RURAL WATER AND/OR SEWER AND/OR GAS AND/OR SOLID WASTE MANAGEMENT DISTRICT #7, SEQUOYAH COUNTY, OKLAHOMA

AUDITED FINANCIAL STATEMENTS

SEPTEMBER 30, 2023 AND 2022

PRZYBYSZ & ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

RURAL WATER AND/OR SEWER AND/OR GAS AND/OR SOLID WASTE MANAGEMENT DISTRICT #7, SEQUOYAH COUNTY, OKLAHOMA

SEPTEMBER 30, 2023 AND 2022

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CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report

To the Board of Directors
Rural Water and/or Sewer and/or Gas and/or
Solid Waste Management District Number 7,
Sequoyah County, Oklahoma
Muldrow, Oklahoma

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the Rural Water and/or Sewer and/or Gas and/or Solid Waste Management District Number 7, Sequoyah County, Oklahoma (the District), as of and for the years ended September 30, 2023 and 2022, and the related notes to the financial statements, as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Rural Water and/or Sewer and/or Gas and/or Solid Waste Management District Number 7, Sequoyah County, Oklahoma, as of September 30, 2023 and 2022, and the changes in its financial position and, cash flows for the years 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 Rural Water and/or Sewer and/or Gas and/or Solid Waste Management District Number 7, Sequoyah County, Oklahoma, 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 the 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.

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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.

Required Supplementary Information

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the financial statements. Such missing information, although not a part of the 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. Our opinion on the financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the supplemental information for cost-sharing employer pension plans and other post-employment benefit plans on pages 29 through 32 be presented to supplement the financial statements. Such information, although not a part of the 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 supplementary 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 financial statements, and other knowledge we obtained during our audit of the basic 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.

Other Information

Our audit was made for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The supplemental schedule on page 33 is presented for purposes of additional analysis and is not a required part of the financial statements.

This information has not been subjected to the auditing procedures applied in the audit of the 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 28, 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 District's internal control over financial reporting and compliance.

Przybysz & Associates

Przybysz & Associates, CPAs, P.C.
Fort Smith, Arkansas
November 28, 2023

FINANCIAL STATEMENTS

RURAL WATER AND/OR SEWER AND/OR
GAS AND/OR SOLID WASTE MANAGEMENT DISTRICT #7, SEQUOYAH COUNTY, OKLAHOMA

STATEMENTS OF NET POSITION

AS OF SEPTEMBER 30,	2023	2022
Assets		
Current Assets		
Cash and cash equivalents	$ 1,425,721	$ 1,281,221
Restricted cash	221,674	239,072
Certificates of deposit	1,072,885	1,037,880
Accounts receivable, net of allowance for doubtful accounts	86,206	109,813
Lease receivable	18,217	-
Prepaid insurance	17,594	16,420
Total Current Assets	2,842,297	2,684,406
Noncurrent Assets		
Net OPEB asset	13,365	18,913
Net pension asset	-	184,637
Capital Assets		
Land	56,136	56,136
Buildings and improvements	308,327	308,327
Water distribution system and improvements	8,574,276	8,574,276
Machinery and equipment	154,875	154,875
Vehicles	254,602	213,788
Office equipment	73,360	73,360
CIP	47,429	5,800
Total Capital Assets	9,469,005	9,386,562
Less: accumulated depreciation	3,911,711	3,681,696
Net Capital Assets	5,557,294	5,704,866
Total Noncurrent Assets	5,570,659	5,908,416
Total Assets	8,412,956	8,592,822
Deferred Outflows of Resources		
Deferred outflows of resources related to pension	180,836	66,467
Deferred outflows of resources related to OPEB	8,857	4,343
Total Deferred Outflows of Resources	189,693	70,810
Total Assets and Deferred Outflows of Resources	$ 8,602,649	$ 8,663,632

See accompanying notes to financial statements.

RURAL WATER AND/OR SEWER AND/OR GAS AND/OR SOLID WASTE MANAGEMENT DISTRICT #7, SEQUOYAH COUNTY, OKLAHOMA

STATEMENTS OF NET POSITION

AS OF SEPTEMBER 30,	2023	2022
Liabilities		
Current Liabilities		
Accounts payable	$ 45,547	$ 58,942
Salaries and wages payable	5,063	5,046
Accrued compensated absences	10,251	8,263
Payroll taxes and other withholdings payable	5,142	4,620
Accrued interest	5,592	5,717
Current maturity of long-term debt	94,180	91,628
Total Current Liabilities	165,775	174,216
Noncurrent liabilities:		
Long-term debt	4,029,486	4,123,674
Net pension liability	120,035	-
Total Noncurrent Liabilities	4,149,521	4,123,674
Total Liabilities	4,315,296	4,297,890
Deferred Inflows of Resources		
Deferred inflows of resources related to leases	18,074	-
Deferred inflows of resources related to pension	5,503	210,547
Deferred inflows of resources related to OPEB	6,959	11,516
Total Deferred Inflows of Resources	30,536	222,063
Net Position		
Net investment in capital assets	1,433,628	1,489,564
Restricted	229,447	436,905
Unrestricted	2,593,742	2,217,210
Total Net Position	4,256,817	4,143,679
Total Liabilities, Deferred Inflows of Resources and Net Position	$ 8,602,649	$ 8,663,632

See accompanying notes to financial statements.

