

**McCurtain County Rural Water District No. 8  
Broken Bow, Oklahoma**

**Financial Statements  
and Reports of Independent Auditor**

**October 31, 2016**

Audited by

**SANDERS, BLEDSOE & HEWETT  
CERTIFIED PUBLIC ACCOUNTANTS, LLP**

Broken Arrow, OK

**McCurtain County Rural Water District No. 8**  
**Broken Bow, Oklahoma**  
October 31, 2016

**BOARD OF DIRECTORS**

**Chairman**

Elvis McDaniel

**Vice-Chairman**

Homer Coleman

**Secretary**

Nancy Packwood

**Members**

Jerry Snider

Kelly Kemp

**MANAGER**

Randy McMurl

**BOOKKEEPERS**

Debbie Aebischer

Beth Calvin

**McCurtain County Rural Water District No. 8**  
**Broken Bow, Oklahoma**  
October 31, 2016

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# SANDERS, BLEDSOE & HEWETT

CERTIFIED PUBLIC ACCOUNTANTS, LLP

## **INDEPENDENT AUDITOR'S REPORT**

Board of Directors  
McCurtain County Rural Water District No. 8  
Broken Bow, Oklahoma

We have audited the accompanying financial statements of the business-type activities of the McCurtain County Rural Water District No. 8 (the District), Broken Bow, Oklahoma, as of and for the year ended October 31, 2016, which collectively comprise the District's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements. 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 Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements 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, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as

evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

### **Opinions**

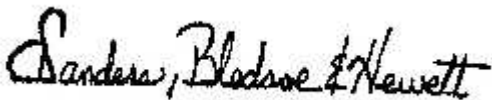
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the District as of October 31, 2016, and the respective changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

### **Other Matters**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 8 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2016 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 to describe the scope of our testing of internal control over financial reporting or on compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.



Sanders, Bledsoe & Hewett  
Certified Public Accountants, LLP

December 22, 2016

## RURAL WATER DISTRICT NO. 8, McCURTAIN COUNTY

### MANAGEMENT'S DISCUSSION AND ANALYSIS

OCTOBER 31, 2016

Our discussion and analysis of the Rural Water District No. 8, McCurtain County's financial performance provides an overview of the District's financial activities for the fiscal year ended October 31, 2016. Please read it in conjunction with the District's financial statements that begin on page 13.

#### **FINANCIAL HIGHLIGHTS:**

- The District's total operating revenues exceeded total operating expenses by \$4,184, a decrease of \$105,937 compared to the prior year.
- The District's total net position increased by \$463,220 in the current fiscal year.
- The District continued to make timely payments on the existing ORWB loan.
- The District was awarded a \$655,000 grant from Indian Health Services to assist in the construction of a water line extension, and received \$504,661 in 2015-16.
- The District began the expansions of the Tablerville and Panki Bok water lines in 2015-16.

#### **Using This Report**

This report is presented in a format consistent with the presentation requirements of the Governmental Accounting Standards Board (GASB) Statement No. 34, as applicable to the District's basis of accounting.

#### **Basis of Accounting**

The District has elected to present its financial statements in the accrual basis of accounting. According to the accrual basis, revenues are recorded when earned and expenses are recognized when incurred. This policy is in accordance with generally accepted accounting principles.

#### **The Financial Statements**

One of the most important questions asked about the District's finances is, "Is the District as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position, the Statement of Revenue, Expenses and Changes in Net Position and the Statement of Cash Flows report information about the District and about its activities in a way that helps answer this question.

These three statements report the District's net position and the changes in them. You can think of the District's net position – the difference between assets and liabilities – as one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net position are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in water rates paid or charged and the condition of the District's water system, to assess the overall health of the District.

The District has only one type of fund or activity, which is defined as *Business-type activities*. This is considered a proprietary fund. This means the District charges a fee to customers to help it cover all or most of the cost of certain services it provides.

