

AUDIT REPORT

RURAL WATER, SEWER, GAS & SOLID
WASTE MANAGEMENT DISTRICT #8
MCINTOSH COUNTY, OKLAHOMA

DECEMBER 31, 2023



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RURAL WATER, SEWER, GAS & SOLID WASTE MANAGEMENT DISTRICT #8
MCINTOSH COUNTY, OKLAHOMA
DECEMBER 31, 2023

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RURAL WATER, SEWER, GAS & SOLID WASTE MANAGEMENT DISTRICT #8
MCINTOSH COUNTY, OKLAHOMA
DECEMBER 31, 2023

BOARD OF DIRECTORS

<u>NAME</u>	<u>POSITION</u>
AUDIE URQUHART	CHAIRMAN
BILL CHAFFIN	VICE CHAIRMAN
GARY GRIFFIN	TREASURER
RANDY KNIGHT	SECRETARY
JIM CORKRAN	DIRECTOR

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Rural Water, Sewer, Gas & Solid Waste Management District #8
McIntosh County, Oklahoma

Report on the Audit of the Financial Statements

Qualified Opinion

I have audited the modified cash-basis financial statements of Rural Water, Sewer, Gas & Solid Waste Management District #8, McIntosh County, as of and for the year ended December 31, 2023, and the related notes to the financial statements, as listed in the table of contents.

In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of my report, the accompanying financial statements referred to above present fairly, in all material respects, the respective modified cash-basis financial position of the Rural Water, Sewer, Gas & Solid Waste Management District #8, McIntosh County as of December 31, 2023, and the respective changes in modified cash-basis financial position and, where applicable, cash flows thereof for the year then ended in accordance with modified cash basis of accounting described in Note 1.

Basis for Qualified Opinion

I conducted my audit in accordance with auditing standards generally accepted in the United States of America (GAAS), and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of the Rural Water, Sewer, Gas & Solid Waste Management District #8, McIntosh County and to meet my other ethical responsibilities, in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified audit opinion.

Matter Giving Rise to Qualified Opinion

The modified cash basis of accounting requires that items, having substantial support in U.S. generally accepted accounting principles, such as capitalizing assets at historical cost and recording depreciation, be recorded in the financial statements. The District has not maintained accurate capital asset records to support the historical cost of past capital

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asset purchases and the related depreciation. Documentation supporting historical cost and depreciation was not readily available for my review. The amount by which this departure would affect the assets, net position, and expenses of the District is not readily determinable.

Emphasis of Matter - Basis of Accounting

I draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. My opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the modified cash basis of accounting described in Note 1, and for determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible 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.

Auditor's Responsibilities for the Audit of the Financial Statements

My 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 my opinion. 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 GAAS 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 GAAS, I

- Exercise professional judgment and maintain professional skepticism throughout the audit.

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- 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 Rural Water, Sewer, Gas & Solid Waste Management District #8, McIntosh County'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 my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Rural Water, Sewer, Gas & Solid Waste Management District #8, McIntosh County's ability to continue as a going concern for a reasonable period of time.

I am 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 I identified during the audit.

Other Information

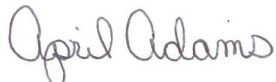
Management is responsible for the other information included in the annual report. The other information comprises the introductory information section listed in the accompanying table of contents but does not include the basic financial statements and my auditor's report thereon. My opinion on the basic financial statements does not cover the other information, and I do not express an opinion or any form of assurance thereon.

In connection with my audit of the basic financial statements, my responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, I conclude that an uncorrected material misstatement of the other information exists, I am required to describe it in my report.

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Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated May 7, 2024, on my consideration of the Rural Water, Sewer, Gas & Solid Waste Management District #8, McIntosh County's internal control over financial reporting and my 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 my 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 Rural Water, Sewer, Gas & Solid Waste Management District #8, McIntosh County'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 Rural Water, Sewer, Gas & Solid Waste Management District #8, McIntosh County's internal control over financial reporting and compliance.