RURAL WATER AND/OR SEWER AND/OR GAS AND/OR SOLID WASTE MANAGEMENT DISTRICT #7, SEQUOYAH COUNTY, OKLAHOMA

STATEMENTS OF REVENUE, EXPENSES, AND CHANGES IN NET ASSETS

FOR THE YEARS ENDED SEPTEMBER 30,	2023	2022
Operating Revenue		
Metered water sales, net of bad debts	$ 1,337,913	$ 1,314,564
Sewer sales	24,280	21,747
Trash sales	3,622	3,733
Membership fees	6,370	16,380
Tap fees	7,508	17,280
Late fees	23,354	23,774
Reconnect fees	13,550	11,236
Other	557	7,356
Total Operating Revenue	1,417,154	1,416,070
Operating Expenses		
Water purchases	408,441	405,453
Sewer and trash contracts	22,249	18,700
Salaries and wages	289,826	272,174
Insurance	58,095	63,078
Pension benefit and other post employment expense	26,976	(15,930)
Payroll taxes	20,734	21,260
Materials	32,212	56,006
Utilities	51,130	37,645
Telephone	17,164	14,970
Computer supplies	2,177	2,933
Office supplies	8,911	9,703
Postage	9,188	8,429
Professional fees	10,450	9,600
Fees and dues	5,307	5,023
Repairs and maintenance	15,829	29,200
Vehicle expense	23,706	27,452
Supplies	13,786	7,037
Bank and collection charges	14,407	13,254
Testing fees	3,629	2,811
Miscellaneous	6,652	6,171
Depreciation	246,015	242,567
Total Operating Expenses	1,286,884	1,237,536
Operating Income	130,270	178,534

See accompanying notes to financial statements.

RURAL WATER AND/OR SEWER AND/OR
GAS AND/OR SOLID WASTE MANAGEMENT DISTRICT #7,
SEQUOYAH COUNTY, OKLAHOMA

STATEMENTS OF REVENUE, EXPENSES, AND CHANGES IN NET ASSETS

FOR THE YEARS ENDED SEPTEMBER 30,	2023	2022
Nonoperating Revenue (Expenses)		
Interest income	73,734	12,343
Rental income	7,613	7,800
Interest expense	(114,640)	(117,126)
Gain on asset disposal	16,161	-
Total Net Nonoperating Revenue (Expenses)	(17,132)	(96,983)
Change in Net Position	113,138	81,551
Net Position at Beginning of Year	4,143,679	4,062,128
Net Position at End of Year	$ 4,256,817	$ 4,143,679

See accompanying notes to financial statements.

RURAL WATER AND/OR SEWER AND/OR GAS AND/OR SOLID WASTE MANAGEMENT DISTRICT #7, SEQUOYAH COUNTY, OKLAHOMA

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED SEPTEMBER 30,	2023	2022
Cash Flows From Operating Activities		
Cash receipts from customers	$ 1,440,618	$ 1,422,453
Cash payments to suppliers for goods and services	(783,354)	(773,916)
Cash payments to employees for services	(287,821)	(276,535)
Net Cash Provided By Operating Activities	369,443	372,002
Cash Flows from Capital and Related Financing Activities		
Cash received for sale of capital assets	16,161	-
Acquisition of capital assets	(98,443)	(12,931)
Principal paid on debt	(91,636)	(89,152)
Interest paid on debt	(114,765)	(117,247)
Net Cash Used in Capital and Related Financing Activities	(288,683)	(219,330)
Cash Flows From Investing Activities		
Reinvestment of certificate of deposit earnings	(35,005)	(7,261)
Interest Income	73,734	12,343
Net Cash Provided By Investing Activities	46,342	12,882
Net Increase in Cash, Cash Equivalents and Restricted Cash	127,102	165,554
Cash, Cash Equivalents and Restricted Cash at Beginning of Year	1,520,293	1,354,739
Cash, Cash Equivalents and Restricted Cash at End of Year	$ 1,647,395	$ 1,520,293
Reconciliation to the Statement of Net Position		
Cash and cash equivalents	$ 1,425,721	$ 1,281,221
Restricted cash	221,674	239,072
Total Cash, Cash Equivalents and Restricted Cash	$ 1,647,395	$ 1,520,293
Supplemental Schedule of Noncash Activities		
Lease receivable recognized on lessor lease transaction	$ 22,436	$ -

See accompanying notes to financial statements.

RURAL WATER AND/OR SEWER AND/OR GAS AND/OR SOLID WASTE MANAGEMENT DISTRICT #7, SEQUOYAH COUNTY, OKLAHOMA

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED SEPTEMBER 30,	2023	2022
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Net income from operations	$ 130,270	$ 178,534
Adjustments to reconcile net income to net cash from operating activities:		
Depreciation	246,015	242,567
Net change in assets and liabilities		
Accounts receivable	23,607	6,383
Lease receivable and deferred inflows related to leases	(143)	-
Prepaid insurance	(1,174)	113
Deferred outflows related to pension	(114,369)	36,420
Deferred outflows related to OPEB	(4,514)	1,696
Accounts payable	(13,395)	8,284
Salaries and wages payable	17	(3,817)
Accrued compensated absences	1,988	(544)
Payroll taxes and other withholdings payable	522	400
Net pension (asset) liability	304,672	(301,420)
Net OPEB (asset) liability	5,548	(12,776)
Deferred inflows related to pension	(205,044)	209,842
Deferred inflows related to OPEB	(4,557)	6,320
Net Cash Provided by Operating Activities	$ 369,443	$ 372,002

See accompanying notes to financial statements.

Nature of Business

Rural Water and/or Sewer and/or Gas and/or Solid Waste Management District Number 7, Sequoyah County Oklahoma (the District) was formed in 1991 for the purpose of supplying water and sewer services to the residents of eastern Sequoyah County, Oklahoma.

1. Summary of Significant Accounting Policies

Basis of Presentation

The District's financial statements are prepared in conformity with principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the acknowledged standard setting body for establishing accounting and financial reporting standards followed by governmental entities.

The District accounts for its operations as an enterprise fund. An enterprise fund is a proprietary type fund used to account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

Financial Reporting

The accompanying financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting and reflect transactions on behalf of the District. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

New Accounting Pronouncements

The Governmental Accounting Standards Board (GASB) issued the following new accounting standards which became effective or portions thereof became effective during the District's fiscal year. These standards had no impact on the District's financial statements.

GASB Statement No. 91, *Conduit Debt Obligations*. The objectives of this statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures.

1. Summary of Significant Accounting Policies (Continued)

New Accounting Pronouncements (continued)

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements* (PPPs). A PPP is an arrangement in which a government (the transferor) contracts with an operator to provide public services by conveying control of the right to operate or use a nonfinancial asset for a period of time in an exchange or exchange-like transaction. The purpose of this statement is to improve financial reporting issues related to PPPs.

