

**PUSHMATAHA COUNTY
RURAL WATER DISTRICT NO. 3
ANTLERS, OKLAHOMA**

FINANCIAL STATEMENTS AND AUDITOR'S REPORT

YEAR ENDED JUNE 30, 2023

Audited by

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

BROKEN ARROW, OK

PUSHMATAHA COUNTY RURAL WATER DISTRICT NO. 3
BOARD OF DIRECTORS
JUNE 30, 2023

BOARD OF DIRECTORS

Chairman

Joe Rymel

Vice-Chairman

Gordon Frederick

Secretary/Treasurer

Kathy Chappell

Members

Howard Boyett

Buster Bell

Rusty Schwartz

Turner Woody

General Manager

Tommy Sutterfield

Office Manager

Crystal Allen

PUSHMATAHA COUNTY RURAL WATER DISTRICT NO. 3
JUNE 30, 2023

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Pushmataha County Rural Water District No. 3
Antlers, 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 Pushmataha County Rural Water District No. 3, Antlers, Oklahoma (the District) as of and for the year ended June 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 June 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

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 24 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 3, 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 3, 2023

RURAL WATER DISTRICT NO. 3, PUSHMATAHA COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2023

Our discussion and analysis of the Rural Water District No. 3, Pushmataha County's financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2023. Please read it in conjunction with the District's financial statements that begin on page 14.

FINANCIAL HIGHLIGHTS

- The District has 2,218 users on its system.
- The District's Net Position decreased by \$76,861 for the current fiscal year.
- The District's operating revenues exceeded operating expenses by \$29,719. During the 2022-23 fiscal year the District actually brought in \$1,478,754 and expended \$1,614,301 out of its operating bank account.
- The District approved a water rate increase and a meter cost increase effective in May 2023 to keep up with increased costs of goods and services.
- The District received an additional \$174,623 in 2022-23 from the State of Oklahoma for line relocations.
- The District continued to make on time payments on its long-term notes with the Office of Rural Development, and is paying extra amounts on one note.

Using This Report

This annual 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 lower in 2022-23 decreasing from \$3,634,457 to \$3,557,596. 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>2022-23</u> | <u>2021-22</u> | <u>Variances</u> |
|---|---------------------|------------------|------------------|
| Current and other assets | \$ 848,573 | 990,136 | (141,563) |
| Capital assets, net | 5,440,830 | 5,502,302 | (61,472) |
| Total Assets | <u>\$ 6,289,403</u> | <u>6,492,438</u> | <u>(203,035)</u> |
| Current liabilities | \$ 186,144 | 197,937 | 11,793 |
| Long-term liabilities | 2,545,663 | 2,660,044 | 114,381 |
| Total Liabilities | <u>\$ 2,731,807</u> | <u>2,857,981</u> | <u>126,174</u> |
| Invest. in capital assets, net of related debt | \$ 2,780,176 | 2,715,918 | 64,258 |
| Restricted | 230,220 | 266,162 | (35,942) |
| Unrestricted | 547,200 | 652,377 | (105,177) |
| Total Net Position | <u>\$ 3,557,596</u> | <u>3,634,457</u> | <u>(76,861)</u> |

Net Position of the District decreased by 2.11 percent (\$3,557,596 compared to \$3,634,457). 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 – decreased from \$652,377 to \$547,200.

Table 2 – Changes in Net Position:

