

**McCurtain County Rural Water District No. 1  
Haworth, Oklahoma**

**Financial Statements  
and Reports of Independent Auditors**

**October 31, 2022**

Audited by

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

Broken Arrow, OK

**McCurtain County Rural Water District No. 1**  
**Haworth, Oklahoma**  
October 31, 2022

**BOARD OF DIRECTORS**

**Chairman**

Jay Lundry

**Vice-Chairman**

Charles Lewis

**Secretary/Treasurer**

Kent Smith

**Member**

Jerry Galloway

Jason Allen

Jarred Campbell

Dwight Clardy

**SYSTEM MANAGER**

Jimmy R. Payne, Sr.

**COMPLIANCE MANAGER**

Jennie L. Woods

**BOOKKEEPER**

Janet Young

**OFFICE MANAGER**

Sandy Meek

**McCurtain County Rural Water District No. 1**  
**Haworth, Oklahoma**  
October 31, 2022

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## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
McCurtain County Rural Water District No. 1  
Haworth, Oklahoma

### *Report on the Audit of the Financial Statements*

We have audited the accompanying modified cash basis financial statements of the McCurtain County Rural Water District No. 1, Haworth, Oklahoma (the District), as of and for the year ended October 31, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### *Opinion*

As discussed in Note 1, the District prepares its financial statements on the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the modified cash basis financial position of the District as of October 31, 2022, and the respective changes in modified cash basis financial position and its cash flows for the year then ended, in accordance with the modified cash basis of accounting described in Note 1.

### *Basis for Opinion*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Responsibilities of Management for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 1, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### ***Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 6 - 9 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or

historical context. We have applied certain limited procedures to the required supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The prior year "memorandum only" comparative information and the supplementary information on page 23 are presented for the purposes of additional analysis and are not a required part of the basic financial statements of the District. Such information has not been subjected to the auditing procedures applied in our audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 29, 2022 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

***Bledsoe, Hewett & Gullekson***

Bledsoe, Hewett & Gullekson  
Certified Public Accountants, PLLLP

December 29, 2022

# McCurtain County Rural Water District #1 Management's Discussion and Analysis October 31, 2022

Our analysis of McCurtain County Rural Water District #1 financial performance provides an overview for the fiscal year ended October 31, 2022.

## Financial Highlights

- The District's total operating revenues exceeded total operating expenses by \$79,929. This amount includes \$105,298 of depreciation.
- The District purchased a new utility task vehicle for \$17,543.
- The District purchased more water and sold more water in 2021-22 than they did in the prior fiscal year.
- The District's water loss for the year totaled 23.90%, as reported to the Board of Directors, which was a decrease from the prior year water loss.

## Using This Report

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

## The Financial Statements

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

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

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

One of the most important ways to see if the District is in good condition is the financial statements. The net assets versus liabilities show our District flourished under the current management and staff. Over time, if a water District increased production while maintaining stable water rates, is a very good indicator of financial health.

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

The District’s Net Position was higher in 2021-22, increasing from \$1,867,993 to \$1,919,124. Our analysis below focuses on the Net Position (Table 1) and Changes in Net Position (Table 2) of the District’s business-type activities.

**Table 1 – Net Position:**

	<u>2021-22</u>	<u>2020-21</u>	<u>Variances</u>
Current and other assets	\$ 1,105,879	993,163	112,716
Capital assets, net	1,536,409	1,624,165	(87,756)
<b>Total Assets</b>	<b><u>\$ 2,642,288</u></b>	<b><u>2,617,328</u></b>	<b><u>24,960</u></b>
Current liabilities	\$ 92,408	87,494	(4,914)
Long-term liabilities	630,756	661,841	31,085
<b>Total Liabilities</b>	<b><u>\$ 723,164</u></b>	<b><u>749,335</u></b>	<b><u>26,171</u></b>
Invest. In capital assets, net of related debt	\$ 874,568	932,647	(58,079)
Restricted	108,871	108,540	331
Unrestricted	935,685	826,806	108,879
<b>Total Net Position</b>	<b><u>\$ 1,919,124</u></b>	<b><u>1,867,993</u></b>	<b><u>51,131</u></b>

Net Position of the District increased by 2.73 percent (\$1,919,124 compared to \$1,867,993). 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 – increased from \$826,806 to \$935,685.

