

**Muskogee County Rural Water District No. 1  
Oktaha, Oklahoma**

Financial Statements and Auditors Reports

Year Ended December 31, 2023

Audited by

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

BROKEN ARROW, OK

**Muskogee County Rural Water District No. 1**  
**Oktaha, Oklahoma**  
Board of Directors  
December 31, 2023

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**Vice-Chairman**

Justin Mullen

**Secretary/Treasurer**

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**Member**

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**MANAGER**

Steve Ledford

**BOOKKEEPER**

Sheila Whittle

**Muskogee County Rural Water District No. 1**  
**Oktaha, Oklahoma**  
December 31, 2023

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

Eric M. Bledsoe, CPA  
Jeffrey D. Hewett, CPA  
Christopher P. Gullekson, CPA

P.O. BOX 1310 • 121 E. COLLEGE ST. • BROKEN ARROW, OK 74013 • (918) 449-9991 • (800) 522-3831 • FAX (918) 449-9779

**INDEPENDENT AUDITOR'S REPORT**

Board of Directors  
Muskogee County Rural Water District No. 1  
Oktaha, Oklahoma

***Report on the Audit of the Financial Statements***

We have audited the accompanying combined fund type and account group financial statements-regulatory basis of the Muskogee County Rural Water District No. 1, Oktaha, Oklahoma (the District), as of and for the year ended December 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 December 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 6-9 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our

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

The prior year “memorandum only” comparative information and the supplementary information on page 23 is 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 April 11, 2024 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

April 11, 2024

## RURAL WATER DISTRICT NO. 1, MUSKOGEE COUNTY

### MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2023

Our discussion and analysis of the Rural Water District No. 1, Muskogee County's financial performance provides an overview of the District's financial activities for the fiscal year ended December 31, 2023. Please read it in conjunction with the District's financial statements that begin on page 14.

#### **FINANCIAL HIGHLIGHTS**

- The District's total operating revenues exceeded total operating expenses by \$133,215. Overall, the District's cash and cash equivalents increased by \$33,235 in 2023.
- The District was approved for a \$935,000 loan from Oklahoma Water Resources Board for construction of a new pump and pump station.
- The District memberships stayed consistent in 2023, decreasing from 934 to 926 active accounts.
- The District earned \$18,239 in interest in 2023, a \$13,651 increase over 2022.

#### **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.

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 \$1,235,118 to \$1,371,403. 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	\$ 1,727,285	758,766	968,519
Capital assets, net	<u>595,249</u>	<u>548,931</u>	<u>46,318</u>
Total Assets	<u>\$ 2,322,534</u>	<u>1,307,697</u>	<u>1,014,837</u>
Current liabilities	\$ 31,131	55,479	24,348
Long-term liabilities	<u>920,000</u>	<u>17,100</u>	<u>(902,900)</u>
Total Liabilities	<u>\$ 951,131</u>	<u>72,579</u>	<u>(878,552)</u>
Net investment in capital assets	\$ (339,751)	497,531	(837,282)
Restricted	935,119	54,258	880,861
Unrestricted	<u>776,035</u>	<u>683,329</u>	<u>92,706</u>
Total Net Position	<u>\$ 1,371,403</u>	<u>1,235,118</u>	<u>136,285</u>

Net Position of the District increased by 11.03 percent (\$1,371,403 compared to \$1,235,118). 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 \$683,329 to \$776,035.