| | <u>2022-23</u> | <u>2021-22</u> | <u>Variances</u> |
|--------------------------------|---------------------|------------------|------------------|
| Revenues: | | | |
| Charges for services | \$ 1,261,173 | 1,122,034 | 139,139 |
| ODOT reimbursement | 174,623 | 425,060 | (250,437) |
| Memberships | 8,700 | 6,900 | 1,800 |
| Other | 1,325 | 900 | 425 |
| Interest | 2,616 | 2,278 | 338 |
| Total Revenues | <u>1,448,437</u> | <u>1,557,172</u> | <u>(108,735)</u> |
| Expenses: | | | |
| Salaries, taxes and benefits | 543,867 | 472,771 | (71,096) |
| Maintenance and repairs | 411,942 | 779,436 | 367,494 |
| Other expenses | 290,176 | 260,447 | (29,729) |
| Depreciation | 160,092 | 162,412 | 2,320 |
| Interest on debt | 119,221 | 145,190 | 25,969 |
| Total Expenses | <u>1,525,298</u> | <u>1,820,256</u> | <u>294,958</u> |
| Changes in Net Position | (76,861) | (263,084) | 186,223 |
| Net Position, Beginning | <u>3,634,457</u> | <u>3,897,541</u> | <u>(263,084)</u> |
| Net Position, Ending | <u>\$ 3,557,596</u> | <u>3,634,457</u> | <u>(76,861)</u> |

The District's total revenues decreased by 6.98 percent (\$108,735). The total cost of all expenses decreased by 16.20 percent (\$294,958). Most of these increases are due to more ODOT line reimbursements in 2021-22.

Capital Assets

At June 30, 2023 the District had \$5,440,830 invested in capital assets, net of depreciation, including land, the water system, treatment plant, vehicles and equipment. The District considers any item purchased in excess of \$1,000 and a useful life of over three years, to be classified as a capital asset. The District purchased a truck in 2022-23 in the amount of \$28,800 and paid engineering fees of \$69,820 on a project in progress.

Long-Term Debt

The District has four outstanding notes with the Office of Rural Development. These notes were incurred to construct the water system and plant and make various improvements and expansions over the years. At June 30, 2023 the District had outstanding long-term debt of \$2,660,654 on these four items. The District made additional payments above the minimum amounts in order to pay these debts off early and pay less total interest.

Economic Factors and Next Year's Budget and Rates

For the upcoming fiscal year ending June 30, 2024 the District's operating budget is fairly consistent with prior years.

The District is always attempting to obtain additional financing for the expansion and improvement of its water system.

If the current economic conditions continue and expenses continue to increase, future rate increases may become necessary.

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 418199 St. Hwy. 3, Antlers, OK 74523 or call (580) 298-3312.



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
Pushmataha County Rural Water District No. 3
Antlers, 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 Pushmataha County Rural Water District No. 3, Antlers, Oklahoma (the District), as of and for the year ended June 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 3, 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 identified one deficiency in internal control that we consider to be a material weakness. However, material weaknesses or significant deficiencies may exist that were not 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

November 3, 2023

PUSHMATAHA COUNTY RURAL WATER DISTRICT NO. 3
DISPOSITION OF PRIOR YEAR AUDIT FINDINGS
JUNE 30, 2023

There were no prior year significant deficiencies.

PUSHMATAHA COUNTY RURAL WATER DISTRICT NO. 3
SCHEDULE OF AUDIT RESULTS
JUNE 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 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 Generally Accepted Government Auditing Standards:

