

**Pontotoc County Rural Water District No. 7
Ada, Oklahoma**

Financial Statements
and Reports of Independent Auditor

September 30, 2023

Audited by

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

Broken Arrow, Oklahoma

Pontotoc County Rural Water District No. 7
Ada, Oklahoma
Board of Directors
September 30, 2023

Chairman

Jim Allred

Vice Chairman

Ronnie Britt

Secretary/Treasurer

Ernie Sheppard

Members

Spencer Leddy
Wayne Cobb
Leslie Penn
Gary Hamilton

Manager

Buck Cooper (10-1-22 through 7-31-23)
Vacant (8-1-23 through 9-30-23)

Pontotoc County Rural Water District No. 7
Ada, Oklahoma

Table of Contents
September 30, 2023

Board of Directors	<i>i</i>
Independent Auditor's Report	1-3
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	4-5
Disposition of Prior Year's Significant Deficiencies	6
Schedule of Audit Results	7
Combined Financial Statements:	
Statement of Net Position	8
Statement of Revenues, Expenses and Changes in Net Position	9
Statement of Cash Flows	10
Notes to the Financial Statements	11-17
Other Supplementary Information:	
Schedule of Water Rates and Customers (unaudited)	18



INDEPENDENT AUDITOR'S REPORT

Board of Directors
Pontotoc County Rural Water District No. 7
Ada, 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 Pontotoc County Rural Water District No. 7, Ada, Oklahoma (the District), as of and for the year ended September 30, 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 September 30, 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

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

The prior year “memorandum only” comparative information and the supplementary information on page 18 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 November 15, 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

November 15, 2023



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 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
Pontotoc County Rural Water District No. 7
Ada 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 Pontotoc County Rural Water District No. 7, Ada, Oklahoma (the District), as of and for the year ended September 30, 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 November 15, 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 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

November 15, 2023

Pontotoc County Rural Water District No. 7
Ada, Oklahoma

Disposition of Prior Year's Significant Deficiencies
September 30, 2023

There were no prior year significant deficiencies.

Pontotoc County Rural Water District No. 7
Ada, Oklahoma
Schedule of Audit Results
September 30, 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 material weaknesses in the internal controls over financial reporting.
3. The audit disclosed no instances of noncompliance which are material to the financial statements.

Section 2 - Findings Relating to the Financial Statements Required to be Reported in Accordance with GAGAS:

NONE

Pontotoc County Rural Water District No. 7
Ada, Oklahoma
Statement of Net Position
September 30, 2023

	September 30,	
	2023	-Memorandum- -Only- 2022
<u>ASSETS</u>		
Current assets:		
Cash	\$ 688,090	\$ 742,859
Investments	2,625,493	2,511,807
Accounts receivable	130,787	112,568
Prepaid insurance	17,391	16,060
Total current assets	3,461,761	3,383,294
Capital assets:		
Land and buildings	91,299	91,299
Office equipment and vehicles	471,598	424,538
Water system and improvements	4,352,144	3,939,264
Total capital assets (net)	4,915,041	4,455,101
Less: Accumulated depreciation	(3,146,919)	(3,053,671)
Total capital assets	1,768,122	1,401,430
Total Assets	\$ 5,229,883	\$ 4,784,724
<u>LIABILITIES</u>		
Current liabilities:		
Accounts payable	\$ 80,914	\$ 94,977
Current portion of long-term liabilities	14,719	14,090
Total current liabilities	95,633	109,067
Long-term liabilities:		
Notes payable	352,781	367,505
Total Liabilities	448,414	476,572
<u>NET POSITION</u>		
Net investment in capital assets	1,400,622	1,019,835
Restricted for debt service	30,504	30,504
Unrestricted	3,350,343	3,257,813
Total Net Position	4,781,469	4,308,152
Total Liabilities and Net Position	\$ 5,229,883	\$ 4,784,724

The accompanying notes are an integral part of these financial statements.