**Table 2 – Changes in Net Position:**

	<u>2023</u>	<u>2022</u>	<u>Variances</u>
Revenues:			
Charges for services	\$ 678,870	541,634	137,236
Donations	0	100,000	(100,000)
Interest	18,239	4,588	13,651
Total Revenues	<u>697,109</u>	<u>646,222</u>	<u>50,887</u>
Expenses:			
Salaries, taxes and benefits	109,844	94,430	(15,414)
Maintenance and repairs	80,041	58,685	(21,356)
Insurance	20,300	18,828	(1,472)
Other expenses	311,291	285,044	(26,247)
Depreciation	24,179	25,482	1,303
Interest on debt	15,169	778	(14,391)
Total Expenses	<u>560,824</u>	<u>483,247</u>	<u>(77,577)</u>
Changes in Net Position	136,285	162,975	(26,690)
Net Position, Beginning	<u>1,235,118</u>	<u>1,072,143</u>	<u>162,975</u>
Net Position, Ending	<u>\$ 1,371,403</u>	<u>1,235,118</u>	<u>136,285</u>

The District's total revenues increased by 7.87 percent (\$50,887). The total cost of all services (expenses) increased by 16.05 percent (\$77,577).

### **Capital Assets**

At December 31, 2023, the District had \$595,249 invested in capital assets, net of depreciation, including land, the water system, vehicles and equipment. The District purchased a new truck in 2023.

### **Long-Term Debt**

The District is indebted to Oklahoma Water Resources Board on two notes; one obtained for previously extensive extensions and payment of other debts and a new note to build a new pump and pump station. The outstanding principal balance owed for the 1998 note, of \$51,400, was paid off during the 2023 fiscal year. The new 2023 note has a balance owed on the note of \$935,000 that will be paid off over a 30-year period.

### **Economic Factors and Next Year's Budget and Rates**

The District has absorbed some of the City of Muskogee's rate increases but may be forced to increase customer rates if additional increases are made by the City of Muskogee.

The District's budget for fiscal year 2024 will remain much like previous years budgets. Your 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.

The District will begin the construction of the new pump and pump house in 2024.

### **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 156, Oktaha, OK 74450 or call (918) 682-7903.



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CERTIFIED PUBLIC ACCOUNTANTS, PLLLP

Eric M. Bledsoe, CPA  
Jeffrey D. Hewett, CPA  
Christopher P. Gullekson, CPA

P.O. BOX 1310 • 121 E. COLLEGE ST. • BROKEN ARROW, OK 74013 • (918) 449-9991 • (800) 522-3831 • FAX (918) 449-9779

**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  
Muskogee County Rural Water District No. 1  
Oktaha, 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 Muskogee County Rural Water District No. 1, Oktaha, Oklahoma (the District), as of and for the year ended December 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 April 11, 2024.

**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 identified one deficiency in internal control that we consider to be a material weakness. This finding is identified as item 2023-1 in the accompanying Schedule of Audit Results.

## **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 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

April 11, 2024

**MUSKOGEE COUNTY RURAL DISTRICT NO. 1**  
**Disposition of Prior Year's Significant Deficiencies**  
**December 31, 2023**

2022-1 Lack of Segregation of Duties

*Finding* – Presently, the same individual performs all accounting functions; receives utility service-related payments and is responsible for service billing and adjustment, also 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.

**MUSKOGEE COUNTY RURAL WATER DISTRICT NO. 1**  
**Schedule of Audit Results**  
**December 31, 2023**

**Section 1 – Summary of Auditor’s Results:**

1. An unqualified opinion report was issued on the financial statements.
2. The audit identified a material weakness, item 2023-1, in the internal controls.
3. The audit disclosed no instances of noncompliance.

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

**2023-1 – Lack of Segregation of Duties**

Condition - The inherent limitations resulting from a small number of employees performing functions that would normally be divided among employees were a larger number available prevent a proper segregation of accounting functions, which is necessary in order to assure adequate internal accounting controls.

Criteria - An organization should ensure that there is a proper segregation of duties regarding cash collections and the payment of expenses.

Cause - The District is not large enough to justify the hiring of additional personnel.

Effect - There is always the possibility that not all collections are actually receipted or deposited, and the possibility that funds expended are not used for actual District obligations.

Recommendation - The current procedures should not be changed. However, there should be additional personnel instilled into the collection, receipt, deposit, reconciliation and payment procedures when this becomes economically possible.

Response - Additional personnel will be hired when the actual funds are available.