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. This statement provides guidance and financial reporting for subscription-based technology arrangements (SBITAs). The statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments; and (4) requires note disclosures regarding a SBITA.

GASB Statement No. 99, *Omnibus 2022*. The objectives of this Statement are to enhance comparability in accounting and financial and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees.

Income Taxes

The District is exempt from income taxes as a governmental agency.

Cash Equivalents

For purposes of the Statement of Cash Flows, the District considers all highly liquid debt instruments with a maturity of three months or less when purchased to be cash equivalents including restricted cash.

Accounts Receivable

Accounts receivable consists of water, sewer and trash fees and surcharges billed to residential and commercial/industrial customers. Management establishes an allowance for uncollectible accounts receivable based on historical collection experience and management's evaluation of the collectability of outstanding accounts receivable. The allowance for doubtful accounts was $30,524 and $21,268 as of September 30, 2023 and 2022, respectively.

1. Summary of Significant Accounting Policies (Continued)

Lease Receivable

The District's lease receivable is measured at the present value of the lease payments expected to be received during the lease term. The District uses its incremental borrowing rate to discount the lease receipts.

A deferred inflow of resources is recorded for the lease. The deferred inflow of resources is recorded at the initiation of the lease in an amount equal to the recording of the lease receivable. The deferred inflow of resources is amortized on a straight-line basis over the term of the lease.

Prepaid Expenses

Payments made to vendors for services that will benefit future periods are recorded as prepaid expenses using the consumption method by recording a current asset for the prepaid amount at the time of purchase and reflecting the expense in the year which services are consumed.

Capital Assets and Depreciation

Capital outlays of the District are recorded at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Expenditures for maintenance, repairs and renewals of relatively minor items are charged to expense as incurred. The estimated useful lives of the assets are as follows:

Buildings and improvements	5 - 40 years
Water distribution system and improvements	5 - 40 years
Machinery and equipment	5 - 7 years
Vehicles	5 - 7 years
Office equipment	5 - 7 years

It is the District's policy to capitalize assets purchased for $1,000 or more and to expense assets purchased for less than $1,000.

Compensated Absences

Employees earn vacation and sick pay in varying amounts based upon length of service with the District. Employees can carryforward up to 365 unused sick days and 10 unused vacation days from year to year. Upon termination from the District, employees are paid accumulated unused vacation No unused accumulated sick pay is paid upon termination. The District had $10,251 and $8,263 accrued for compensated absences at September 30, 2023 and 2022, respectively.

1. Summary of Significant Accounting Policies (Continued)

Deferred Outflows / Inflows of Resources

In addition to assets, the Statement of Net Position has a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources,* represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until that time. The District recognizes deferred outflows of resources resources related to pensions and other post employment benefits.

In addition to liabilities, the Statement of Net Position has a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources,* represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District recognizes deferred inflows of resources related to leases, pensions and other post employment benefits.

Net Position

Net position of the District are classified in three components - net investment in capital assets, restricted, and unrestricted. These classifications are defined as follows:

Net investment in capital assets - This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.

Restricted - This component of net position consists of constraints placed on net position use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted - This component of net position consists of net position that does not meet the definition of "restricted" or "net investment in capital assets".

The District does not have a policy addressing whether it considers restricted or unrestricted to have been spent when expenditures are incurred for purposes when both are available. District personnel decide which resources to use at the time the expenditures are incurred. For classification of net position amounts, restricted amounts would be reduced first, followed by unrestricted.

RURAL WATER AND/OR SEWER AND/OR
GAS AND/OR SOLID WASTE MANAGEMENT DISTRICT #7, SEQUOYAH COUNTY, OKLAHOMA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2023 AND 2022

1. Summary of Significant Accounting Policies (Continued)

Operating Revenues and Expenses

Operating revenues and expenses consist of those revenues that result from the ongoing principal operations of the District. Operating revenues consist primarily of water sales and fees for sewer, trash, and miscellaneous services. Operating expenses include the cost of these goods and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. Deposits with Financial Institutions

Deposits

Custodial credit risk for deposits is the risk that in the event of a bank failure, the District may not be able to recover deposits or collateral securities that are in the possession of an outside party. The District's policy as it relates to custodial credit risk is to comply with state law and secure its uninsured deposits with collateral, valued at no more than market value, at least at a level of 100% of the uninsured deposits and accrued interest thereon. Acceptable collateral is defined in state statutes and includes U.S. Treasury securities and direct obligations of municipalities, counties, and school districts in the state of Oklahoma, surety bonds and letters of credit.

The District maintains its operating bank accounts in two local financial institutions. All time and savings deposits held, including certificates of deposit, are insured for up to $250,000. Separately, demand deposits are added together and insured for up to $250,000. At September 30, 2023 and 2022, the District had no deposits that were exposed to custodial credit risk. The bank balances and carrying amount of the District's deposits held were as follows:

2. Deposits with Financial Institutions (continued)

	At September 30, 2023		At September 30, 2022	
Description	**Bank Balance**	**Carrying Amount**	**Bank Balance**	**Carrying Amount**
Insured	$ 750,000	$ 750,000	$ 600,784	$ 552,712
Collateralized - held by pledging bank or pledging bank's trust department in the District's name	2,010,745	1,969,072	2,004,301	2,004,251
Cash on hand	-	1,208	-	1,210
Total	$ 2,760,745	$ 2,720,280	$ 2,605,085	$ 2,558,173

Deposits as reported in the following statement of net position captions:

As Of September 30,	2023	2022
Cash and cash equivalents	$ 1,425,721	$ 1,281,221
Restricted checking account	221,674	239,072
Certificate of deposit	1,072,885	1,037,880
Total	$ 2,720,280	$ 2,558,173

Investments

The District has no investment policy that limits its investment choices other than the limitations of state law that generally authorize investments in: (1) full faith and credit, direct obligations of the U.S. Government, its agencies and instrumentalities, and the State of Oklahoma and certain mortgage insured federal debt; (2) certificates of deposit or savings accounts that are either insured or secured with acceptable collateral; (3) negotiable certificates of deposit, prime bankers acceptances, prime commercial paper and repurchase agreements with certain limitations; (4) county, municipality or school district tax supported debt obligations, bond or revenue anticipation notes, money judgements, or bond or revenue anticipation notes of public trusts whose beneficiary is a county, municipality or school district; and government money market fund regulated by the SEC. The District's investments are certificates of deposit.