Pontotoc County Rural Water District No. 7
Ada, Oklahoma
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended September 30, 2023

	2022-23	-Memorandum- -Only- 2021-22
Operating Revenues:		
Water sales	\$ 1,231,909	\$ 1,283,217
Transfer and reconnect fees	9,910	9,810
Impact/hydraulic fees	7,000	8,750
New membership fees	37,500	38,650
Royalties	109,789	121,324
Miscellaneous	1,889	5,777
Total operating revenues	1,397,997	1,467,528
Operating Expenses:		
Salaries and benefits	270,989	262,500
Water purchases	522,512	579,609
Office and postage	21,412	20,122
Insurance and bonds	32,978	28,511
Line materials and maintenance	182,473	73,763
Water testing	2,645	2,458
Vehicles and fuel	30,691	31,038
Engineering fees	14,324	32,234
Legal fees	868	37,806
Other professional fees	3,963	3,700
Utilities and telephone	12,959	11,947
Manager's (petty cash) expense	5,528	6,817
Miscellaneous and refunds	1,529	864
Depreciation	93,248	71,052
Dues and fees	3,171	2,044
Total operating expenses	1,199,290	1,164,465
Net Income (Loss) from Operations	198,707	303,063
Non-operating Revenues (Expenses):		
Interest income	61,506	10,644
Gain on sale of capital assets	14,600	44,800
ARPA Grant - materials purchase	214,913	0
Interest paid on debt	(16,409)	(17,016)
Total non-operating revenues (expenses)	274,610	38,428
Changes in Net Position	473,317	341,491
Total Net Position, Beginning of Period	4,308,152	3,966,661
Total Net Position, End of Period	\$ 4,781,469	\$ 4,308,152

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

Pontotoc County Rural Water District No. 7
Ada, Oklahoma
Statement of Cash Flows
For the Year Ended September 30, 2023

	2022-23	-Memorandum- -Only- 2021-22
Cash Flows from Operating Activities:		
Receipts from water sales	\$ 1,379,778	\$ 1,453,510
Payments to employees	(270,989)	(262,500)
Payments to vendors	(850,447)	(801,505)
Net Cash Provided by Operating Activities	258,342	389,505
Cash Flows from Investing Activities:		
Interest on investments	61,506	10,644
Cash Flows from Capital and Related Financing Activities:		
ARPA Grant reimbursement	214,913	0
Additions (sale) of capital assets	(445,340)	(180,225)
Interest expenses on debt	(14,409)	(17,017)
Principal payments on debt	(16,095)	(13,487)
Net Cash Provided by Capital and Related Financing Activities	(260,931)	(210,729)
Net increase (decrease) in cash and cash equivalents	58,917	189,420
Cash & cash equivalents, beginning of period	3,254,666	3,065,246
Cash & cash equivalents, end of period	\$ 3,313,583	\$ 3,254,666
 Reconciliation of operating income (loss) to net cash provided by Operating activities:		
Operating income (loss)	\$ 198,707	\$ 303,063
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation expense	93,248	71,052
Change in assets and liabilities:		
Accounts receivable	(18,219)	(14,018)
Prepaid insurance	(1,331)	(565)
Accounts payable	(14,063)	29,973
Net cash provided by operating activities	\$ 258,342	\$ 389,505

The accompanying notes are an integral part of the financial statements

Pontotoc County Rural Water District No. 7

Ada, Oklahoma

Notes to Financial Statements

September 30, 2023

Note A – Significant Accounting Policies

Organization

Pontotoc County Rural Water District No. 7 (the District) is an Oklahoma water district organized under Title 82 of Oklahoma Statutes, Sections 1324.1-1324.26 inclusive, to provide water service to rural residents of Pontotoc County, Oklahoma. The District is considered a subdivision of the State of Oklahoma. The District is exempt from federal and state income taxes. The membership consists of approximately 2,000 members.

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 (expenses, including depreciation) of providing water services is financed 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 policy is in accordance with generally accepted accounting principles.

Cash and Investments

The District's accounts are with the First National Bank & Trust Company – Ada, Oklahoma, and are detailed as follows:

	September 30	
	2023	2022
Revenue account	\$ 39,174	60,963
Sweep account	648,916	681,896
Total Cash	<u>\$ 688,090</u>	<u>742,859</u>

The bookkeeper is authorized by the Board of Directors to invest certain amounts of money from available funds. The types of investments available are specified in and limited by Oklahoma Statutes, which include certificates of deposit and governmental securities. Investments are recorded on the financial records and in the financial statements at cost. Income from investments is recorded when collected.