**MUSKOGEE COUNTY RURAL WATER DISTRICT NO. 1**

## Statement of Net Position

December 31, 2023

		-Memorandum- -Only- 2022
<b><u>ASSETS:</u></b>	<b>2023</b>	
Current Assets:		
Cash and cash equivalents	\$ 480,382	397,445
Investments	270,483	265,478
Accounts receivable	37,118	37,283
Prepaid insurance	4,183	4,302
Total current assets	<u>792,166</u>	<u>704,508</u>
Restricted Assets-		
ORWB loan project funds	935,000	0
ORWB project trust funds - Debt service	20	14,634
ORWB project trust funds - Debt service reserve	99	39,624
Total restricted assets	<u>935,119</u>	<u>54,258</u>
Capital Assets-		
Land	20,635	20,635
Building, plant and water systems	1,732,931	1,732,931
Other capital assets	269,753	199,256
Total capital assets	<u>2,023,319</u>	<u>1,952,822</u>
Less: accumulated depreciation	<u>(1,428,070)</u>	<u>(1,403,891)</u>
Total capital assets (net)	<u>595,249</u>	<u>548,931</u>
<b>TOTAL ASSETS</b>	<b><u><u>\$ 2,322,534</u></u></b>	<b><u><u>1,307,697</u></u></b>
<b><u>LIABILITIES:</u></b>		
Current Liabilities:		
Accounts payable	\$ 16,131	19,908
Accrued interest	0	1,271
Current portion of long-term debt	15,000	34,300
Total current liabilities	<u>31,131</u>	<u>55,479</u>
Long-term Debt	<u>920,000</u>	<u>17,100</u>
Total Liabilities	<u>951,131</u>	<u>72,579</u>
<b><u>NET POSITION:</u></b>		
Net investment in capital assets	(339,751)	497,531
Restricted for debt service	935,119	54,258
Unrestricted assets	<u>776,035</u>	<u>683,329</u>
Total Net Position	<u>1,371,403</u>	<u>1,235,118</u>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b><u><u>\$ 2,322,534</u></u></b>	<b><u><u>1,307,697</u></u></b>

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

**MUSKOGEE COUNTY RURAL WATER DISTRICT NO. 1**  
Statement of Revenues, Expenses and Changes in Net Position  
For The Year Ended December 31, 2023

	2023	-Memorandum- -Only- 2022
<b>Operating Revenues:</b>		
Water sales	\$ 649,249	505,585
Fees and fines	17,771	19,343
Benefit units	10,250	9,000
Meters	0	3,715
Other sources	1,600	3,991
Total revenue from operations	<u>678,870</u>	<u>541,634</u>
<b>Operating Expenses:</b>		
Salaries and benefits	109,844	94,430
Water purchases	208,519	193,272
Repairs and maintenance	80,041	58,685
Supplies and materials	28,140	39,634
Vehicle expense	8,542	5,129
Utilities and telephone	6,448	6,245
Insurance	20,300	18,828
Office expense and postage	13,786	12,984
Depreciation	24,179	25,482
Professional fees	13,161	5,775
Dues and fees	343	46
Miscellaneous	32,352	21,959
Total expenses from operations	<u>545,655</u>	<u>482,469</u>
Operating Revenue Over Expenses	133,215	59,165
<b>Non-Operating Revenues (Expenses):</b>		
Interest income	18,239	4,588
Donations	0	100,000
Interest paid on long-term debt	(15,169)	(778)
Total non-operating revenues (expenses)	<u>3,070</u>	<u>103,810</u>
Change in Net Position	136,285	162,975
Total Net Position, beginning of period	<u>1,235,118</u>	<u>1,072,143</u>
<b>Total Net Position, end of period</b>	<u><u>\$ 1,371,403</u></u>	<u><u>1,235,118</u></u>