Interest Rate Risk

Interest rate risk is the risk the changes in interest of debt investments will adversely affect the fair value of an investment. The District minimizes interest rate risk by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations if necessary. All of the District's certificates of deposit mature within one year.

2. Deposits with Financial Institutions (continued)

Fair Value Measurement

The District's investments are categorized using fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The categories are as follows:

Level 1 - Quoted prices for identical investments in active markets.

Level 2 - Quoted prices for identical investments in markets that are not active.

Level 3 - Unobservable inputs

The following table represents the District's investments that are measured at fair value on a recurring basis at September 30, 2023:

	Level 1	Level 2	Level 3	Total
Certificates of deposit	$ 1,072,885	$ -	$ -	$ 1,072,885
Total	$ 1,072,885	$ -	$ -	$ 1,072,885

Certificates of deposit are carried at cost plus interest earned.

3. Restricted Funds and Required Accounts

Restricted cash is the debt service reserve account established per the construction loan agreement with Rural Development. Monthly deposits in the amount of $1,720, or 10% of the monthly loan payment, are required to be made until a balance of one years debt service is achieved, or $206,400, after which deposits may be suspended, except to replace withdrawals. The balance of this account at September 30, 2023 and 2022 was $221,674 and $239,072, respectively. The balance

4. Lease Receivable / Deferred Inflows Related to Leases

In March 2017, the District signed a lease agreement to rent space on a water tower for the purpose of installing and maintaining wireless communications equipment. The lessee will pay the District a monthly sum of $650 for a term of three years. The lease automatically renews for additional three year increments unless terminated by either party. The current lease terminates on February 28, 2026. The District recognized rental income totaling $7,800 and $7,613 during the years ended September 30, 2023 and 2022, respectively. The remaining lease receivable and deferred inflows related to lease balances at September 30, 2023 was $18,217 and $18,074, respectively..

RURAL WATER AND/OR SEWER AND/OR
GAS AND/OR SOLID WASTE MANAGEMENT DISTRICT #7,
SEQUOYAH COUNTY, OKLAHOMA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2023 AND 2022

5. Capital Assets

Activity of capital assets consists of the following:

	October 1, 2022	Additions	Deletions/ Transfers	September 30, 2023
Land	$ 56,136	$ -	$ -	$ 56,136
Buildings and improvements	308,327	-	-	308,327
Water distribution system	8,574,276	-	-	8,574,276
Machinery and equipment	154,875	-	-	154,875
Vehicles	213,788	56,814	16,000	254,602
Office equipment	73,360	-	-	73,360
CIP	5,800	41,629	-	47,429
Total Capital Assets	9,386,562	98,443	16,000	9,469,005
Less: Accumulated Depreciation	3,681,696	246,015	16,000	3,911,711
Capital Assets, Net	$ 5,704,866	$ (147,572)	$ -	$ 5,557,294

The District incurred engineering fees totaling $47,429 and $5,800 at September 30, 2023 and 2022, respectively, for the construction of a new water tank. The project is still in the preliminary planning stages and, as of the date of the financial statements, there is no estimated cost or completion timeframe.

	October 1, 2021	Additions	Deletions/ Transfers	September 30, 2022
Land	$ 49,005	$ 7,131	$ -	$ 56,136
Buildings and improvements	308,327	-	-	308,327
Water distribution system	8,574,276	-	-	8,574,276
Machinery and equipment	154,875	-	-	154,875
Vehicles	213,788	-	-	213,788
Office equipment	73,360	-	-	73,360
Construction in progress	-	5,800	-	5,800
Total Capital Assets	9,373,631	12,931	-	9,386,562
Less: Accumulated Depreciation	3,439,129	242,567	-	3,681,696
Capital Assets, Net	$ 5,934,502	$ (229,636)	$ -	$ 5,704,866

RURAL WATER AND/OR SEWER AND/OR GAS AND/OR SOLID WASTE MANAGEMENT DISTRICT #7, SEQUOYAH COUNTY, OKLAHOMA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2023 AND 2022

6. Long-term Debt

As Of September 30,	2023	2022
Rural Development, issued April 12, 2015, in the original amount of $5,000,000 and maturing in forty years. Payments are made monthly in the amount of $17,200 including interest of 2.75%. The loan is secured by system revenues.	$ 4,123,666	$ 4,215,302
Total debt	4,123,666	4,215,302
Less current maturity	94,180	91,628
Long-term debt	$ 4,029,486	$ 4,123,674

Principal is scheduled to mature as follows:

September 30,	Principal	Interest	Total
2024	$ 94,180	$ 112,220	$ 206,400
2025	96,802	109,598	206,400
2026	99,498	106,902	206,400
2027	102,269	104,131	206,400
2028	105,117	101,283	206,400
2029-2033	571,163	460,837	1,032,000
2034-2038	655,250	376,750	1,032,000
2039-2043	751,717	280,283	1,032,000
2044-2048	862,386	169,614	1,032,000
2049-2053	785,284	45,149	830,433
Total	$ 4,123,666	$ 1,866,767	$ 5,990,433

The District's outstanding notes from direct borrowings contain a provision that in an event of default, outstanding principal and interest become immediately due and payable.

7. Rate Covenant

The Rural Development loan contains a provision (the Rate Covenant) which requires that net revenues of the District are not less than the annual net debt service requirement and maintain specific restricted cash accounts and to meet various other general requirements. The District is in compliance with all such significant financial covenants and restrictions at September 30, 2023.