### **Net Position, and Changes in Net Position**

The District's Net Position was higher in 2015-16, increasing from \$6,245,186 to \$6,708,406. Last year net position decreased by \$32,510. Looking at the Net Position and Net Expenses of business-type activities separately, however, two different stories can emerge. Our analysis below focuses on the Net Position (Table 1) and Changes in Net Position (Table 2) of the District's business-type activities.

**Table 1 – Net Position:**

	2015-16	2014-15	Variances
Current and other assets	\$ 1,140,256	1,527,951	(387,695)
Capital assets, net	8,841,628	8,071,780	769,848
Total Assets	<u>\$ 9,981,884</u>	<u>9,599,731</u>	<u>382,153</u>
Current liabilities	\$ 20,861	20,861	-
Long-term liabilities	3,252,617	3,333,684	81,067
Total Liabilities	<u>\$ 3,273,478</u>	<u>3,354,545</u>	<u>81,067</u>
Invest. In capital assets, net			
of related debt	\$ 5,589,011	4,738,096	850,915
Restricted	208,734	208,734	-
Unrestricted	910,661	1,298,356	(387,695)
Total Net Position	<u>\$ 6,708,406</u>	<u>6,245,186</u>	<u>463,220</u>

Net Position of the District decreased by 7.4 percent (\$6,245,186 compared to \$6,708,406). Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – decreased from \$1,298,356 to \$910,661.

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

	2015-16	2014-15	Variances
Revenues:			
Charges for services	\$ 1,340,970	1,356,214	(15,244)
Other collections	15,230	20,919	(5,689)
ODOT and Grant proceeds	581,290	-	581,290
Interest	5,414	6,083	(669)
Total Revenues	\$ 1,942,904	1,383,216	559,688
Expenses:			
Salaries, taxes and benefits	\$ 548,676	548,366	(310)
Maintenance and water	418,883	340,099	(78,784)
Other expenses	139,198	112,955	(26,243)
Depreciation	245,259	265,592	20,333
Interest on debt	127,668	148,714	21,046
Total Expenses	\$ 1,479,684	1,415,726	(63,958)
Changes in Net Position	463,220	(32,510)	495,730
Net Position, Beginning	6,245,186	6,277,696	(32,510)
Net Position, Ending	\$ 6,708,406	6,245,186	463,220

The District's total revenues increased by 40.5 percent (\$559,688). The total cost of all services decreased by 4.5 percent (-\$63,958).

### **Fixed Assets**

At October 31, 2016, the District had \$8,841,628 invested in fixed assets, net of depreciation, including land, the water plant and system, vehicles and equipment. Capital assets of \$1,015,107 were added in 2015-16, most of which was the major expansion of water lines, and a truck was purchased.

### **Long-Term Debt**

The promissory note with the Oklahoma Water Resources Board was approved in 2008-09. The note was for \$7,038,410, and will be paid back in bi-annual payments over 30 years, at an interest rate of 3.29%. Through October 31, 2016, \$5,817,402 of these loan proceeds were received, and \$2,000,000 of the loan was forgiven by federal ARRA funds. The outstanding principal balance at October 31, 2016 was \$3,252,617.



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

For the upcoming fiscal year ending October 31, 2017, the District's budget is fairly consistent with the prior fiscal year. The normal cost of operation continues to increase for all areas of the economy, and rural water is not exempt from these increases.

### **Contacting the District's Management**

This report is designed to provide our customers and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact the District Office at 1803 N. US Hwy. 259, Broken Bow, OK 74728 or call (580) 584-2918.



# SANDERS, BLEDSOE & HEWETT

CERTIFIED PUBLIC ACCOUNTANTS, LLP

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Directors  
McCurtain County Rural Water District No. 8  
Broken Bow, Oklahoma

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the accompanying financial statements of the McCurtain County Rural Water District No. 8 (the District), Broken Bow, Oklahoma, as of and for the year ended October 31, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 22, 2016.

**Internal Control Over Financial Reporting**

Management of the District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting in order to determine our auditing procedures that are appropriate for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph 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. We identified no deficiencies in the internal controls that we considered to be material weaknesses.

*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 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.

#### Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. 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 that are required to be reported under *Government Auditing Standards*.

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.