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



**MUSKOGEE COUNTY RURAL WATER DISTRICT NO. 1****Statement of Cash Flows**  
**For the Year Ended December 31, 2023**

	2023	-Memorandum- -Only- 2022
<b>Cash Flows from Operating Activities:</b>		
Receipts from customers	\$ 678,870	541,634
Payments to employees	(106,365)	(91,794)
Payments to vendors	(420,442)	(371,919)
Net Cash Provided by Operating Activities	152,063	77,921
<b>Cash Flows from Investing Activities:</b>		
Interest earned on investments	18,239	4,588
Donations	0	100,000
Net Cash Provided by (used in) Investing Activities	18,239	104,588
<b>Cash Flows from Capital and Related Financing Activities:</b>		
Principal paid on long-term debt	(51,400)	(31,800)
Interest paid on long-term debt	(15,169)	(778)
Acquisition of capital assets	(70,498)	(38,100)
Net Cash Provided by (used in) Capital and Related Financing Activities	(137,067)	(70,678)
Net Increase (Decrease) in Cash	33,235	111,831
Cash and cash equivalents, beginning of period	717,181	605,350
<b>Cash and cash equivalents, end of period</b>	<b>\$ 750,416</b>	<b>717,181</b>
<b>Reconciliation of operating income (loss) to net cash provided by operating activities:</b>		
Operating Income	\$ 133,215	59,165
Adjustments to reconcile net income to net cash provided (used) by operating activities:		
Depreciation Expense	24,179	25,482
Change in assets and liabilities:		
(Increase) decrease in accounts receivable	(165)	824
(Increase) decrease in prepaid insurance	(119)	431
Increase (decrease) in accounts payable	(5,047)	(7,981)
Net cash provided by operating activities	\$ 152,063	77,921

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

# MUSKOGEE COUNTY RURAL WATER DISTRICT NO. 1

Oktaha, Oklahoma

Notes to the Financial Statements

December 31, 2023

## Note A – Significant Accounting Policies

### Business Activity

Muskogee County Rural Water District No. 1 (the District) was formed under the provisions of Title 82, O.S. 1981, Sections 1324.1-1324.26 inclusive. The District operates as a nontaxable government agency to service residents of the Muskogee County Rural Water District No. 1. The District's primary income is from the sale of water to its members in an area around Oktaha, Oklahoma.

### Basis of Accounting

The financial statements are prepared on an accrual basis of accounting, which is in compliance with accounting principles generally accepted in the United States of America (GAAP), and which recognizes revenues when earned and expenses as incurred. Interest earnings on certificates of deposit are recorded when such interest is actually received by the District. Generally accepted accounting principles include all relevant Government Accounting Standards Board (GASB) pronouncements.

### Deposits and Investments

The District's cash accounts at December 31<sup>st</sup>, are detailed as follows:

	December 31,	
	2023	2022
Cash on hand	\$ 300	300
Armstrong Bank, Checotah, Ok-		
Revenue account	313,690	365,253
Operation & Maintenance account	19,238	35,893
YZY Commercial account	149,911	0
Less: Outstanding checks	(2,756)	(4,002)
Bank of Oklahoma-		
ORWB Trust Accounts-		
Debt Service account	20	14,634
Debt Service Reserve account	99	39,625
Total	<u>\$ 480,502</u>	<u>451,703</u>

**MUSKOGEE COUNTY RURAL WATER DISTRICT NO. 1**

**Oktaha, Oklahoma**

Notes to the Financial Statements

December 31, 2023

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

The District's investments are detailed as follows:

	2023	2022
Armstrong Bank, Checotah, Ok- Certificate of deposit no. 544353, dated 2-22-22, due 8-22-23	\$ 0	264,085
Armstrong Bank, Checotah, Ok- Certificate of deposit no. 653195, dated 6-15-23, due 12-15-24	270,483	0
Total	<u>\$ 270,483</u>	<u>264,085</u>

Oklahoma Statutes authorize the District to invest in certificates of deposit, repurchase agreements, passbooks, bankers' acceptances, and other available bank investments provided that all deposits are fully covered by approved securities pledged to secure those funds. In addition, the District can invest in direct debt securities of the United States unless such an investment is expressly prohibited by law.