None

PUSHMATAHA COUNTY RURAL WATER DISTRICT NO. 3
STATEMENT OF NET POSITION
JUNE 30, 2023

| | June 30, 2023 | -Memorandum- -Only- June 30, 2022 |
|---|----------------------|--|
| <u>ASSETS</u> | | |
| Current assets: | | |
| Cash | \$ 451,324 | \$ 599,607 |
| Investments | 247,813 | 250,790 |
| Accounts receivable | 123,797 | 117,709 |
| Prepaid insurance | 25,639 | 22,030 |
| Total current assets | 848,573 | 990,136 |
| Capital assets: | | |
| Land | 58,448 | 58,448 |
| Water delivery system | 5,720,619 | 5,720,619 |
| Water treatment system | 3,060,213 | 2,990,393 |
| Building and equipment | 734,426 | 705,626 |
| Less: Accumulated depreciation | (4,132,876) | (3,972,784) |
| Total capital assets | 5,440,830 | 5,502,302 |
| Total Assets | \$ 6,289,403 | \$ 6,492,438 |
| <u>LIABILITIES</u> | | |
| Current liabilities: | | |
| Accounts payable | \$ 29,655 | \$ 30,582 |
| Payroll taxes payable | 3,273 | 2,934 |
| Current portion of long-term debt | 114,991 | 126,340 |
| Total current liabilities | 147,919 | 159,856 |
| Long-term liabilities: | | |
| Refundable deposits | 38,225 | 38,081 |
| Long-term debt- | | |
| Notes payable | 2,545,663 | 2,660,044 |
| Total noncurrent liabilities | 2,583,888 | 2,698,125 |
| Total Liabilities | 2,731,807 | 2,857,981 |
| <u>NET POSITION</u> | | |
| Net investment in capital assets | 2,780,176 | 2,715,918 |
| Restricted for debt service | 230,220 | 266,162 |
| Unrestricted | 547,200 | 652,377 |
| Total Net Position | 3,557,596 | 3,634,457 |
| Total Liabilities and Net Position | \$ 6,289,403 | \$ 6,492,438 |

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

PUSHMATAHA COUNTY RURAL WATER DISTRICT NO. 3
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2023

| | 2022-23 | -Memorandum- -Only- 2021-22 |
|-----------------------------------|--------------|-----------------------------------|
| Operating Revenues: | | |
| Water sales | \$ 1,238,593 | \$ 1,102,423 |
| Service connections and charges | 11,147 | 13,980 |
| Penalties | 7,951 | 7,212 |
| Miscellaneous income | 3,482 | (1,581) |
| Total Operating Revenue | 1,261,173 | 1,122,034 |
| Operating Expenses: | | |
| Salaries | 391,026 | 331,504 |
| Health insurance | 52,046 | 52,111 |
| Payroll taxes | 91,041 | 75,074 |
| Employer retirement expense | 9,754 | 14,082 |
| Office and postage | 27,750 | 23,810 |
| Repairs and maintenance | 44,798 | 17,926 |
| Materials and supplies | 62,147 | 60,355 |
| Legal, engineering and accounting | 4,500 | 4,500 |
| Insurance and bonds | 30,192 | 32,076 |
| Auto expenses | 38,630 | 16,854 |
| Utilities | 166,112 | 163,109 |
| Chemicals | 130,374 | 99,234 |
| Dues and fees | 13,966 | 13,333 |
| Schools, meetings, and travel | 7,042 | 5,450 |
| Miscellaneous expense | 1,984 | 1,315 |
| Depreciation | 160,092 | 162,412 |
| Total Operating Expenses | 1,231,454 | 1,073,145 |
| Operating income (loss) | 29,719 | 48,889 |
| Other Revenues (Expenses): | | |
| Interest income | 2,616 | 2,278 |
| ODOT reimbursement | 174,623 | 425,060 |
| Membership fees | 8,700 | 6,900 |
| Sale of disposed assets | 1,325 | 900 |
| Interest expense on debt | (119,221) | (145,190) |
| Relocation of lines (ODOT) | (174,623) | (601,921) |
| Total Other Revenues (Expenses) | (106,580) | (311,973) |
| Changes in Net Position | (76,861) | (263,084) |
| Net Position, Beginning of Year | 3,634,457 | 3,897,541 |
| Net Position, End of Year | \$ 3,557,596 | \$ 3,634,457 |

