over 20,000 gallons	=	\$24.50 per thousand

Water Loss

	<u>2022-23</u>	<u>2021-22</u>
Total gallons purchased and produced	46,765,750	46,240,170
Total gallons sold to District customers	<u>(27,116,710)</u>	<u>(29,548,780)</u>
Total water loss	<u>19,649,040</u>	<u>16,691,390</u>
Percentage of water loss	<u>40.02%</u>	<u>36.10%</u>

Customers

The District had 605 active customers at the close of the fiscal year.

Current membership fee structure:

- \$100 per meter if meter is already in place
- \$1,500 per meter for new meter