April Adams CPA PLLC
Ponca City, Oklahoma

May 7, 2024

RURAL WATER, SEWER, GAS & SOLID WASTE MANAGEMENT DISTRICT #8
 MCINTOSH COUNTY, OKLAHOMA
 STATEMENT OF NET POSITION - MODIFIED CASH BASIS
 DECEMBER 31, 2023

	2023
<u>ASSETS</u>	
<u>Current Assets:</u>	
Cash Accounts	\$ 233,737
Savings Accounts	42,894
Restricted Reserve & Depreciation Account	58,400
Investments	1,220,502
Inventory	29,125
Total Current Assets	1,584,657
<u>Capital Assets:</u>	
Land	27,945
Work in Progress	-
Water Distribution System & Equipment	9,846,478
Less: Accumulated Depreciation	(3,852,186)
Total Capital Assets	6,022,238
<u>Other Assets:</u>	
Future Water Rights	210,794
Total Other Assets	210,794
TOTAL ASSETS	\$ 7,817,689
<u>LIABILITIES & NET POSITION</u>	
<u>Current Liabilities:</u>	
Current Portion of Long-Term Debt	\$ 93,552
Total Current Liabilities	93,552
<u>Long-term Liabilities:</u>	
Mortgage Payable	3,861,296
Notes Payable-Future Water Rights	-
Less: Current Portion of Long-Term Debt	(93,552)
Total Long-term Liabilities	3,767,744
TOTAL LIABILITIES	3,861,296
<u>Net Position:</u>	
Net investment in capital assets	2,160,942
Restricted	58,400
Unrestricted	1,737,052
TOTAL NET POSITION	3,956,393
TOTAL LIABILITIES & NET POSITION	\$ 7,817,689

The accompanying notes are an integral part of the basic financial statements

**RURAL WATER, SEWER, GAS & SOLID WASTE MANAGEMENT DISTRICT #8
MCINTOSH COUNTY, OKLAHOMA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION - MODIFIED CASH BASIS
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2023**

	2023
<u>Operating Revenue:</u>	
Water Sales	\$ 1,130,644
Other Revenues	59,201
Total Operating Revenue	1,189,845
<u>Operating Expenses:</u>	
Operating Supplies	220,974
Salaries & Payroll Tax	346,736
Employee Benefits	99,341
Automotive	36,584
Repairs & Maintenance	35,261
Utilities	86,781
Office Supplies and Postage	21,623
Insurance	42,599
Professional Fees	4,450
Contracted Services	-
Dues & Fees	24,609
Miscellaneous	12,685
Water Storage	12,456
Depreciation Expense	257,247
Total Operating Expenses	1,201,346
Operating Income (Loss)	(11,501)
Other Revenues and (Expenses):	
Interest Income and Investment Income(Loss)	35,909
Interest Expense	(107,722)
Gain on Disposal of Assets	-
Total Other Revenues and (Expenses)	(71,813)
Net Income (Loss) Before Contributions	(83,314)
Capital Contributions - Grants, including Loan Forgiveness	-
Capital Contributions - Memberships	74,800
Change in Net Position	(8,514)
Total Net Position, Beginning of Year	3,964,907
Total Net Position, End of Year	\$ 3,956,393

The accompanying notes are an integral part of the basic financial statements

**RURAL WATER, SEWER, GAS & SOLID WASTE MANAGEMENT DISTRICT #8
MCINTOSH COUNTY, OKLAHOMA
STATEMENT OF CASH FLOWS - MODIFIED CASH BASIS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2023**

	2023
<u>Cash Flows from Operating Activities:</u>	
Cash Receipts from Customers	\$ 1,189,845
Payments to Suppliers for Goods & Services	(597,365)
Payments to Employees & Laborers	(346,736)
Net Cash Provided (Used) by Operating Activities	245,745
<u>Cash Flows from Capital & Related Financing Activities:</u>	
Additions to Capital Assets	(102,311)
Proceeds from Disposal of Capital Assets	-
Capital Contributions - Memberships	74,800
Capital Contributions - Grants & Other	-
Loan Proceeds	-
Principal paid on Debt	(102,938)
Interest paid on Debt	(107,722)
Net Cash Provided (Used) by Capital & Related Financing Activities	(238,171)
<u>Cash Flows from Investing Activities:</u>	
(Increase)Decrease in Investments	(722,778)
Interest Income and Investment Income(Loss)	35,909
Net Cash Provided (Used) by Investing Activities	(686,869)
Net Increase (Decrease) in Cash and Cash Equivalents	(679,296)
Cash & Cash Equivalents, Beginning of Year	1,014,327
Cash & Cash Equivalents, End of Year	\$ 335,030
<u>Reconciliation of operating income (loss) to net cash provided</u>	
<u>operating activities:</u>	
Operating Income (Loss)	\$ (11,501)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities	
Depreciation	257,247
(Increase)Decrease in Inventory	(2)
Net Cash Provided (Used) by Operating Activities	\$ 245,745