The accompanying notes are an integral part of these financial statements

PUSHMATAHA COUNTY RURAL WATER DISTRICT NO. 3
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2023

| | 2022-23 | -Memorandum- -Only- 2021-22 |
|--|----------------|--|
| Cash Flows from Operating Activities: | | |
| Receipts from customers | \$ 1,299,787 | \$ 1,161,283 |
| Payments to suppliers | (637,096) | (546,107) |
| Payments to employees | (481,728) | (406,627) |
| Net Cash Provided (Used) by Operating Activities | 180,963 | 208,549 |
| Investing Activities: | | |
| Interest and dividends | 2,616 | 2,278 |
| Refundable deposits added | 144 | 1,305 |
| Net Cash Provided (Used) by Investment Activities | 2,760 | 3,583 |
| Capital and Related Financing Activities: | | |
| (Purchase) sale of capital assets | (98,620) | (59,711) |
| Sale of disposed assets | 1,325 | 900 |
| Principal paid on long-term debt | (125,731) | (120,972) |
| Interest paid on long-term debt | (120,657) | (145,190) |
| Membership fees received | 8,700 | 6,900 |
| Relocated water lines costs | (174,623) | (601,921) |
| ODOT reimbursement for relocated water lines | 174,623 | 425,060 |
| Net Cash Provided (Used) in Capital and Related Financing Activities | (334,983) | (494,934) |
| Net Increase (Decrease) in Cash | (151,260) | (282,802) |
| Cash and cash equivalents, beginning of year | 850,397 | 1,133,199 |
| Cash and cash equivalents, end of year | \$ 699,137 | \$ 850,397 |
| Reconciliation of operating income (loss) to net cash provided by operating activities: | | |
| Operating income (loss) | \$ 29,719 | \$ 48,889 |
| Adjustments to reconcile operating income to net cash provided (used) by operating activities: | | |
| Depreciation | 160,092 | 162,412 |
| Change in Assets and Liabilities: | | |
| Accounts receivable | (6,088) | (4,900) |
| Prepaid insurance | (2,172) | (1,057) |
| Accounts payable | (927) | 3,254 |
| Payroll taxes payable | 339 | (49) |
| Net cash provided by operating activities | \$ 180,963 | \$ 208,549 |

The accompanying notes are an integral part of these financial statements

PUSHMATAHA COUNTY RURAL WATER DISTRICT NO. 3
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

Note A – Summary of Significant Accounting Policies

Business Activity

Pushmataha County Rural Water District No. 3 (the District) was formed in 1967 as an Oklahoma nonprofit corporation pursuant to the Oklahoma Rural Water District Act, Title 82 of Oklahoma Statutes, Section 1324.1 – 1324.35. The District operates as a nontaxable government agency to service residents of the Pushmataha County Rural Water District No. 3. The District's primary income is from the sale of water to its members in Pushmataha County.

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 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.

Financial Statement Presentation

The financial statements are presented in accordance with Government Accounting Standard Board, Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*.

Inventories

The District does not carry a significant inventory of materials and supplies. The cost of such items is recorded as an expense when purchased.

Income Taxes

The District is recognized as a tax-exempt organization due to it being a political subdivision of the State of Oklahoma. Because the District is exempt from federal income tax, no provision for taxes has been made in the financial statements.

PUSHMATAHA COUNTY RURAL WATER DISTRICT NO. 3
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2023

Note B – Cash and Cash Equivalents

At June 30, 2023, the District held the following balances of cash and investments:

| | | |
|-----------------------------------|----------------|-------------------|
| Petty Cash | \$ | 400 |
| Oklahoma Rural Water Association: | | |
| Reserve deposit | | 1,000 |
| First Bank – Antlers: | | |
| Operating checking account | \$ 186,128 | |
| Rental deposit checking account | 38,366 | |
| Plant Repairs checking account | <u>174,564</u> | 399,058 |
| Ameristate Bank – Antlers: | | |
| O&M Savings account | 51,866 | |
| Certificates of deposit | <u>223,000</u> | 274,866 |
| Investment Certificates | | <u>23,813</u> |
| Total Cash and Cash Equivalents | | <u>\$ 699,137</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 June 30, 2023 the District held deposits of approximately \$680,976 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.

PUSHMATAHA COUNTY RURAL WATER DISTRICT NO. 3
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

Note B – Cash and Cash Equivalents – cont'd

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).