Sanders, Bledsoe & Hewett  
Certified Public Accountants, LLP

December 22, 2016

**McCurtain County Rural Water District No. 8**  
**Broken Bow, Oklahoma**  
Disposition of Prior Year's Significant Deficiencies  
October 31, 2016

There were no prior year significant deficiencies.

**McCurtain County Rural Water District No. 8**  
**Broken Bow, Oklahoma**  
Schedule of Audit Results  
October 31, 2016

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

1. An unqualified opinion report was issued on the financial statements.
2. The audit disclosed no instances of noncompliance.
3. The audit disclosed no significant deficiencies on the internal controls.

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

NONE

McCURTAIN COUNTY RURAL WATER DISTRICT NO. 8  
Broken Bow, Oklahoma  
Statement of Net Position  
October 31, 2016

ASSETS

Current Assets:

Cash and cash equivalents	\$ 163,074
Investments	568,317
Current portion of receivables	134,327
Inventory of supplies	250,742
Prepaid assets	23,796
Total current assets	<u>1,140,256</u>

Non-current Assets:

Capital Assets-

Land and easements	51,716
Buildings and improvements	183,741
Equipment and vehicles	3,012,300
Plant and water systems	9,938,073
Less: Accumulated depreciation	<u>(4,344,202)</u>
Total non-current assets	<u>8,841,628</u>

Total Assets	<u>9,981,884</u>
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LIABILITIES

Current Liabilities:

Customer deposits	<u>20,861</u>
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Non-current Liabilities:

Notes payable	<u>3,252,617</u>
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Total Liabilities	<u>3,273,478</u>
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NET POSITION

Invested in capital assets, net of related debt	5,589,011
Reserved for debt service	208,734
Unrestricted assets	<u>910,661</u>
Total Net Position	<u>\$ 6,708,406</u>

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

McCURTAIN COUNTY RURAL WATER DISTRICT NO. 8  
Broken Bow, Oklahoma  
Statement of Revenue, Expenses and Changes in Net Position  
For The Year Ended October 31, 2016

Operating Revenues:	
Water sales	\$ 1,340,970
Miscellaneous	15,230
Total revenue from operations	<u>1,356,200</u>
Operating Expenses:	
Salaries and benefits	548,676
Water purchases	143,568
Repairs and maintenance	74,109
Chemicals	48,756
Vehicle expense	23,954
Utilities and telephone	111,192
Testing fees	17,304
Insurance	68,574
Office expense and postage	49,970
Depreciation	245,259
Professional fees	4,500
Dues and fees	1,785
Travel	10,741
Other expenses	3,628
Total expenses from operations	<u>1,352,016</u>
Operating Income (Loss)	4,184
Non-Operating Revenues (Expenses):	
Interest income	5,414
Choctaw Nation donation	504,661
ODOT reimbursement	76,629
Interest paid on long-term debt	(127,668)
Total Non-Operating Revenues (Expenses)	<u>459,036</u>
Change in Net Assets	463,220
Total Net Position, beginning of period	<u>6,245,186</u>
Total Net Position, end of period	<u><u>\$ 6,708,406</u></u>

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

McCURTAIN COUNTY RURAL WATER DISTRICT NO. 8  
Broken Bow, Oklahoma  
Statement of Cash Flows  
For the Year Ended October 31, 2016

Cash Flows from Operating Activities:

Receipts from customers	\$ 1,428,346
Payments to employees	(548,676)
Payments to vendors	(698,258)
Net Cash Provided by Operating Activities	<u>181,412</u>

Cash Flows from Investing Activities:

Interest earned on investments	<u>5,414</u>
Net Cash Provided by (used in) Investing Activities	<u>5,414</u>

Cash Flows from Financing Activities:

ODOT reimbursement for line moves	76,629
Grant proceeds from Choctaw Nation	504,661
Principal paid on long-term debt	(81,067)
Interest paid on long-term debt	(127,668)
Acquisition of fixed assets	<u>(1,015,107)</u>
Net Cash Provided by (used in) Financing Activities	<u>(642,552)</u>