8. Changes in Long-Term Liabilities

Activity of the long-term liabilities consists of the following:

	October 1, 2022	Debt Additions	Debt Retirements	September 30, 2023	Due Within One Year
Rural Development	$ 4,215,302	$ -	$ 91,636	$ 4,123,666	$ 94,180
Net pension liability	-	120,035	-	120,035	-
Total	$ 4,215,302	$ 120,035	$ 91,636	$ 4,243,701	$ 94,180

	October 1, 2021	Debt Additions	Debt Retirements	September 30, 2022	Due Within One Year
Rural Development	$ 4,304,454	$ -	$ 89,152	$ 4,215,302	$ 91,628
Total	$ 4,304,454	$ -	$ 89,152	$ 4,215,302	$ 91,628

The net pension liability was a net pension asset totaling $184,637 at September 30, 2022.

9. Pension and Other Post Employment Plan (OPEB)

Plan Description

The District contributes to the Oklahoma Public Employees Retirement System (OPERS). The System is a multiple-employer, cost-sharing employee retirement plan, which is a defined benefit pension plan covering substantially all state employees except employees covered by seven other plans sponsored by the State. It also covers employees of participating county and local agencies. Nearly all new state employees first employed by a System participating employer on or after November 1, 2015, will participate in the State's new defined contribution plan. Therefore, the System is closed to nearly all new State employees, but remains open to new employees of participating counties and local agencies. Agencies and/or participants not included in the System are as follows: teachers, municipal police, municipal firefighters, judicial, wildlife, state law enforcement and nearly all State employees first employed on or after November 1, 2015.

The System also administers the Health Insurance Subsidy Plan (HISP), a cost-sharing multiple-employer defined benefit other post employment plan (OPEB) that provides OPEB covering the same categories of employees covered by the pension plan

The supervisory authority for the management and operation of the System and HISP is the Board, which acts as a fiduciary for investment of the funds and application of System interpretations. Title 74 of the Oklahoma State Statutes grants the authority to establish and amend the benefit terms to the OPERS.

9. Pension and Other Post Employment Plan (OPEB) (continued)

Summary of Significant Accounting Policies

For purposes of measuring the net pension and net OPEB asset/liability, deferred outflows of resources and deferred inflows of resources related to pensions and OPEB, and pension and OPEB expense, information about the fiduciary net positions of the District's plan and additions to/deductions from the District's fiduciary net positions have been determined on the same basis as they are reported by OPERS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value based on market prices.

Timing of the Valuation

The collective net pension liability and the collective net HISP liability were both measured as of June 30, 2022, and the total pension and total HISP liability used to calculate the net pension and the net HISP liability were determined by actuarial valuations as of that date. Each employer's proportion of the net pension and the net HISP liability was based on the employer's share of contributions to the pension plan and the HISP plan relative to the total contributions of all participating employers. Based on this information, the District's proportionate share was 0.01428023%.

There were no changes in assumptions or changes in benefit terms that affected measurement of the total pension liability and total HISP liability. There were also no changes between the measurement date of June 30, 2022, and the District's report ending date of September 30, 2023, that would have had a significant impact on the net pension liability and net HISP liability.

OPERS Fiduciary Net Position

Detailed information about the OPERS net pension and net HISP plan fiduciary net positions are available in the separately issued OPERS financial reports available at www.opers.ok.gov.

Eligibility Factors and Benefit Provisions

Pensions

Members qualify for full retirement benefits at their specified normal retirement age or, for any person who became a member prior to July 1, 1992, when the sum of the member's age and years of credited service equals or exceeds 80 (Rule of 80), and for any person who became a member after June 30, 1992, when the member's age and years of credited service equals or exceeds 90 (Rule of 90).

9. Pension and Other Post Employment Plan (OPEB) (continued)

Eligibility Factors and Benefit Provisions (continued)

Pensions (continued)

Normal retirement date is further qualified to require that all members employed on or after January 1, 1983 must have six or more years of full-time equivalent employment with a participating employer before being eligible to receive benefits. Credited service is the sum of participating and prior service. Prior service includes nonparticipating service before January 1, 1975, or the entry date of the employer and active wartime military service.

A member with a minimum of ten years of participating service may elect early retirement with reduced benefits beginning at age 55 if the participant became a member prior to November 1, 2011, or age 60 if the participant became a member on or after November 1, 2011.

Disability retirement benefits are available for members having eight years of credited service whose disability status has been certified as being within one year of the last day on the job by the Social Security Administration. Disability retirement benefits are determined in the same manner as retirement benefits, but payable immediately without and actuarial reduction.

Health Insurance Subsidy Plan

HISP provides a health insurance premium subsidy for retirees of the System who elect to maintain health insurance with the Oklahoma Employees Group Insurance Division (EGID) or other qualified insurance plan provided by the employer. This subsidy continues until the retiree terminates health insurance coverage with EGID or other qualified plan, or until death. The subsidy is only for the retiree, not joint annuitants or beneficiaries.

Benefits are calculated for each member category as follows:

Employees

Benefits are determined at 2% of the average annual salary received during the highest thirty-six months of the last ten years of participating service, but not to exceed the applicable annual salary cap, multiplied by the number of years of credited service. Members who join OPERS on or after July 1, 2013, will have their salary averaged over the highest 60 months of the last ten years. Normal retirement age under the System is 62 or Rule of 80/90 if the participant became a member prior to November 1, 2011, or age 65 or Rule 90 if the participant became a member on or after November 1, 2011.

9. Pension and Other Post Employment Plan (OPEB) (continued)

Eligibility Factors and Benefit Provisions (continued)

Employees (continued)

Members who elect to pay the additional contribution rate, which became available in January 2004, will receive benefits using a 2.5% computation factor for each full year the additional contributions are made. In 2004, legislation was enacted to provide an increased benefit to retiring members who were not eligible for Medicare. The Medicare Gap benefit option became available to members under 65 who retired on or after May 1, 2006. Members may elect to receive a temporary increased benefit to cover the cost of health insurance premiums until the member is eligible to receive Medicare. After the member becomes eligible for Medicare, the retirement benefit will be permanently reduced by an actuarially determined amount. The option is irrevocable, must be chosen prior to retirement, and is structured to have a neutral actuarial cost to the System.

