

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

**Financial Statements
and Reports of Independent Auditors**

October 31, 2024

Audited by

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

Broken Arrow, OK

McCurtain County Rural Water District No. 1
Haworth, Oklahoma
October 31, 2024

BOARD OF DIRECTORS

Chairman

Jay Lundry

Vice-Chairman

Charles Lewis

Secretary / Treasurer

Kent Smith

Members

Jerry Galloway Dwight Clardy

Jason Allen Jerry Grant

SYSTEM MANAGER

Jimmy R. Payne, Sr.

COMPLIANCE MANAGER

Jennie L. Woods

BOOKKEEPER

Sandy Meek

OFFICE MANAGER

Sandy Meek

BILLING CLERK

Loretta Carrell

McCurtain County Rural Water District No. 1
Haworth, Oklahoma
October 31, 2024

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BLEDSON, HEWETT & GULLEKSON
CERTIFIED PUBLIC ACCOUNTANTS, PLLLP

Eric M. Bledsoe, CPA
Jeffrey D. Hewett, CPA
Christopher P. Gullekson, CPA

P.O. BOX 1310 • 121 E. COLLEGE ST. • BROKEN ARROW, OK 74013 • (918) 449-9991 • (800) 522-3831 • FAX (918) 449-9779

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 combined fund type and account group financial statements-regulatory basis of the McCurtain County Rural Water District No. 1, Haworth, Oklahoma (the District), as of and for the year ended October 31, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District as of October 31, 2024, and the respective changes in financial position and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 6 - 9 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the

information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The prior year "memorandum only" comparative information and the supplementary information on page 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 6, 2024, 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 6, 2024

McCurtain County Rural Water District #1

Management's Discussion and Analysis

October 31, 2024

Our analysis of McCurtain County Rural Water District #1's financial performance provides an overview for the fiscal year ended October 31, 2024.

FINANCIAL HIGHLIGHTS:

- The District's total operating revenues exceeded total operating expenses by \$132,603. This amount includes \$87,350 of depreciation expense.
- The District was awarded \$43,000 from the Choctaw Nation for the Union Grove Tower valve replacement project during the fiscal year. As of October 31, 2024, the District has spent \$23,190 on the project, which includes materials and engineering fees. The District has not yet received any reimbursements from the Choctaw Nation for this project.
- Interest rates increased during the fiscal year, in which the District collected \$19,362 in interest income compared to \$12,359 collected in fiscal year 2022-23.
- The District continued to make monthly payments on their three USDA Rural Development loans. Additional information regarding these loans can be found on page 21.

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.

Net Position, and Changes in Net Position

The District's Net Position was higher in 2023-24 increasing from \$2,378,974 to \$2,503,990. 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:

	2023-24	2022-23	Variances
Current and other assets	\$ 1,270,591	1,173,317	97,274
Capital assets, net	1,887,915	1,892,066	(4,151)
Total Assets	<u>\$ 3,158,506</u>	<u>3,065,383</u>	<u>93,123</u>
Current liabilities	\$ 90,433	88,215	(2,218)
Long-term liabilities	564,083	598,194	34,111
Total Liabilities	<u>\$ 654,516</u>	<u>686,409</u>	<u>31,893</u>
Invest. In capital assets, net			
of related debt	\$ 1,289,724	1,261,310	28,414
Restricted	112,918	110,357	2,561
Unrestricted	1,101,348	1,007,307	94,041
Total Net Position	<u>\$ 2,503,990</u>	<u>2,378,974</u>	<u>125,016</u>

Net Position of the District increased by 5.25 percent (\$2,503,990 compared to \$2,378,974). 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 \$1,007,307 to \$1,101,348.

Table 2 – Changes in Net Position:

	<u>2023-24</u>	<u>2022-23</u>	<u>Variances</u>
Revenues:			
Charges for services	\$ 1,278,620	1,163,907	114,713
ODOT reimbursements	0	316,049	(316,049)
Grant proceeds	0	13,900	(13,900)
Interest	19,362	12,359	7,003
Total Revenues	<u>1,297,982</u>	<u>1,506,215</u>	<u>(208,233)</u>
Expenses:			
Salaries, taxes and benefits	341,547	313,313	(28,234)
Water purchases	370,301	351,725	(18,576)
Maintenance & repairs	88,217	49,295	(38,922)
Insurance	86,197	49,310	(36,887)
Other expenses	172,405	167,476	(4,929)
Depreciation	87,350	86,813	(537)
Interest on debt	26,949	28,433	1,484
Total Expenses	<u>1,172,966</u>	<u>1,046,365</u>	<u>(126,601)</u>
Changes in Net Position	125,016	459,850	(334,834)
Net Position, Beginning	<u>2,378,974</u>	<u>1,919,124</u>	<u>459,850</u>
Net Position, Ending	<u>\$ 2,503,990</u>	<u>2,378,974</u>	<u>125,016</u>

The District's total revenues decreased by 13.82 percent (\$208,233), primarily due to the grant proceeds and ODOT reimbursements the District received in the prior fiscal year. The total cost of all services increased by 12.09 percent (\$126,601), in which expenses increased across the board for nearly all categories.