Note C – Accounts Receivable

Receivables from water consumers at June 30, 2023 were \$123,797. Water bills paid after the 16th of the month are subject to a late charge of 5 percent. Failure to pay the water bill by the first of the following month shall result in disconnection of the service. Consequently, no allowance for doubtful accounts or a related charge for bad debts has been recorded in these financial statements.

Note D – Rental Deposits Payable

The District has a policy of requiring members who do not own their property to provide a deposit for water use. As of the balance sheet date at June 30, 2023 this account had a balance of \$38,225.

PUSHMATAHA COUNTY RURAL WATER DISTRICT NO. 3
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2023

Note E – Property, Plant, and Equipment

Capital assets are carried at cost with depreciation being provided using the straight-line method. The following schedule summarizes the estimated useful lives of the various capital asset categories and acquisitions for the year ended June 30, 2023.

| | Life | Balance June 30, 2022 | Acquired | (Disposed) | Balance June 30, 2023 | Accumulated Depreciation |
|---------------------------|------------|-----------------------------|---------------|------------|-----------------------------|-----------------------------|
| Land | n/a | \$ 58,448 | - | - | 58,448 | - |
| Construction in progress | n/a | 0 | - | - | 0 | - |
| Buildings | 20 years | 98,852 | - | - | 98,852 | 97,900 |
| Water distribution system | 67 years | 5,720,619 | - | - | 5,720,619 | 2,397,839 |
| Auto and machinery | 3-7 years | 565,500 | 28,800 | - | 594,300 | 500,071 |
| Office equipment | 5-10 years | 41,274 | - | - | 41,274 | 41,274 |
| Water treatment plant | 67 years | 2,990,393 | 69,820 | - | 3,060,213 | 1,095,794 |
| Total | | <u>\$ 9,475,086</u> | <u>98,620</u> | <u>0</u> | <u>9,573,706</u> | <u>4,132,878</u> |

Note F – Long-Term Debt

At June 30, 2023 the District had the following outstanding debt obligations:

Note Payable #9112 - In March 1996, the District signed a \$1,135,000 note with Rural Economic and Community Development for the construction of a new water treatment plant and line extension. Monthly required payments are fixed at \$5,153. The term of the loan is 40 years at 4.5 percent. The outstanding balance of this note at June 30, 2023 was \$596,547.

Note Payable #9114 - In March 1996, the District signed a \$500,000 note with Rural Economic and Community Development for the construction of a new water treatment plant and line extensions. Monthly required payments are fixed at \$2,270. The term of the loan is 40 years at 4.5 percent. The outstanding balance of this note at June 30, 2023 was \$204,312. *

Note Payable #9118 - In April 1996, the District signed a \$1,047,000 note with Rural Economic and Community Development for the construction and improvements of the water system and line extensions. Monthly required payments are fixed at \$4,670. The term of the loan is 40 years at 4.375 percent. The outstanding balance of this note at June 30, 2023 was \$807,124.

Note Payable #9119 - In April 2006, the District signed a \$1,365,700 note with Rural Economic and Community Development for the construction and improvements of the water system and line extensions. Monthly required payments are fixed at \$6,092. The term of the loan is 40 years at 4.375 percent. The outstanding balance of this note at June 30, 2023 was \$1,052,671.

PUSHMATAHA COUNTY RURAL WATER DISTRICT NO. 3
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2023

Note F – Long-Term Debt – cont’d

Debt balances at June 30, 2023 were as follows:

| | |
|--|----------------------------|
| RECD Notes: | |
| Note 9112, \$1,135,000 (\$5,153/month) | \$ 596,547 |
| Note 9114, \$500,000 (\$2,270/month) | 204,312 |
| Note 9118, \$1,047,000 (\$4,670/month) | 807,124 |
| Note 9119, \$1,365,700 (\$6,092/month) | <u>1,052,671</u> |
| Total Long-Term Debt, June 30, 2023 | 2,660,654 |
| Less: current maturities | <u>(114,991)</u> |
| Long-Term Debt, June 30, 2023 | <u><u>\$ 2,545,663</u></u> |

* - The District has been paying an additional \$1,000 per month on note #9114 in order to pay off this debt early and save on interest.