Bank deposits are held at several financial institutions and are carried at cost. For purposes of statements of cash flows, the District considers cash and all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

*Custodial Credit Risk* – At December 30, 2023, the District held deposits of approximately \$750,685 at financial institutions. The District's cash deposits, including interest-bearing certificates of deposit, are entirely covered by Federal Depository Insurance (FDIC) or direct obligation of the U.S. Government insured or collateralized with securities held by the District or by its agent in the District's name.

*Investment Interest Rate Risk* – The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

*Investment Credit Risk* – The District has no policy that limits its investment choices other than the limitations of state law, as follows:

- a. Direct obligations of the U.S. Government, its agencies and instrumentalities to which the full faith and credit of the U.S. Government is pledged, or obligations to the payment of which the full faith and credit of the State is pledged.
- b. Certificates of deposits or savings accounts that are either insured or secured with acceptable collateral with in-state financial institutions, and fully insured certificates of deposit or savings accounts in out-of-state financial institutions.

## MUSKOGEE COUNTY RURAL WATER DISTRICT NO. 1

Oktaha, Oklahoma

Notes to the Financial Statements

December 31, 2023

### Note A – 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).

The investments held at December 31, 2023 are as follows:

	Wtd. Avg Maturity	Credit Rating	Market	Cost
Money market/checking	N/A	AAAm	\$ 482,839	482,839
Trust accounts	N/A	AAAm	119	119
Certificates of deposit	1.5 Yrs	N/A	270,483	270,483
Total Deposits			<u>\$ 753,441</u>	<u>753,441</u>

Concentration of Investment Credit Risk – The District places no limit on the amount it may invest in any one issuer. The District has the following of credit risk: 35.89% in Certificates of Deposit (\$270,483), 0.02% in Trust Accounts (\$119) and 64.09% in Money Market funds (\$482,839).

Fair Value of Financial Instruments – The District's financial instruments include cash and cash equivalents, accounts receivable, accounts payable and notes payable. The District's estimate of the fair value of all financial instruments does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying statement of net position. The carrying amount of these financial instruments approximates fair values because of the short maturity of these instruments.

# MUSKOGEE COUNTY RURAL WATER DISTRICT NO. 1

Oktaha, Oklahoma

Notes to the Financial Statements

December 31, 2023

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

### Accounts Receivable

Billings for accounts receivable at December 31, 2023 were \$37,118. No allowance for doubtful accounts was computed because the effect of bad debts on the financial statements is not considered material.

### Memorandum Totals

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

### Accumulated Unpaid Vacation and Sick Pay

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

### 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 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	5-10 years
Equipment & tools	5 years
Transportation equipment	5 years
Water & sewer system	50 years
Buildings	25 years
Computer equipment	3 years

**MUSKOGEE COUNTY RURAL WATER DISTRICT NO. 1****Oktaha, Oklahoma**

## Notes to the Financial Statements

December 31, 2023

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

The capital asset information for the District is shown below:

	12/31/2022 Amount	Additions	Deletions	12/31/2023 Amount
Land	\$ 20,635	-	-	20,635
Building	62,919	-	-	62,919
Plant and water sys.	1,670,012	-	-	1,670,012
Vehicles and equip.	199,256	70,498	-	269,754
Total Capital Assets	1,952,822	70,498	-	2,023,320
Less: Accumulated Depreciation	(1,403,891)	(24,179)	-	(1,428,070)
Total	<u>\$ 548,931</u>	<u>46,319</u>	<u>-</u>	<u>595,250</u>

**Note B – Notes Payable**

The District had two promissory notes with the Oklahoma Water Resources Board (OWRB). The first note, in the amount of \$430,000, dated March 31, 1998, for a period of 25 years, was paid off early in the current fiscal year. The second note, in the amount of \$935,000, dated June 1, 2023, for a period of 30 years, remains outstanding. The District makes monthly deposits into the YZY Commercial account at Armstrong Bank then transferred to the Operating and Maintenance account at Armstrong Bank, from which monthly payments of principal and interest are made to the OWRB. Both notes are secured by the water system and future water revenues.