Members become eligible to vest fully upon termination of employment after attaining eight years of credited service, or the members' contributions may be withdrawn upon termination of employment.

Upon the death of an active member, the accumulated contributions of the member are paid to the member's named beneficiary(ies) in a single lump sum payment. If a retired member elected joint annuitant survivor option or an active member was eligible to retire with either reduced or unreduced benefits or eligible to vest the retirement benefit at the time of death, benefits can be paid in monthly payments over the life of the spouse if the spouse so elects.

Upon the death of a retired member, the System will pay a $5,000 death benefit to the member's beneficiary or estate of the member if there is no living beneficiary. The death benefit will be paid in addition to any excess employee contributions or survivor benefits due to the beneficiary.

Benefits are established and may be amended by the State Legislature from time to time.

Contributions

The contribution rates for each member category of the System are established by the Oklahoma Legislature after recommendation by the Board based on an actuarial calculation, which is performed to determine the adequacy of such contribution rates. An actuarially determined portion of the total contributions to the System are set aside to finance the costs of benefits of the HISP in accordance with the provisions of the Internal Revenue Code.

9. Pension and Other Post Employment Plan (OPEB) (continued)

Contributions (continued)

Each member participates based on their qualifying gross salary earned, excluding overtime. There is no cap on the qualifying gross salary earned, subject to Internal Revenue Service (IRS) limitations on compensation. Only employers contribute to the HISP.

For 2022 and 2021, contributions of participating county and local agencies totaled 20.0% of salary composed of a minimum employee contribution rate of 3.5% up to a maximum of 8.5% and a minimum employer contribution rate of 11.5% up to a maximum of 16.5%. Contributions to the pension and HISP plans from the District totaled $45,416 and $43,909 for the fiscal years ended September 30, 2023 and 2022, respectively. The District had a contribution liability of $4,339 and $3,961 at September 30, 2023 and 2022, respectively.

Actuarial Assumptions

The total pension liability and total HISP liability, both as of June 30, 2022 was determined based on an actuarial valuation prepared as of July 1, 2022 using the following actuarial assumptions:

Investment return	6.50% for 2022 and 2021 compounded annually net of investment expense and including inflation
Salary increases	3.5% to 9.5% for 2022 and 2021
Mortality rates	In 2022 and 2021, Pub-2010 Below Media, General Membership Active/Retiree Healthy Mortality Table with base rates projected to 2030 using Scale MP-2019. Male rates are unadjusted, and female rates are set forward two years
Post-retirement benefit increases	None
Assumed inflation rate	2.50% for 2022 and 2021
Payroll growth	3.25% for 2022 and 2021
Actuarial cost method	Entry age
Select period for the termination of employment assumptions	10 years

The actuarial assumptions used in the July 1, 2022, valuations are based on the results of the most recent actuarial experience study, which cover the three-year period ending June 30, 2019. The experience study report is dated May 13, 2020.

9. Pension and Other Post Employment Plan (OPEB) (continued)

Long-term Expected Rate of Return

The long-term expected rate of return on pension plan investments and HISP plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The HISP represents a subsidy that is capped at $105 per month per retiree.

The target asset allocation and best estimates of geometric real rates of return for each major asset class as used in the June 30, 2019 experience study, are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
U.S. Large Cap Equity	34.0%	4.7%
U.S. Small Cap Equity	6.0%	5.8%
Int'l Developed Equity	23.0%	6.5%
Emerging Market Equity	5.0%	8.5%
Core Fixed Income	25.0%	5.0%
Long Term Treasuries	3.5%	0.0%
US TIPS	3.5%	0.3%
Total	100.0%	

Discount Rate

The discount rate used to measure the total pension liability and the total HISP liability was 6.50%, net of investment expenses, for 2022 and 2021. The projection of cash flows used to determine the discount rate assumed that contributions from System members and the employers will be made at the current contribution rate as set out in state statute. Based on those assumptions, the pension plan's fiduciary net position and the HISP's fiduciary net position were projected to be available to make all projected future benefit payments of current System members. Therefore, the long-term expected rate of return on pension plan and HISP plan investments was applied to all periods of projected benefit payments to determine the total pension liability and total HISP liability. The discount rate determined does not use a municipal bond rate.

9. Pension and Other Post Employment Plan (OPEB) (continued)

Sensitivity of the Net Pension and Net HISP Liability to Changes in the Discount Rate

The following presents the net pension (asset) / liability of the District calculated using the discount rate of 6.50%, as well as what the District's net pension (asset) / liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.50%) or 1-percentage-point higher (7.50%) than the current rate:

	1% Decrease 5.50%	Current Rate 6.50%	1% Increase 7.50%
Net Pension Liability (Asset)	$ 294,205	$ 120,035	$ (27,263)

The following presents the net HISP (asset) / liability of the District calculated using the discount rate of 6.50%, as well as what the District's net HISP (asset) / liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.50%) or 1-percentage-point higher (7.50%) than the current rate:

	1% Decrease 5.50%	Current Rate 6.50%	1% Increase 7.50%
Net HISP Liability (Asset)	$ (8,627)	$ (13,365)	$ (17,424)

Deferred Outflows / Inflows of Resources Related to Pension

The District recognized pension expense totaling $28,049 during the year ended September 30, 2023. At September 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following resources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 5,503
Net difference between projected and actual earnings on pension plan investments	125,991	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	791	-
District contributions subsequent to the measurement date	54,054	-
Total	$ 180,836	$ 5,503

9. Pension and Other Post Employment Plan (OPEB) (continued)

Deferred Outflows / Inflows of Resources Related to Pension (continued)

$54,054 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2024, any other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended September 30,	Net Increase in Pension Expense
2024	$ 18,373
2025	18,368
2026	12,850
2027	71,688
	$ 121,279

Deferred Outflows / Inflows of Resources Related to HISP

The District recognized an OPEB benefit of $1,073 during the year ended September 30, 2023. At September 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to HISP from the following resources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 6,677
Changes in assumptions	1,128	-
Net difference between projected and actual earnings on pension plan investments	5,058	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	282
District contributions subsequent to the measurement date	2,671	-
Total	$ 8,857	$ 6,959