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

	<u>2021-22</u>	<u>2020-21</u>	<u>Variances</u>
<b>Revenues:</b>			
Charges for services	\$ 1,487,283	1,074,294	412,989
Interest	<u>1,047</u>	<u>527</u>	<u>520</u>
Total Revenues	<u>1,488,330</u>	<u>1,074,821</u>	<u>413,509</u>
<b>Expenses:</b>			
Salaries, taxes and benefits	293,684	230,119	(63,565)
Water purchases	359,315	351,898	(7,417)
Maintenance & repairs	130,776	113,657	(17,119)
Insurance	72,772	62,229	(10,543)
Other expenses	445,509	154,169	(291,340)
Depreciation	105,298	93,822	(11,476)
Interest on debt	<u>29,845</u>	<u>31,194</u>	<u>1,349</u>
Total Expenses	<u>1,437,199</u>	<u>1,037,088</u>	<u>(400,111)</u>
Changes in Net Position	51,131	37,733	13,398
Net Position, Beginning	<u>1,867,993</u>	<u>1,830,260</u>	<u>37,733</u>
Net Position, Ending	<u>\$ 1,919,124</u>	<u>1,867,993</u>	<u>51,131</u>

The District's total revenues increased by 38.47 percent (\$413,509). The total cost of all services increased by 38.58 percent (\$400,111).

### **Capital Assets**

As of October 31, 2022, the District had \$1,536,410 invested in capital assets including land, water system, vehicles and equipment, net of depreciation. During the 2021-22 fiscal year, the District purchased a utility task vehicle, but no large improvements were made to the water system.

### **Long Term Debt**

The District is indebted to Rural Economic & Community Development in the amount of \$630,756 for three notes. The main debt was obtained originally to build the water system. Please see page 21 of this report to see note balances and amounts due.

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

For the upcoming fiscal year ending October 31, 2023, the budget is consistent with this year.

### **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 Hwy 3 and Elm, P.O. 70 Haworth, Ok 74740 or call (580) 245-1403.



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

Board of Directors  
McCurtain County Rural Water District No. 1  
Haworth, 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. 1 (the District), Haworth, Oklahoma, as of and for the year ended October 31, 2022, 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 29, 2022.

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.

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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that were not identified.

### 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.

*Bledsoe, Hewett & Gullekson*

Bledsoe, Hewett & Gullekson  
Certified Public Accountants, PLLLP

December 29, 2022

**McCurtain County Rural Water District No. 1**  
**Haworth, Oklahoma**  
Disposition of Prior Year's Significant Deficiencies  
October 31, 2022

There were no prior year significant deficiencies.

**McCurtain County Rural Water District No. 1**  
**Haworth, Oklahoma**  
Schedule of Audit Results  
October 31, 2022

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

1. An unmodified opinion was issued on the financial statements.
2. The audit did not report any significant deficiencies in the internal controls over financial reporting.
3. The audit disclosed no instances of noncompliance which are material to the financial statements.

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

NONE

McCURTAIN COUNTY RURAL WATER DISTRICT NO. 1  
Haworth, Oklahoma  
Statement of Net Position  
October 31, 2022

	October 30,	
<u>ASSETS</u>	<u>2022</u>	<u>-Memorandum- -Only- 2021</u>
Current Assets:		
Cash and cash equivalents	\$ 816,047	723,381
Current portion of receivables	103,878	88,984
Inventory of supplies	61,121	56,272
Prepaid assets	13,962	13,986
Total current assets	995,008	882,623
Noncurrent Assets:		
Restricted cash-		
Reserve account	108,871	108,540
Investments with fiscal agents	2,000	2,000
Capital Assets-		
Land	31,225	31,225
Building, plant and water systems, net	1,421,692	1,495,843
Other capital assets, net	83,492	97,097
Total noncurrent assets	1,647,280	1,734,705
<b>TOTAL ASSETS</b>	<b>\$ 2,642,288</b>	<b>2,617,328</b>
 <u>LIABILITIES</u>		
Current Liabilities:		
Accounts payable	\$ 59,267	51,893
Accrued liabilities	2,056	5,924
Current portion of long-term debt	31,085	29,677
Total current liabilities	92,408	87,494
Noncurrent Liabilities:		
Long-term debt	630,756	661,841
Total Liabilities	723,164	749,335
 <u>NET POSITION</u>		
Net investment in capital assets	874,568	932,647
Restricted for debt service	108,871	108,540
Unrestricted assets	935,685	826,806
Total Net Position	1,919,124	1,867,993
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$ 2,642,288</b>	<b>2,617,328</b>