Net Increase (Decrease) in Cash (455,726)

Cash and cash equivalents, beginning of period 1,187,117

Cash and cash equivalents, end of period \$ 731,391

Reconciliation of operating income (loss) to net cash provided by operating activities:

Operating Income	\$ 4,184
Adjustments to reconcile net income to net cash provided (used) by operating activities:	
Depreciation Expense	245,259
Change in assets and liabilities:	
(Increase) decrease in accounts receivable	16,068
(Increase) decrease in supplies inventory	(84,478)
(Increase) decrease in prepaid insurance	379
Increase (decrease) in customer deposits	<u>0</u>
Net cash provided by operating activities	<u><u>\$ 181,412</u></u>

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



## **McCURTAIN COUNTY RURAL WATER DISTRICT NO. 8**

### **Broken Bow, Oklahoma**

#### **Notes to the Financial Statements**

**October 31, 2016**

### **Note A – Significant Accounting Policies**

#### Organization

McCurtain County Rural Water District No. 8 (the District) is an Oklahoma water district organized under Title 82 of Oklahoma Statutes, Sections 1324.1-1324.26 inclusive, to provide water service to rural residents of McCurtain County, Oklahoma. The District is considered a subdivision of the State of Oklahoma. The District is exempt from federal and state income taxes. The membership consists of approximately 2,380 members.

The District is an independent, self-contained reporting entity with no associated component units. It is operated in a manner similar to a private business enterprise where the cost (expenses, including depreciation) of providing water services is financed through user charges.

#### Basis of Accounting

The accrual basis of accounting in accordance with Generally Accepted Accounting Principles (GAAP) promulgated in the United States of America is followed for all accounts. Revenues are recorded when earned and liabilities are recognized when incurred. This policy is in accordance with generally accepted accounting principles. The District has also complied with GASB Statement No. 34 financial reporting requirements.

#### Deposits and Investments

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

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

**Custodial Credit Risk** - At October 31, 2016, the District held deposits of approximately \$921,238 at financial institutions. The District's cash deposits, including interest-bearing certificates of deposit, are entirely covered by Federal Depository Insurance (FDIC) or direct obligation of the U.S. Government insured or collateralized with securities held by the District or by its agent in the District's name.

## McCURTAIN COUNTY RURAL WATER DISTRICT NO. 8

### Broken Bow, Oklahoma

#### Notes to the Financial Statements

October 31, 2016

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

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

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

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

The investments held at October 31, 2016 are as follows:

	Wtd. Avg Maturity	Credit Rating	Market	Cost
Money market/checking	N/A	AAAm	\$ 352,920	352,920
Certificates of deposit	1.0 Yr	N/A	563,317	563,317
Total Deposits			\$ 916,237	916,237

**Concentration of Investment Credit Risk** – The District places no limit on the amount it may invest in any one issuer. The District has the following of credit risk: 62% in Certificates of Deposit (\$563,317) and 38% in Money Market funds (\$352,920).

**McCURTAIN COUNTY RURAL WATER DISTRICT NO. 8**

**Broken Bow, Oklahoma**

Notes to the Financial Statements

October 31, 2016

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

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

Inventories

Inventories consist primarily of materials and supplies for repairs and improvements of existing water lines, meters and all other capital assets. Inventory is valued at cost, principally on a first-in, first-out basis, but not in excess of market.

Accounts Receivable

Billings for accounts receivable at October 31, 2016 were \$137,327. Allowance for doubtful accounts was computed at 2.5% (\$3,444) based upon historical collection rates.

Compensated Absences

It is the District's policy to permit employees to accumulate earned but unused vacation time. Full-time employees are granted vacation and sick leave benefits in varying amounts to specified maximums depending on tenure. The District has not accrued compensated absences because the amount, if any, would not be considered material to the financial statements.