9. Pension and Other Post Employment Plan (OPEB) (continued)

Deferred Outflows / Inflows of Resources Related to HISP (continued)

$2,671 reported as deferred outflows of resources related to HISP resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net HISP liability in the year ended September 30, 2024, any other amounts reported as deferred outflows of resources and deferred inflows of resources related to HISP will be recognized in pension expense as follows:

Year Ended September 30,	Net Increase / (Decrease) Pension Expense	
2024	$	(664)
2025		(561)
2026		(438)
2027		1,358
2028		(468)
	$	(773)

10. Contractual Agreements and Major Supplier

The District has a contractual agreement with the City of Fort Smith, Arkansas to obtain its water supply. Under the contract, it is understood that water being delivered to the District is considered to be that not presently needed by the water system of the City of Fort Smith. If, at any time, in the opinion of the governing body of the City of Fort Smith, the City does not have a sufficient supply of water to meet the needs of the retail customers of the water system of the City, the City shall have the right to terminate the agreement and discontinue the sale of water to the District upon thirty days written notice to the District. For the years ended September 30, 2023 and 2022, the District purchased 98.2% and 98.4% of its water from the City of Fort Smith, respectively.

The District also has agreements with the Muldrow (Oklahoma) Utility Authority and the Sequoyah County (Oklahoma) Water Association to potentially purchase water from them in the future. For the years ended September 30, 2023 and 2022, the District purchased 1.8% and 1.6% of its water from the Muldrow Utility Authority.

11. Concentrations of Credit Risk

Financial instruments that potentially subject the District to credit risk consist primarily of accounts receivable. The receivables are from individuals located within the same geographic region.

12. Risk Management

The District is exposed to various levels of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District carries commercial blanket coverage and worker's compensation for risk of loss.

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

13. Subsequent Events

The District has evaluated events and transactions for subsequent events that would impact the financial statements for the year ended September 30, 2023 through November 28, 2023, the date the financial statements were available to be issued. There were no subsequent events that require recognition or disclosure in the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

RURAL WATER AND/OR SEWER AND/OR GAS AND/OR SOLID WASTE MANAGEMENT DISTRICT #7, SEQUOYAH COUNTY, OKLAHOMA

REQUIRED SUPPLEMENTAL INFORMATION FOR COST-SHARING EMPLOYER PLANS
OKLAHOMA PUBLIC EMPLOYEES RETIREMENT SYSTEM - PENSION

FOR THE YEAR ENDED SEPTEMBER 30, 2023

Schedule of Proportionate Share of the Net Pension Liability and Related Ratios

	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
District's proportion of the net pension liability	0.01428023%	0.01375671%	0.01308984%	0.01379018%	0.01243440%	0.01131038%	0.01037369%	0.00991808%	0.01789521%
District's proportionate share of the net pension (asset) liability	$ 120,035	$ (184,637)	$ 116,783	$ 18,367	$ 24,252	$ 61,151	$ 98,738	$ 35,674	$ 32,849
District's covered-employee payroll	$ 258,910	$ 242,028	$ 232,831	$ 235,633	$ 209,097	$ 197,297	$ 186,364	$ 176,089	$ 192,558
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	46.36%	-76.29%	50.16%	7.79%	11.60%	30.99%	52.98%	20.26%	17.06%
Plan fiduciary net position as a percentage of the total pension liability	92.24%	112.51%	91.59%	98.63%	97.96%	94.28%	89.48%	96.00%	97.90%

Schedule of Required Contributions

	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
Contractually required contribution	$ 40,352	$ 37,801	$ 35,899	$ 36,295	$ 32,129	$ 30,425	$ 30,750	$ 29,054	$ 31,772
Contributions in relation to the contractually required contribution	(40,352)	(37,801)	(35,899)	(36,295)	(32,129)	(30,425)	(30,750)	(29,054)	(31,772)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
District's covered-employee payroll	$ 258,910	$ 242,028	$ 232,831	$ 235,633	$ 209,097	$ 197,297	$ 186,364	$ 176,089	$ 192,558
Contributions as a percentage of covered-employee payroll	15.59%	15.62%	15.42%	15.40%	15.37%	15.42%	16.50%	16.50%	16.50%

See independent auditor's report.

RURAL WATER AND/OR SEWER AND/OR
GAS AND/OR SOLID WASTE MANAGEMENT DISTRICT #7,
SEQUOYAH COUNTY, OKLAHOMA

REQUIRED SUPPLEMENTAL INFORMATION FOR COST-SHARING EMPLOYER PLANS
OKLAHOMA PUBLIC EMPLOYEES RETIREMENT SYSTEM - OPEB

FOR THE YEAR ENDED SEPTEMBER 30, 2023

Schedule of Proportionate Share of the Net OPEB Liability and Related Ratios

	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017
District's proportion of the net other post employment benefit (OPEB)	0.01428023%	0.01375671%	0.01308984%	0.01379018%	0.01243440%	0.01131038%
District's proportionate share of the net OPEB (asset) liability	$ (13,365)	$ (18,913)	$ (6,137)	$ (5,361)	$ (1,609)	$ 1,295
District's covered-employee payroll	N/A	N/A	N/A	N/A	N/A	N/A
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	N/A	N/A	N/A	N/A	N/A	N/A
Ratio of Plan Fiduciary Net Position to Total OPEB liability total OPEB liability	130.01%	142.87%	114.27%	112.11%	103.94%	96.50%

Schedule of Required Contributions

	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017
Contractually required contribution	$ 2,368	$ 2,432	$ 2,518	$ 2,585	$ 2,372	$ 2,130
Contributions in relation to the contractually required contribution	(2,368)	(2,432)	(2,518)	(2,585)	(2,372)	(2,130)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -
District's covered-employee payroll	N/A	N/A	N/A	N/A	N/A	N/A
Contributions as a percentage of covered-employee payroll	N/A	N/A	N/A	N/A	N/A	N/A

See independent auditor's report.