The accompanying notes are an integral part of the basic financial statements

RURAL WATER, SEWER, GAS & SOLID WASTE MANAGEMENT DISTRICT #8
MCINTOSH COUNTY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES & OPERATIONS

As discussed further in Note 1.C, these financial statements are presented on a modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) established by the Governmental Accounting Standards Board (GASB). These modified cash-basis financial statements generally meet the presentation and disclosure requirements applicable to GAAP, in substance, but are limited to the elements presented in the financial statements and the constraints of the measurement and recognition criteria of the modified cash basis of accounting.

A. Organization & Reporting Entity

The District was organized to sell water to its members. It is not a component unit as defined by Governmental Accounting Standards Board Statement No. 14.

B. Basis of Presentation

The accounts of the District are organized on the basis of proprietary fund type, specifically an enterprise fund. The activities of this fund are accounted for with a separate set of self-balancing accounts that comprise the District's assets, liabilities, net assets, revenues and expenses. Enterprise Funds account for activities (1) that are financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity; or (2) that are required by laws or regulations that the activity's costs of providing services, including capital costs (such as depreciation or debt service), be recovered with fees and charges, rather than with taxes or similar revenues; or (3) that the pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs (such as depreciation or debt service).

C. Measurement Focus and Basis of Accounting

Measurement Focus

The District utilizes an economic resources measurement focus within the limitations of the modified cash basis of accounting. The accounting objectives of this measurement focus are the determination of operating income, changes in

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MCINTOSH COUNTY, OKLAHOMA
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net position (or cost recovery), net financial position, and cash flows. All assets, deferred outflows, liabilities, and deferred inflows (whether current or noncurrent or financial or nonfinancial) associated with their activities are generally reported within the limitations of the modified cash basis of accounting.

Basis of Accounting

The financial statements are presented on a modified cash basis of accounting, which is a basis of accounting other than GAAP as established by GASB. This basis of accounting involves modifications to the cash basis of accounting to report in the statements of net position cash transactions or events that provide a benefit or result in an obligation that covers a period greater than the period in which the cash transaction or event occurred. Such reported balances include investments, capital assets and related depreciation, and short-term and long-term liabilities arising from cash transactions or events.

This modified cash basis of accounting differs from GAAP primarily because certain assets and their related revenues (such as accounts receivable and revenue billed or provided services not yet collected and other accrued revenue and receivables) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid and other accrued expenses and liabilities) are not recorded in these financial statements. In addition, other economic assets, deferred outflows, liabilities, and deferred inflows that do not arise from a cash transaction or event are not reported, and the measurement of reported assets and liabilities does not involve adjustment to fair value.

If the District utilized the basis of accounting recognized as generally accepted in the United States, the fund financial statements for proprietary fund types would use the accrual basis of accounting.

RURAL WATER, SEWER, GAS & SOLID WASTE MANAGEMENT DISTRICT #8
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D. Financial Position

Cash and Investments

For purposes of these financial statements, the District considers cash and cash equivalents to be currency on hand and demand deposits with banks. There were no non-monetary transactions.

Inventory

Inventory on hand is valued at cost on the first in first out method.

Capital Assets (Property, Plant & Equipment)

Property, plant and equipment, including infrastructure assets, are recorded at cost. Equipment placed in service is depreciated using the straight-line method over a five to ten year life and the water system assets including infrastructure, are depreciated over a twenty to forty year life. The District has not maintained a complete capital asset history.

Purchases of capital items in excess of \$2,000.00 that increase the capacity or operation efficiency or extend the useful life of any asset are capitalized. Repairs and maintenance are expensed as incurred.

Income Taxes

The District is conducting its affairs as a non-profit organization and has made not provisions for federal income tax.

Long-Term Debt

Long-term debt is reported at face value, net of applicable discounts and deferred loss on refunding. Costs related to the issuance of debt are deferred and amortized over the lives of various debt issues.