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

McCURTAIN COUNTY RURAL WATER DISTRICT NO. 1  
Haworth, Oklahoma  
Statement of Revenues, Expenses and Changes in Net Position  
For The Year Ended October 31, 2022

	2021-22	-Memorandum- -Only- 2020-21
Operating Revenues:		
Water sales	\$ 941,767	923,543
Fees and fines	484,133	113,779
Miscellaneous	61,383	36,972
Total revenue from operations	1,487,283	1,074,294
Operating Expenses:		
Salaries and benefits	274,713	230,119
Water purchases	359,315	351,898
Repairs and maintenance	130,776	75,762
Vehicle expense	44,179	37,895
Utilities and telephone	14,774	12,611
Insurance	72,772	62,229
Office expense and postage	41,664	27,475
Employee retirement	18,971	12,866
Depreciation	105,298	93,822
Dues and fees	18,818	21,179
Uniforms	3,000	2,496
Miscellaneous (Bac-T's, Ret. Chk.)	4,970	10,549
Fire protection fees	32,275	32,502
Project expenses	285,829	34,491
Total expenses from operations	1,407,354	1,005,894
Operating Income (Loss)	79,929	68,400
Non-Operating Revenues (Expenses):		
Interest income	1,047	527
Interest paid on long-term debt	(29,845)	(31,194)
Total Non-Operating Revenues (Expenses)	(28,798)	(30,667)
Change in Net Position	51,131	37,733
Total Net Position, beginning of period	1,867,993	1,830,260
Total Net Position, end of period	\$ 1,919,124	1,867,993

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

McCURTAIN COUNTY RURAL WATER DISTRICT NO. 1  
Haworth, Oklahoma  
Statement of Cash Flows  
For the Year Ended October 31, 2022

	2021-22	-Memorandum- -Only- 2020-21
Cash Flows from Operating Activities:		
Receipts from customers	\$ 1,472,389	1,066,366
Payments to employees	(297,470)	(231,686)
Payments to vendors	(1,005,822)	(657,537)
Net Cash Provided by Operating Activities	169,097	177,143
Cash Flows from Capital and Related Financing Activities:		
(Additions)/sale of capital assets	(17,543)	(33,369)
Principal paid on long-term debt	(29,677)	(28,332)
Interest paid on long-term debt	(29,927)	(31,272)
Net Cash Provided by (used in) Capital and Related Financing Activities	(77,147)	(92,973)
Cash Flows from Investing Activities:		
Interest earned on investments	1,047	527
Net Increase (Decrease) in Cash	92,997	84,697
Cash and cash equivalents, beginning of period	831,921	747,224
Cash and cash equivalents, end of period	\$ 924,918	831,921
<u>Reconciliation of operating income (loss) to net cash provided by operating activities:</u>		
Operating Income	\$ 79,929	68,400
Adjustments to reconcile net income to net cash provided (used) by operating activities:		
Depreciation Expense	105,298	93,822
Change in assets and liabilities:		
(Increase) decrease in accounts receivable	(14,894)	(7,928)
(Increase) decrease in supplies inventory	(4,849)	26,753
(Increase) decrease in prepaid insurance	24	(376)
Increase (decrease) in taxes payable	(3,786)	(1,567)
Increase (decrease) in accounts payable	7,375	(1,961)
Net cash provided by operating activities	\$ 169,097	177,143

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

**McCURTAIN COUNTY RURAL WATER DISTRICT NO. 1**  
**Haworth, Oklahoma**  
Notes to the Financial Statements  
October 31, 2022

**Note A – Significant Accounting Policies**

Organization

McCurtain County Rural Water District No. 1, Haworth, Oklahoma (the District) is recognized as a Rural Water District under Oklahoma Statutes, Title 82. The purpose of the organization is to provide potable water to residential and commercial customers who are members of the District.