The scheduled maturities for the next five (5) years, and in total thereafter, are detailed as follows:

| | 91-12 | 91-14* | 91-18 | 91-19 | Total |
|---------|-------------------|----------------|----------------|------------------|------------------|
| 2023-24 | \$ 35,569 | 30,674 | 21,149 | 27,599 | 114,991 |
| 2024-25 | 37,203 | 32,083 | 22,093 | 28,831 | 120,210 |
| 2025-26 | 38,912 | 33,556 | 23,079 | 30,117 | 125,664 |
| 2026-27 | 40,700 | 35,098 | 24,110 | 31,462 | 131,370 |
| 2027-28 | 42,570 | 36,711 | 25,186 | 32,866 | 137,333 |
| 2028-33 | 244,042 | 36,190 | 143,830 | 187,692 | 611,754 |
| 2033-38 | 155,551 | - | 178,928 | 233,494 | 567,973 |
| 2038+ | - | - | 368,749 | 480,610 | 849,359 |
| Totals | <u>\$ 594,547</u> | <u>204,312</u> | <u>807,124</u> | <u>1,052,671</u> | <u>2,658,654</u> |

PUSHMATAHA COUNTY RURAL WATER DISTRICT NO. 3
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

Note G – Employee Benefits

During the year ended June 30, 2023, the District paid \$52,046 for employee health insurance.

Full-time employees are entitled to the following annual leave pay:

- Seven hours per month up to three years of service
- Eight hours per month for three to five years of service
- Ten hours per month over five years of service
- Carryover not to exceed ten working days

Full-time employees are entitled to the following sick leave pay:

- Nine days per year
- Carryover not to exceed 18 days

Overtime hours worked are paid on a quarterly basis or in compensated time off during the quarter with no carryover of comp time from quarter to quarter. Upon termination of employment, the accumulated time is not forfeited. At June 30, 2023, the calculated liability for all compensated absences is not recorded in the financial statements. Such amounts will be recorded as an expense when paid to the appropriate employee.

A Simple IRA Plan was established by the District on November 15, 1999. The District contributes 3 percent of gross salaries for all participating employees and also pays an annual administrative fee of \$15.00 per employee. The District paid \$9,754 in retirement expenses in 2022-23.

Note H – Grant Revenue

In prior years, the District has received development grants from the Farmers Home Administration, Ozarks Regional Commission, Oklahoma Highway Department, Choctaw Nation, State Parks Department, and the Department of Economic and Community Affairs. These moneys were used to partially finance construction of the water distribution system and a water treatment facility. During the fiscal year ended June 30, 2023, no additional grant revenue was received.

Note I – Insurance Coverage

At June 30, 2023, the District maintained the appropriate insurance coverage through the Oklahoma Rural Water Association Assurance Group.

PUSHMATAHA COUNTY RURAL WATER DISTRICT NO. 3
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

Note J – Memorandum Only

The “Memorandum Only” captions above the columns mean that these prior year amounts are presented for overview purposes only.

Note K – Sewer Collections

The District collects payments from its users for sewer services and passes these payments forward to the Rattan PWA. In the 2022-23 year, the District collected and paid forward \$44,906 in sewer collections.

Note L – Subsequent Events

Management has evaluated subsequent events through November 3, 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.

PUSHMATAHA COUNTY RURAL WATER DISTRICT NO. 3
Schedule of Water Rates and Customers
-Unaudited Information-
June 30, 2023

Water Rates:

| | |
|------------------------|--|
| 3/4" meter | = \$ 24.00 minimum up to 1,000 gallons |
| 1,000 – 15,000 gallons | = \$ 6.50 per 1,000 gallons |
| 15,001 and over | = \$ 8.00 per 1 |

Customers:

The District had 2,218 active accounts at the close of the fiscal year.

Water membership fee is \$1,350 (\$1,200 service connection and \$150 membership fee)