Pontotoc County Rural Water District No. 7

Ada, Oklahoma

Notes to Financial Statements

September 30, 2023

The District had the following outstanding investments at September 30, 2023:

Oklahoma Heritage Bank - Ada, Oklahoma

Certificate of Deposit, dated April 7, 2023, due April 7, 2024, 4.7% interest	\$ 28,750
Certificate of Deposit, dated June 13, 2023, due June 13, 2024, 4.7% interest	103,727
Certificate of Deposit, dated April 7, 2023, due April 7, 2024, 4.7% interest	100,000
Certificate of Deposit, dated April 7, 2022, due April 7, 2024, 4.7% interest	166,885
Certificate of Deposit, dated March 13, 2023, due March 13, 2024, 4.7% interest	211,850
Money Market Account	52,091

BancFirst - Konawa, Oklahoma

Money Market Account	102,324
----------------------	---------

Vision Bank - Ada, Oklahoma

Rural Development Emergency Account	55,503
NOW Account	58,404
Certificate of Deposit, dated Aug. 31, 2023, due March 31, 2024, 5.0% interest	31,598
Certificate of Deposit, dated Aug. 31, 2023, due March 31, 2024, 5.0% interest	32,872
Certificate of Deposit, dated Aug. 31, 2023, due March 31, 2024, 5.0% interest	12,293

Farmers State Bank - Allen, Oklahoma

Certificate of Deposit, dated July 1, 2022, due July 1, 2024, 4.25% interest	137,249
Certificate of Deposit, dated Dec. 4, 2022, due Dec. 4, 2023, 3.0% interest	520,075
Certificate of Deposit, dated Feb. 17, 2023, due Feb. 17, 2024, 4.5% interest	204,791

First United Bank - Ada, Oklahoma

Money Market Account	<u>807,081</u>
----------------------	----------------

Total Investments

\$ 2,625,493

Pontotoc County Rural Water District No. 7

Ada, Oklahoma

Notes to Financial Statements

September 30, 2023

Deposits and Investments

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

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

Custodial Credit Risk - At September 30, 2023 the District held deposits of approximately \$3,313,583 at financial institutions. The District's cash deposits, including interest-bearing certificates of deposit, are entirely covered by Federal Depository Insurance (FDIC) or direct obligation of the U.S. Government insured or collateralized with securities held by the District or by its agent in the District's name.

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

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

- a. Direct obligations of the U.S. Government, its agencies and instrumentalities to which the full faith and credit of the U.S. Government is pledged, or obligations to the payment of which the full faith and credit of the State is pledged.
- b. Certificates of deposits or savings accounts that are either insured or secured with acceptable collateral with in-state financial institutions, and fully insured certificates of deposit or savings accounts in out-of-state financial institutions.
- c. With certain limitation, negotiable certificates of deposit, prime bankers acceptances, prime commercial paper and repurchase agreements with certain limitations.
- d. County, municipal or school district tax supported debt obligations, bond or revenue anticipation notes, money judgments, or bond or revenue anticipation notes of public trusts whose beneficiary is a county, municipality or school district.
- e. Notes or bonds secured by mortgage or trust deed insured by the Federal Housing Administrator and debentures issued by the Federal Housing Administrator, and in obligations of the National Mortgage Association.
- f. Money market funds regulated by the SEC and in which investments consist of the investments mentioned in the previous paragraphs (a-d).

Pontotoc County Rural Water District No. 7

Ada, Oklahoma

Notes to Financial Statements

September 30, 2023

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.

Memorandum Totals

Prior year “memorandum only” financial statement information is shown for comparative purposes only.

Accounts Receivable

Net billings for accounts receivable at September 30, 2023 were \$130,787. Allowance for doubtful accounts was not computed because the effects of bad debt on the financial statements are not considered material.

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. 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:

Building	40 years
Office equipment and vehicles	5 – 10 years
Water system and improvements	10 – 40 years

Pontotoc County Rural Water District No. 7

Ada, Oklahoma

Notes to Financial Statements

September 30, 2023

The capital asset information for the District is shown below:

	9/30/2022			9/30/2023
	Amount	Additions	Deletions	Amount
Land and buildings	\$ 91,299	-	-	91,299
Water rights	125,000	-	-	125,000
Water distrib. system	1,100,122	36,141	-	1,136,263
System extensions	2,176,252	32,851	-	2,209,103
Standpipe	99,569	-	-	99,569
Radio read meters	212,390	-	-	212,390
Hydrants added	28,169	-	-	28,169
Master meter	109,012	-	-	109,012
Improvements	88,750	343,888	-	432,638
Equipment	175,952	-	-	175,952
Vehicles	248,586	47,060	-	295,646
Total Fixed Assets	4,455,101	459,940	-	4,915,041
Less: Accumulated Depreciation	<u>(3,053,671)</u>	<u>(93,248)</u>	<u>-</u>	<u>(3,146,919)</u>
Total	<u>\$ 1,401,430</u>	<u>366,692</u>	<u>-</u>	<u>1,768,122</u>