Reporting Entity

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 of providing water services is financed through user charges.

Basis of Accounting

The accrual basis of accounting is followed for all accounts. Revenues are recorded when earned and 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.

Cash

The District’s accounts are with the McCurtain County National Bank in Idabel, Oklahoma, and at October 31<sup>st</sup>, are detailed as follows:

	October 31,	
	2022	2021
Revenue account	\$ 407,434	306,819
Office account	2,326	1,989
Less: Outstanding checks	(19,899)	(10,316)
Replacement account	426,186	424,889
Reserve account	108,871	108,540
Total	\$ 924,918	831,921

## McCURTAIN COUNTY RURAL WATER DISTRICT NO. 1

### Haworth, Oklahoma

#### Notes to the Financial Statements

October 31, 2022

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

##### 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, 2022, the District held deposits of approximately \$944,818 at financial institutions. The District's cash deposits, including interest-bearing certificates of deposit, are entirely covered by Federal Depository Insurance (FDIC) or direct obligation of the U.S. Government insured or collateralized with securities held by the District or by its agent in the District's name.

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

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

- a. Direct obligations of the U.S. Government, its agencies and instrumentalities to which the full faith and credit of the U.S. Government is pledged, or obligations to the payment of which the full faith and credit of the State is pledged.
- b. Certificates of deposits or savings accounts that are either insured or secured with acceptable collateral with in-state financial institutions, and fully insured certificates of deposit or savings accounts in out-of-state financial institutions.
- c. With certain limitation, negotiable certificates of deposit, prime bankers acceptances, prime commercial paper and repurchase agreements with certain limitations.
- d. County, municipal or school district tax supported debt obligations, bond or revenue anticipation notes, money judgments, or bond or revenue anticipation notes of public trusts whose beneficiary is a county, municipality or school district.

**McCURTAIN COUNTY RURAL WATER DISTRICT NO. 1**  
**Haworth, Oklahoma**  
Notes to the Financial Statements  
October 31, 2022

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

- 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).

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.

Restricted Cash

In compliance with Rural Economic and Community Development regulations, cash reserves have been established to collect up to one year’s payment on the note payable, or \$62,208, at which time deposits may be suspended. When necessary, funds may be utilized with prior approval of the Rural Economic and Community Development. The reserve account funds have been deposited in an interest-bearing account at a national bank which is insured by the federal government. Monthly deposit requirements have been met using the monthly interest earnings.

All restricted assets are nevertheless liquid and have been included as cash and cash equivalents for the purpose of the cash flow statement. The total in cash reserves at October 31, 2022 was \$108,871.

Accounts Receivable

Billings for accounts receivable at October 31, 2022 were \$103,878. Allowance for doubtful accounts was not computed because the effects of bad debt on the financial statements are not considered material.

**McCURTAIN COUNTY RURAL WATER DISTRICT NO. 1**  
**Haworth, Oklahoma**  
Notes to the Financial Statements  
October 31, 2022

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

Inventory

Supplies inventory is valued at the lower of cost or market, using the FIFO method (first in, first out).

Accumulated Unpaid Vacation and Sick Pay

At October 31, 2022, no determination of the aggregate dollar value of vacation or sick pay had been made.

Capital Assets

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

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 capital asset information for the District is shown below:

	11/1/2021 Amount	Additions	Deletions	10/31/2022 Amount
Land	\$ 31,225	-	-	31,225
Buildings	167,398	-	-	167,398
Office equipment	87,498	-	-	87,498
Plant and water sys.	3,549,623	-	-	3,549,623
Vehicles and equip.	711,578	17,543	-	729,121
Total Capital Assets	4,547,322	17,543	-	4,564,865
Less: Accumulated Depreciation	(2,923,157)	(105,298)	-	(3,028,455)
Total	<u>\$ 1,624,165</u>	<u>(87,755)</u>	<u>-</u>	<u>1,536,410</u>

**McCURTAIN COUNTY RURAL WATER DISTRICT NO. 1**  
**Haworth, Oklahoma**  
Notes to the Financial Statements  
October 31, 2022

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

Other Assets

The District invested \$2,000 in an insurance certificate with the Oklahoma Rural Water Association Assurance Group. This investment will be returned to the District in future years, along with dividends, as they become available.