RURAL WATER, SEWER, GAS & SOLID WASTE MANAGEMENT DISTRICT #8
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Equity Classification

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

1. Net investment in capital assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets and adjusted for any deferred inflows and outflows of resources attributable to capital assets and related debt.
2. Restricted – Consists of restricted assets reduced by liabilities and deferred inflows or resources related to those assets, with restriction constraints placed on the use either by (a) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (b) law through constitutional provisions or enabling legislation.
3. Unrestricted – Net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

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

Revenues, expenditures & expenses

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

Use of Estimates

The preparation of financial statements in conformity with the modified cash basis of accounting used by the District requires management to make estimates and assumptions that

RURAL WATER, SEWER, GAS & SOLID WASTE MANAGEMENT DISTRICT #8
MCINTOSH COUNTY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

affect certain reported amounts and disclosures; accordingly, actual results could differ from those estimates.

Compensated Absences

Compensated leave is expensed during the period in which the employee takes such leave.

NOTE 2 - CUSTODIAL CREDIT RISK RELATED TO DEPOSITS

Custodial Credit Risk

At December 31, 2023, the District held deposits of approximately \$1,555,532 at financial institutions. The District's cash deposits, including interest-bearing certificates of deposit are covered by Federal Depository Insurance (FDIC) or direct obligation of the U.S. Government insured or collateralized with securities held by the District or by its agent in the District's name.

Investment Interest Rate Risk

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

Investment Credit Risk

The District has no policy that limits its investment choices other than the limitation 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

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 DECEMBER 31, 2023

- trusts whose beneficiary is a county, municipality or school district.
- e. Notes or bonds secured by mortgage or trust deed insured by the Federal Housing Administrator and debentures issued by the Federal Housing Administrator, and in obligations of the National Mortgage Association.
 - f. Money market funds regulated by the SEC and in which investments consist of the investments mentioned in the previous paragraphs (a.-d.).

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

Type	Weighted Average Maturity (Months)	Credit Rating	Market Value	Cost
Investments:				
Certificate of deposit	3.47	N/A	\$ 1,205,266	\$ 1,205,266
Mutual Funds	N/A	N/A	15,115	15,115
Other	N/A	N/A	120	120
Total Investments			<u>1,220,502</u>	<u>1,220,502</u>

Concentration of Investment Credit Risk

The District places no limit on the amount it may invest in any one issuer. The District has the following credit risk: 98.75% in Certificates of Deposit (\$1,205,266), 1.24% in mutual funds (\$15,115) and .01% in other funds (\$120).

NOTE 3 - RESTRICTED ASSETS

The loan agreements with the United States Department of Agriculture Rural Development (USDA) require the District to set aside into a Reserve Account the sum of the annual installment for each loan (\$166,116 for 1st loan and \$32,448 for the 2nd loan for a total of \$198,564), after which deposits may be suspended, except to replace withdrawals. The District cannot withdraw funds from the reserve account without USDA approval. As of December 31, 2023, the account balance for the reserve account was \$58,399.71 which is not in compliance with the reserve requirement.

NOTE 4 - CAPITAL ASSETS

Capital asset activity, for the fiscal year ended December 31, 2023, was as follows:

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 MCINTOSH COUNTY, OKLAHOMA
 NOTES TO FINANCIAL STATEMENTS
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	12/31/22 Balance	Additions	Deductions	12/31/23 Balance
Non-depreciable assets:				
Land	\$ 27,945	\$ -	\$ -	\$ 27,945
Construction in Progress	96,673	-	(96,673)	-
Total non-depreciable assets	<u>124,619</u>	<u>-</u>	<u>(96,673)</u>	<u>27,945</u>
Depreciable assets:				
Water System & Equipmnt	9,647,493	198,985	-	9,846,478
Total depreciable assets	<u>9,647,493</u>	<u>198,985</u>	<u>-</u>	<u>9,846,478</u>
Less Accumulated Depreciation for:				
Water System & Equipmnt	(3,594,939)	(257,247)	-	(3,852,186)
Total Accumulated Depreciation	<u>(3,594,939)</u>	<u>(257,247)</u>	<u>-</u>	<u>(3,852,186)</u>
Total depreciable assets, net	<u>6,052,554</u>	<u>(58,262)</u>	<u>-</u>	<u>5,994,292</u>
Total Capital Assets, Net	<u>\$ 6,177,173</u>	<u>\$ (58,262)</u>	<u>\$ (96,673)</u>	<u>\$ 6,022,238</u>

Depreciation expense for the current year was \$257,247.