**McCURTAIN COUNTY RURAL WATER DISTRICT NO. 8**

**Broken Bow, Oklahoma**

Notes to the Financial Statements

October 31, 2016

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

Fixed Assets

Additions to the water system and other equipment are recorded at cost or, if contributed property, at their estimated fair value at time of contribution. Repairs and maintenance are recorded as expenses; renewals and betterments are capitalized. Non-cash contributions relate to both existing and new members of the District. If installation or water lines is required to a member's property, the District performs this service for the member at cost. The member's payment for such installation is recorded as a capital asset contribution. The District maintains a capitalization threshold of \$500 and an estimated useful life in excess of two (2) years.

Fixed assets are valued at cost, depreciation is computed by use of the straight-line method. The estimated useful lives of these assets are as follows:

Land	N/A
Office furniture & fixtures	5-10 years
Equipment & tools	10-15 years
Transportation equipment	5 years
Water & sewer system	50 years
Buildings	40 years
Computer equipment	5-7 years

The fixed asset information for the District is shown below:

	<u>11/1/2015</u>			<u>10/31/2016</u>
	<u>Amount</u>	<u>Additions</u>	<u>Deletions</u>	<u>Amount</u>
Land & easements	\$ 51,716	-	-	51,716
Buildings & improv.	183,741	-	-	183,741
Water system	9,242,151	695,922	-	9,938,073
Equipment	<u>2,693,115</u>	<u>319,185</u>	<u>-</u>	<u>3,012,300</u>
Total Fixed Assets	12,170,723	1,015,107	-	13,185,830
Less: Accumulated Depreciation	<u>(4,098,943)</u>	<u>(245,259)</u>	<u>-</u>	<u>(4,344,202)</u>
Total	<u>\$ 8,071,780</u>	<u>769,848</u>	<u>-</u>	<u>8,841,628</u>

**McCURTAIN COUNTY RURAL WATER DISTRICT NO. 8**

**Broken Bow, Oklahoma**

Notes to the Financial Statements

October 31, 2016

**Note B – Long-Term Debt**

The District acquired a promissory note from the Oklahoma Water Resources Board. The approved note is in the amount of \$7,038,410 and will be used for drinking water treatment system improvements. The District received \$366,794 of the loan proceeds in 2008-09, \$4,059,007 in 2009-10, and \$1,391,601 in 2010-11 for a total loan of \$5,817,402. In the 2010-11 fiscal year, the ARRA Stimulus funds forgave \$2,000,000 of the principal balance of this note. The note will bear interest at a rate of 3.29%, and payments will be made bi-annually for 30 years.

	<u>October 31,</u>	
	<u>2016</u>	<u>2015</u>
Principal Balance, beginning	\$ 3,333,684	3,393,705
Additions	-	-
Less: Principal Paid	<u>(81,067)</u>	<u>(60,021)</u>
Principal Balance, end	<u>\$ 3,252,617</u>	<u>3,333,684</u>

Future principal payments on the outstanding loan are as follows:

<u>October 31,</u>	
2017	\$ 84,570
2018	87,850
2019	91,258
2020	94,476
2021	98,464
2022-26	552,373
2027-31	668,207
2032-36	808,237
2037-40	<u>767,182</u>
Total	<u>\$ 3,252,617</u>

## **McCURTAIN COUNTY RURAL WATER DISTRICT NO. 8**

### **Broken Bow, Oklahoma**

#### **Notes to the Financial Statements**

**October 31, 2016**

#### **Note C – Insurance Coverage**

The District maintained adequate insurance coverage through the Oklahoma Rural Water Association Group. Coverage includes auto liability and damage, property, inland/marine, comprehensive general liability, errors and omissions, employment liability and employment dishonesty and crime.

#### **Note D – Employee Pension Plan**

In January 1992, the District established a defined contribution pension plan for its employees. The plan is non-contributory and is administered by Edward D. Jones Company. Under the plan, a predetermined contribution is made to the account of each individual employee, based upon the annual compensation levels, and accrued for their benefit. An employee must have one year of service with the District before they can participate in the plan.

#### **Note E – Sewer and Fire Protection Collections**

The District collects payments from its users for sewer services and passes these payments forward to the Broken Bow PWA. In the 2015-16 year, the District collected and paid forward \$10,133 in sewer collections.