Notes Supplementary Pension and OPEB Schedules:

1. The schedules are intended to show 10 years - additional information will be presented as it becomes available.

2. 2017 was the first year to exclude the Medical Supplement from pension. The June 30, 2016, District's proportionate share of the net pension liability has been restated to reflect this adjustment by OPERS.

3. Contractually required pension contributions for June 30, 2014, excludes purchase of credit contributions of $21,665.

4. The following benefit changes to the plan provisions were made by the Oklahoma Legislature and reflected in the valuation performed as of July 1 listed below:

<u>2020</u>
House Bill 3350 provided a one-time benefit increase as of July 1, 2020. Members who retired on or prior to July 1, 2015 received a 4.0% benefit increase. Members who retired between July 1, 2015 and July 1, 2018 received a 2% benefit increase. Members who retired after July 1, 2018 did not receive a benefit increase.

<u>2018</u>
House Bill 1340, enacted in 2018, provides a stipend for members of each system who have been retired for five years as of October 31, 2018. The stipend amount is based on the funding level of the system. OPERS members will receive the lesser of 2% of the gross annual retirement amount or $1,200. The bill also provides a minimum payment of $350 for members with 20 years of service. The effective date of the stipend is October 1, 2018.

<u>2014</u>
The plan has been amended by House bill 2630 in 2014 which states that effective November 1, 2015, OPERS shall create a defined contribution plan for most people first employed by a participating employer. Exemptions from the new defined contribution plan include hazardous duty members and district attorneys, assistant district attorneys and employees of the district attorney's office. Each employer shall send to OPERS the differe s
participating employee's contribution in the defined contribution plan.

Senate Bill 2120, also enacted in 2014, amends House Bill 2630 to further exempt from the new defined contribution plan county elected officials and employees of a county, county hospital, city or town, conservation district, circuit engineering district, and any public or private trust in which a country, city or town participates. Senate Bill 2120 also states that employees who participate in the defined contribution system are excluded from the $105 health subsidy.

New employees specifically exempted from the defined contribution plan will participate in the existing defined benefit plan.

Notes Supplementary Pension and OPEB Schedules (continued):

5. Changes in actuarial assumptions:

The following actuarial assumption changes have occurred for the July 1, 2020 valuation:

- Decrease in the investment return from 7.00% to 6.50%
- Decrease in price inflation from 2.75% to 2.50%
- Decrease the payroll growth from 3.50% to 3.25%
- Change mortality assumption to reflect recent mortality experience
- Salary scale assumption was revised
- Withdrawal rates were revised
- Disability rates were revised
- Retirement rates were revised

The following actuarial assumption changes have occurred for the July 1, 2017 valuation:

- Decrease in the investment return from 7.25% to 7.00%
- Decrease in price inflation from 3.00% to 2.75%
- Decrease the real wage growth from 1.00% to 0.75%
- Change mortality assumption to reflect recent mortality improvements
- Salary scale assumption was revised
- Withdrawal rates were revised
- Disability rates were revised
- Retirement rates were revised

The following actuarial assumption changes have occurred for the July 1, 2016 valuation:

- Decrease in the investment return from 7.50% to 7.25%

The following actuarial assumption changes have occurred for the July 1, 2014 valuation:

- Withdrawal rates were revised
- Disability rates were revised
- Retirement rates were revised
- Salary scale assumption was revised
- Probability of electing a vested benefit assumption was revised

SUPPLEMENTAL INFORMATION

RURAL WATER AND/OR SEWER AND/OR
GAS AND/OR SOLID WASTE MANAGEMENT DISTRICT #7,
SEQUOYAH COUNTY, OKLAHOMA

ADDITIONAL COMMENTS REQUIRED BY RURAL DEVELOPMENT

SEPTEMBER 30, 2023

Water Rate Schedule

Rate Schedule Effective August 1, 2023

Residential	Minimum Charge and Gallons	Charge After Minimum Gallons
1 Unit Residential	$20 for the first 500 Gal.	$0.96/100 gallons
2 Unit Residential	$40 for the first 1,000 Gal.	$0.96/100 gallons
6 Unit Residential	$120 for the first 3,000 Gal.	$0.96/100 gallons
14 Unit Residential	$280 for the first 7,000 Gal.	$0.96/100 gallons

Commercial	Minimum Charge and Gallons	Charge After Minimum Gallons
1 Unit Commercial	$20 for the first 500 Gal.	$0.96/100 gallons
2 Unit Commercial	$40 for the first 1,000 Gal.	$0.96/100 gallons

Note: Charge after Minimum Gallon usage is per one hundred gallons

** On February 1, 2023 the Board increased the rate from $0.88 to $0.91 per gallon*
On August 1, 2023 the Board increased the rate from $0.91 to $0.96 per gallon

Board of Directors

Name	Title
Eric Cherry	Chairman/President
Jeff Tomlin	Vice President
Robin Kelton	Secretary/Treasurer
Daniel Morton	Director
John Owens	Director

Accounting Records and Control Over Physical Assets

The District's accounting records, with the exception of normal adjusting entries, are in agreement with these financial statements. The accounting records of the District are adequate. The District's control over physical assets is adequate.

Material or Unusual Adjustments

The accounting records of the District incurred no unusual adjustments.

See independent auditor's report.

ADDITIONAL REQUIRED REPORT

PRZYBYSZ
& ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

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*

To the Board of Directors
Rural Water and/or Sewer and/or Gas and/or
Solid Waste Management District Number 7,
Sequoyah County, Oklahoma
Muldrow, Oklahoma

We have audited, in accordance with the 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 Rural Water and/or Sewer and/or Gas and/or Solid Waste Management District Number 7, Sequoyah County, Oklahoma (the District), as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise District's financial statements, and have issued our report thereon dated November 28, 2023.

Report on Internal Control over Financial Reporting

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

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

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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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

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

Purpose of This Report

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

Przybysz & Associates

Przybysz & Associates, CPAs, P.C.
Fort Smith, Arkansas
November 28, 2023