NOTE 5 - LONG-TERM DEBT

The District has a note (USDA RD #91-01, dated December 30, 2013, due to USDA Rural Development in the original amount of \$4,024,000 with a fixed interest rate of 2.75% with 480 monthly payments of principal and interest of \$13,843.00 beginning January 28, 2014. The note is secured by the system's assets and revenues. As of December 31, 2014, all of the loan proceeds have been received for this loan.

The District has a note (USDA RD #91-03), dated December 30, 2013, due to USDA Rural Development in the original amount of \$786,000 with a fixed interest rate of 2.75% with 480 monthly payments of principal and interest of \$2,704.00 beginning January 28, 2014. The note is secured by the system's assets and revenues. As of December 31, 2015, all of the loan proceeds have been received for this loan.

Changes in Long-Term Debt

The following is a summary of changes in long-term debt for the year ended December 31, 2023:

	Balance at December 31, 2022	Additions	Deductions	Balance at December 31, 2023
Note Payable - USDA RD 91-01	\$ 3,389,426	\$ -	\$ (73,835)	\$ 3,315,591
Note Payable - USDA RD 91-03	\$ 574,807	\$ -	\$ (29,102)	\$ 545,705
Total Long-Term Debt	<u>\$ 3,964,234</u>	<u>\$ -</u>	<u>\$ (102,938)</u>	<u>\$ 3,861,296</u>

RURAL WATER, SEWER, GAS & SOLID WASTE MANAGEMENT DISTRICT #8
 MCINTOSH COUNTY, OKLAHOMA
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2023

Debt Services Requirements to Maturity

Year Ending December 31,	Note Payable - USDA RD #91-01		Total
	Principal	Interest	
2024	\$ 75,889	\$ 90,227	\$ 166,116
2025	78,002	88,114	166,116
2026	80,175	85,941	166,116
2027	82,407	83,709	166,116
2028	84,702	81,414	166,116
2029-2033	460,237	370,343	830,580
2034-2038	527,994	302,586	830,580
2039-2043	605,726	224,854	830,580
2044-2048	694,902	135,678	830,580
2049-2052	625,557	201,698	827,255
Total	<u>\$ 3,315,591</u>	<u>\$ 1,664,563</u>	<u>\$ 4,980,155</u>

Year Ending December 31,	Note Payable - USDA RD #91-03		Total
	Principal	Interest	
2024	\$ 17,663	\$ 14,785	\$ 32,448
2025	18,155	14,293	32,448
2026	18,660	13,788	32,448
2027	19,180	13,268	32,448
2028	19,714	12,734	32,448
2029-2033	107,117	55,123	162,240
2034-2038	122,887	39,353	162,240
2039-2043	140,979	21,261	162,240
2044-2046	81,351	3,037	84,388
Total	<u>\$ 545,705</u>	<u>\$ 187,644</u>	<u>\$ 733,348</u>

NOTE 6 - RETIREMENT & DEFERRED COMPENSATION PLAN

In November 2014, employee retirement changed to a Simple IRA with Edward Jones. Employees are allowed to contribute up to 5% and the District matches up to 3%. Total contributions for the year were \$14,245.50, this includes both employee (\$6,988.67) & employer (\$7,256.83) contributions. The plan is through Edward Jones, 312 S. First St., Eufaula, Oklahoma 74432.

NOTE 7 - CONTINGENCIES

Litigation

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

RURAL WATER, SEWER, GAS & SOLID WASTE MANAGEMENT DISTRICT #8
MCINTOSH COUNTY, OKLAHOMA
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DECEMBER 31, 2023

Government Assisted Programs

In the normal course of operations, the District participates in various federal or state/loan programs from year to year. The grant/loan programs are often subject to additional audits by agents of the granting or loaning agency, the purpose of which is to ensure compliance with the specific conditions of the grant or loan. Any liability of reimbursement that may arise as a result of these audits cannot be reasonably determined at this time, although it is believed the amount, if any, would not be material.