The District also collects payments from its users for fire protection services and passes these payments forward to the City of Broken Bow and the Holly Creek – Oak Hill Volunteer Fire Department. For the 2015-16 year, the District collected and paid forward \$45,945 in fire protection collections.

#### **Note F – Subsequent Events**

Management has evaluated subsequent events through December 22, 2016, which is the date the financial statements were available to be issued and have determined that no additional information needs to be added to the financial statements.

McCURTAIN COUNTY RURAL WATER DISTRICT NO. 8  
Broken Bow, Oklahoma  
Balance Sheet  
October 31, 2016

	October 31,	
	2016	(memo only) 2015
<u>ASSETS</u>		
Current Assets:		
Cash	\$ 163,074	624,071
Investments	563,317	558,046
Accounts receivable	134,327	150,395
Inventory	250,742	166,264
Prepaid insurance	23,796	24,175
Total current assets	<u>1,135,256</u>	<u>1,522,951</u>
Fixed Assets:		
Land and easements	51,716	51,716
Buildings and improvements	183,741	183,741
Equipment and vehicles	3,012,300	2,693,115
Plant and water systems	9,938,073	9,242,151
Total fixed assets	<u>13,185,830</u>	<u>12,170,723</u>
Less: accumulated depreciation	<u>(4,344,202)</u>	<u>(4,098,943)</u>
Total fixed assets (net)	<u>8,841,628</u>	<u>8,071,780</u>
Other Assets:		
Investments - ORWA	<u>5,000</u>	<u>5,000</u>
Total Assets	<u>\$ 9,981,884</u>	<u>9,599,731</u>
<u>LIABILITIES AND FUND EQUITY</u>		
Current Liabilities:		
Customer deposits	<u>\$ 20,861</u>	<u>20,861</u>
Long-Term Debt, less current maturities:		
Notes payable	<u>3,252,617</u>	<u>3,333,684</u>
Total Liabilities	<u>3,273,478</u>	<u>3,354,545</u>
Fund Equity:		
Contributed capital	2,504,661	2,000,000
Retained earnings	4,203,745	4,245,186
Total fund equity	<u>6,708,406</u>	<u>6,245,186</u>
Total Liabilities and Fund Equity	<u>\$ 9,981,884</u>	<u>9,599,731</u>

McCURTAIN COUNTY RURAL WATER DISTRICT NO. 8  
Broken Bow, Oklahoma  
Statement of Revenue, Expenses and Changes in Retained Earnings  
For the Year Ended October 31, 2016

	2015-16	(memo only) 2014-15
Revenue from Operations:		
Water sales	\$ 1,206,271	1,216,386
Sales adjustments	51,031	60,455
Connection and reconnect fees	2,150	2,850
Penalties	27,298	27,083
Meter reading fees	54,220	49,440
Other sales and services	15,230	20,919
Total revenue from operations	<u>1,356,200</u>	<u>1,377,133</u>
Expenses from Operations:		
Salaries and benefits	548,676	548,366
Water purchases	143,568	61,945
Repairs and maintenance	74,109	77,007
Chemicals	48,756	52,836
Vehicle expense	23,954	22,712
Utilities and telephone	111,192	116,533
Office expenses and postage	49,970	40,196
Testing fees	17,304	9,066
Insurance	68,574	53,055
Depreciation	245,259	265,592
Travel	10,741	4,403
Professional fees	4,500	4,025
Dues and fees	1,785	8,198
Other expenses	3,628	3,078
Total expenses from operations	<u>1,352,016</u>	<u>1,267,012</u>
Net Income (Loss) from Operations	4,184	110,121
Non-operating income (expenses):		
Interest earnings	5,414	6,083
Reim. from ODOT - relocation	76,629	-
Interest paid on debt	(127,668)	(148,714)
Total non-operating income (expenses)	<u>(45,625)</u>	<u>(142,631)</u>
Net Income (Loss)	(41,441)	(32,510)
Retained earnings, beginning of period	<u>4,245,186</u>	<u>4,277,696</u>
Retained earnings, end of period	<u>\$ 4,203,745</u>	<u>4,245,186</u>