	<u>2023</u>	<u>2022</u>
Oklahoma Water Resources Board note payable, issued for \$430,000, dated 3-31-98, at 3.225% interest, due in semi-annual installments, until paid;	\$ 0	51,400
Oklahoma Water Resources Board note payable, issued for \$935,000, dated 6-1-23, at 5.200% interest, due in semi-annual installments, until paid;	935,000	0
Less: Current maturities of long-term debt	<u>(15,000)</u>	<u>(51,400)</u>
Total Long-Term Debt	<u>\$ 920,000</u>	<u>0</u>

**MUSKOGEE COUNTY RURAL WATER DISTRICT NO. 1**  
**Oktaha, Oklahoma**  
Notes to the Financial Statements  
December 31, 2023

**Note B – Notes Payable – cont'd**

The scheduled maturities for the next four years, and in total thereafter, are detailed as follows:

	<u>OWRB</u>
2024	\$ 15,000
2025	15,000
2026	15,000
2027	15,000
2028	20,000
2029-33	105,000
2034-38	130,000
2039-43	165,000
2044-48	200,000
2049-53	<u>255,000</u>
Total	<u><u>\$ 935,000</u></u>

**Note C – Subsequent Events**

Management has evaluated subsequent events through April 11, 2024, which is the date the financial statements were available to be issued and has determined that no additional information needs to be added to the financial statements.

**MUSKOGEE COUNTY RURAL DISTRICT NO. 1**  
**Schedule of Water Rates and Customers**  
**-Unaudited Information-**  
**December 31, 2023**

<u>Water Rates:</u>		<u>Residential</u>	<u>Commercial</u>
0 – 1,000 gallons	=	\$21.00	\$21.00
1,000 – 1,999 gallons	=	\$24.00	\$24.00
2,000 – 2,999 gallons	=	\$27.00	\$27.00
3,000 – 3,999 gallons	=	\$30.00	\$30.00
4,000 – 4,999 gallons	=	\$33.00	\$33.00
5,000 – 5,999 gallons	=	\$36.00	\$36.00
6,000 – 6,999 gallons	=	\$39.00	\$39.00
7,000 – 7,999 gallons	=	\$42.00	\$42.00
8,000 – 8,999 gallons	=	\$45.00	\$45.00
9,000 – 9,999 gallons	=	\$48.00	\$48.00
10,000 – 10,999 gallons	=	\$55.00	\$165.00
11,000 – 11,999 gallons	=	\$58.00	\$174.00
12,000 – 12,999 gallons	=	\$61.00	\$183.00
13,000 – 13,999 gallons	=	\$64.00	\$192.00
14,000 – 14,999 gallons	=	\$67.00	\$201.00
15,000 – 15,999 gallons	=	\$70.00	\$210.00
16,000 – 16,999 gallons	=	\$73.00	\$219.00
17,000 – 17,999 gallons	=	\$77.00	\$231.00
18,000 – 18,999 gallons	=	\$80.00	\$240.00
19,000 – 19,999 gallons	=	\$83.00	\$249.00

<u>Water Loss:</u>	<u>2023</u>	<u>2022</u>
Total gallons purchased	86,474,784	85,253,300
Total gallons sold to District customers	(62,714,656)	(69,532,252)
Total water loss	<u>23,760,128</u>	<u>15,721,048</u>
Percentage of water loss	<u>27.48%</u>	<u>18.44%</u>

**Customers:**

The District had 926 active customers at the close of the fiscal year.

Current residential membership fee structure:

- \$1,000 per meter if meter is already in place
- \$2,500 per meter for new meter with line on side of road
- \$5,000 per meter for new meter that requires road bore (line on other side of road)