**Note B – Notes Payable**

Notes payable consist of three notes to the Office of Rural Economic & Community Development.

The notes payable at October 31<sup>st</sup>, are detailed as follows:

	2022	2021
Note No. 91-08, Rural Economic & Community Development, issued for \$350,000, dated 2-16-90, at 5.00% interest due in monthly installments of \$1,691, until paid;	\$ 110,781	125,143
Note No. 91-10, Rural Economic & Community Development, issued for \$145,300, dated 12-02-97, at 4.50% interest, due in monthly installments of \$660, until paid;	86,436	90,370
Note No. 91-12, Rural Economic & Community Development, issued for \$602,650, dated 3-19-08, at 4.25% interest, due in monthly installments of \$2,616, until paid;	464,624	476,005
Total	661,841	691,518
Less: Current maturities of long-term debt	(31,085)	(29,677)
Total Long-Term Debt	\$ 630,756	661,841

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

	91-08	91-10	91-12	Total
2022-23	\$ 15,095	4,115	11,875	31,085
2023-24	15,868	4,304	12,390	32,562
2024-25	16,680	4,501	12,926	34,107
2025-26	17,534	4,708	13,487	35,729
2026-27	18,430	4,924	14,071	37,425
2027-32	27,174	28,230	80,050	135,454
2032-37	0	35,338	98,966	134,304
Thereafter	0	316	220,859	221,175
Totals	\$ 110,781	86,436	464,624	661,841

**McCURTAIN COUNTY RURAL WATER DISTRICT NO. 1**  
**Haworth, Oklahoma**  
Notes to the Financial Statements  
October 31, 2022

**Note C – Retirement Plan**

The District adopted an employee retirement plan on January 1, 1993, with Capital Guardian Trust Company, which is made available through Edward D. Jones Company, Idabel, Oklahoma. This plan is a SAR-SEP plan.

The District based its contribution on 10% of each employee's annual gross pay. The participation requirements of the employees are detailed as follows:

1. Eligibility begins on the first day of the plan year following the year in which the employee has been in service with the District for one year;
2. The employee must be 18 years of age.

Contributions to the plan for the year ended October 31, 2022 were \$18,971.

**Note D – Fire Protection Fees**

A \$2.00/month fire protection fee is collected from water users. These fees are then forwarded to Haworth Volunteer Firefighters, Shinewell Fire Department and Tom Fire Department. In the 2021-22 fiscal year, the District collected and forwarded \$32,275.

**Note E -Insurance and Surety Bond Coverage**

At October 31, 2022 the District had appropriate coverage against all major perils.

**Note F – Subsequent Events**

Management has evaluated subsequent events through December 29, 2022, 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. 1**  
**Schedule of Water Rates and Customers**  
**-Unaudited Information-**  
**October 31, 2022**

**Water Rates:**

Base rate	=	\$17.00 minimum
Every 1,000 gallons	=	\$5.41
Prorated days	=	\$.57
Meter testing	=	\$25.00
Meter reconnection	=	\$35.00 (normal hours)
Meter read	=	\$25.00 per month

**Water Loss:**

	<u>2021-22</u>	<u>2020-21</u>
Total gallons purchased	151,279,700	158,113,000
Total gallons sold to District customers	<u>(115,127,088)</u>	<u>(118,962,230)</u>
Net water loss	<u>36,152,612</u>	<u>39,150,770</u>
Percentage of water loss	<u>23.90%</u>	<u>24.76%</u>

Source: District monthly director's reports

**Customers:**

The District had 1,622 active accounts at the close of the fiscal year.

Installation fee for new taps is \$1,250.