Note B – Long-term Debt

Long-term debt at year end is summarized as follows:

	September 30,	
	2023	2022
Note 91-01, 4.375% USDA Rural Development, payable in monthly installments of \$2,542 until 2044	\$ 367,500	381,595
Less: current portion	<u>(14,719)</u>	<u>(14,090)</u>
Long-term debt, less current maturities	<u>\$ 352,781</u>	<u>367,505</u>

Pontotoc County Rural Water District No. 7

Ada, Oklahoma

Notes to Financial Statements

September 30, 2023

The estimated principal maturities for the future fiscal years are detailed as follows:

	<u>Loan 91-01</u>	
2023-24	\$	14,719
2024-25		15,376
2025-26		16,062
2026-27		16,779
2027-28		17,528
2028-33		100,098
2033+		<u>186,938</u>
Totals	\$	<u>367,500</u>

Reserved Cash

The loan agreement with USDA Rural Development requires that the District maintain a reserve account and any disbursements require prior USDA Rural Development approval. The reserve account balance currently required is \$30,504. The District has a savings account reserved in the amount of \$55,503 titled "Rural Development Emergency Account" for the reserve requirement (Vision Bank – Investment Account). All restricted assets are nevertheless liquid and have been included as cash and cash equivalents for the purpose of the cash flow statement.

Note C – Accumulated Unpaid Vacation and Sick Pay

At September 30, 2023 no determination of the aggregate dollar value of vacation or sick pay had been made.

Note D -Insurance and Surety Bond Coverage

At September 30, 2023 the District had appropriate coverage against all major perils.

Note E – Commitments/Contingencies

Retirement Plan

The District sponsors a Simple IRA plan for employees. The District contributes a percentage of the employees' gross wages to the plan, and the employee must be willing to match or better the District's contributed amount. In 2022-23 the District paid \$19,721 into the retirement plan.

Pontotoc County Rural Water District No. 7

Ada, Oklahoma

Notes to Financial Statements

September 30, 2023

Settled Litigation

In 2018, the District approved a settlement offer with the City of Ada Public Works Authority. The District had brought suit against the City for violating 7 U.S.C. 1926(b), by selling water within the exclusive territory of the District. The settlement agreement called for the District to receive \$470,000 cash from the City, and thereafter receive monthly royalty payments, which began in April 2018. In the 2022-23 fiscal year, the District collected \$109,789 in royalties.

Major Suppliers

The District has an agreement to purchase their water from the City of Ada, and is subject to future potential water rate increases from this water source.

ARPA Grant Funds

In the 2022-23 fiscal year, the District was awarded \$250,000 of ARPA Grant funds to be administered by Pontotoc County for waterline improvements. Pontotoc County paid \$214,913 for supplies and materials directly to the vendor, and the District directly paid the contractor \$128,975. These improvements were added as capital assets in the 2022-23 fiscal year.

Note F – Subsequent Events

Management has evaluated subsequent events through November 15, 2023, 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.

PONTOTOC COUNTY RURAL WATER DISTRICT NO. 7
Schedule of Water Rates and Customers
-Unaudited Information-
September 30, 2023

Water Rates:

0 – 2,000 gallons	=	\$21.00 minimum
3,000 gallons	=	\$9.00/ 1,000 gallons
4,000 gallons	=	\$9.55/ 1,000 gallons
5,000 gallons or more	=	\$10.05/ 1,000 gallons

Water Loss:

	<u>2022-23</u>	<u>2021-22</u>
Total gallons purchased	126,748,825	132,730,272
Total gallons sold to District customers	<u>(111,361,000)</u>	<u>(115,978,085)</u>
Water loss	<u>15,387,825</u>	<u>16,752,187</u>
Percentage water loss	<u>12.14%</u>	<u>12.62%</u>

(Source – Monthly operating reports)

Customers:

The District had 1,987 active accounts at the close of the fiscal year.

Water membership fee is \$1,250, plus a \$250 hydraulic study fee for each new account.