NOTE 8 - RISK MANAGEMENT

The District is exposed to normal risk involving their employees' life and health, property and liability, workers compensation, unemployment and disability. The District participates in the Oklahoma Rural Water Association Assurance Group which provides for the pooling of self-insured reserves, claims or losses among the participants. Insurance requirements are reviewed annually to determine adequate coverage exists.

NOTE 9 - SUBSEQUENT EVENTS

The District did not have any subsequent events through May 7, 2024, which is the date the financial statements were issued, for events requiring recording or disclosure in the financial statements for the year ending December 31, 2023.

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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*

To the Board of Directors
Rural Water, Sewer, Gas & Solid Waste Management District #8
McIntosh County, Oklahoma

I 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 modified cash basis financial statements of the Rural Water, Sewer, Gas & Solid Waste Management District #8, as of and for the year ended December 31, 2023, and the related notes to the financial statements, which were prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles, and have issued my report thereon dated May 7, 2024, which was qualified for the improper capital asset recordkeeping.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered the Rural Water, Sewer, Gas & Solid Waste Management District #8's internal control over financial reporting (internal control) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Rural Water, Sewer, Gas & Solid Waste Management District #8's internal control. Accordingly, I do not express an opinion on the effectiveness of Rural Water, Sewer, Gas & Solid Waste Management District #8'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 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.

My 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations,

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during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified. I did identify certain deficiencies in internal control described in the accompanying Schedule of Findings that I consider to be significant deficiencies. Those deficiencies are listed as Item 2023-01.

Compliance and Other Matters

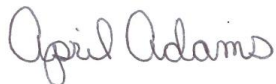
As part of obtaining reasonable assurance about whether the Rural Water, Sewer, Gas & Solid Waste Management District #8's financial statements are free of material misstatement, I performed tests of compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed one instance of noncompliance that is required to be reported under *Government Auditing Standards*, which is included in the Schedule of Findings as Item 2023-02. The results of my tests disclosed no instances of other matters that are required to be reported under *Government Auditing Standards*.

Rural Water, Sewer, Gas & Solid Waste Management District #8's Response to Findings

Rural Water, Sewer, Gas & Solid Waste Management District #8's response to the findings identified in our audit is described in the accompanying Schedule of Findings. Rural Water, Sewer, Gas & Solid Waste Management District #8's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of my 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.



April Adams CPA PLLC
Ponca City, Oklahoma

May 7, 2024

RURAL WATER, SEWER, GAS & SOLID WASTE MANAGEMENT DISTRICT #8
MCINTOSH COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2023

INTERNAL CONTROL FINDINGS:

Item 2023-01: Internal Control over Financial Reporting

Criteria: Per government auditing and accounting standards management must designate an individual or individuals that possess skill, knowledge and experience to the extent they can perform year-end closing adjustments and evaluate any non-attest services or audit adjustments performed by the independent auditor.

Condition: Material adjusting journal entries were required to arrive at the final adjusted trial balance.

Cause/Effect: The District relied on the auditor to propose entries after audit procedures. The District was not able to report accurate financial information without the required adjustments.

Recommendation: The District should consider making required yearend adjusting entries without auditor assistance when preparing the financial statements.

Response: Management will take into consideration the Auditor's recommendation and will work to improve performance in this area.

COMPLIANCE FINDINGS:

Item 2023-02: Reserve Requirements

Criteria: The District's loan agreements with the USDA Rural Development require the District to maintain reserve accounts. The reserve requirement for the loans is \$198,564, the District is required to set aside into a Reserve Account \$166,116 for the 1st loan and \$32,448 for the second loan, after which deposits may be suspended, except to replace withdrawals. The Authority cannot withdraw funds from the reserve account without USDA approval.

Condition: In an effort to increase interest earnings, the District moved money into certificates of deposit with higher interest rates. The District moved money out of the reserve account and into a certificate of deposit without USDA approval. The required balance at December 31, 2023 was \$198,564. The reserve account balance at December 31, 2023 of \$58,399.71.

Cause/Effect: This leaves the District out of compliance with the Rural Development loan agreement.

Recommendation: The District should deposit money back into the reserve account to bring the account into compliance.

Response: The District is aware of the situation and deposit the money back into the account.