Capital Assets

As of October 31, 2024, the District had \$1,887,915 invested in capital assets including land, water system, vehicles and equipment, net of depreciation. During the 2023-24 fiscal year, the District capitalized a truck, an HVAC unit along with materials and engineering fees purchased for the Union Grove Tower Valve project.

Long Term Debt

As of October 31, 2024, the District is indebted to USDA Rural Economic & Community Development in the amount of \$598,191 for three notes. These loans were originally obtained 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 current fiscal year ending October 31, 2025, 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 110 N. Elm HWY 3, Haworth, OK, 74740, or call (580) 245-1403.



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CERTIFIED PUBLIC ACCOUNTANTS, PLLLP

Eric M. Bledsoe, CPA
Jeffrey D. Hewett, CPA
Christopher P. Gullekson, CPA

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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, 2024, 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 6, 2024.

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 6, 2024

McCurtain County Rural Water District No. 1
Haworth, Oklahoma

Disposition of Prior Year's Significant Deficiencies and Material Instances of
Noncompliance
October 31, 2024

There were no prior year significant deficiencies or material instances of noncompliance.

McCurtain County Rural Water District No. 1
Haworth, Oklahoma
Schedule of Audit Results, Findings and Questioned Costs
October 31, 2024

Section 1 – Summary of Auditor’s Results:

1. An unmodified opinion was issued on the financial statements.
2. The audit did not identify any material weaknesses and did not report any significant deficiencies not considered to be material weaknesses in the internal controls over financial reporting.
3. The audit disclosed no instances of noncompliance which 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, 2024

	October 31,	
		-Memorandum- -Only-
<u>ASSETS</u>	<u>2024</u>	<u>2023</u>
Current Assets:		
Unrestricted cash and cash equivalents	\$ 924,938	862,701
Current portion of receivables	143,792	123,785
Inventory of supplies	74,882	58,545
Prepaid assets	14,061	17,929
Total current assets	<u>1,157,673</u>	<u>1,062,960</u>
Other Assets:		
Restricted cash and cash equivalents		
Reserve account	<u>112,918</u>	<u>110,357</u>
Capital Assets:		
Land	31,225	31,225
Building and grounds	171,248	171,248
Plant and water systems	3,997,532	3,974,342
Vehicles and equipment	890,528	830,519
Total capital assets	<u>5,090,533</u>	<u>5,007,334</u>
Less: accumulated depreciation	<u>(3,202,618)</u>	<u>(3,115,268)</u>
Total capital assets, net of depreciation	<u>1,887,915</u>	<u>1,892,066</u>
TOTAL ASSETS	<u>\$ 3,158,506</u>	<u>3,065,383</u>
 <u>LIABILITIES</u>		
Current Liabilities:		
Accounts payable	\$ 54,445	53,683
Accrued liabilities	1,880	1,970
Current portion of long-term debt	34,108	32,562
Total current liabilities	<u>90,433</u>	<u>88,215</u>
Non-current Liabilities:		
Long-term debt	<u>564,083</u>	<u>598,194</u>
Total Liabilities	<u>654,516</u>	<u>686,409</u>
 <u>NET POSITION</u>		
Net investment in capital assets	1,289,724	1,261,310
Restricted for debt service	112,918	110,357
Unrestricted assets	<u>1,101,348</u>	<u>1,007,307</u>
Total Net Position	<u>2,503,990</u>	<u>2,378,974</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 3,158,506</u>	<u>3,065,383</u>

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, 2024

	2023-24	-Memorandum- -Only- 2022-23
Operating Revenues:		
Water sales	\$ 1,128,012	994,668
Fees and fines	113,908	123,012
Miscellaneous (<i>includes fire protection fees</i>)	36,700	46,227
Total revenue from operations	<u>1,278,620</u>	<u>1,163,907</u>
Operating Expenses:		
Salaries and benefits	341,547	292,263
Water purchases	370,301	351,725
Repairs and maintenance	88,217	49,295
Vehicle expense	33,498	40,685
Utilities and telephone	13,706	13,986
Insurance	86,197	49,310
Office expense and postage	49,513	53,409
Employee retirement	22,712	21,050
Depreciation	87,350	86,813
Dues and fees	10,238	18,447
Uniforms	3,000	3,000
Miscellaneous (Bac-T's, Ret. Chk.)	7,344	5,440
Fire protection fees	32,394	32,509
Total expenses from operations	<u>1,146,017</u>	<u>1,017,932</u>
Operating Income (Loss)	132,603	145,975
Non-Operating Revenues (Expenses):		
Interest income	19,362	12,359
ODOT reimbursements	0	316,049
Grant proceeds	0	13,900
Interest paid on long-term debt	(26,949)	(28,433)
Total Non-Operating Revenues (Expenses)	<u>(7,587)</u>	<u>313,875</u>
Change in Net Position	125,016	459,850
Total Net Position, beginning of period	<u>2,378,974</u>	<u>1,919,124</u>
Total Net Position, end of period	<u>\$ 2,503,990</u>	<u>2,378,974</u>

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, 2024

	2023-24	-Memorandum- -Only- 2022-23
Cash Flows from Operating Activities:		
Receipts from customers	\$ 1,258,613	1,144,000
Payments to employees	(341,547)	(313,313)
Payments to vendors	(728,917)	(624,867)
Net Cash Provided by Operating Activities	<u>188,149</u>	<u>205,820</u>
Cash Flows from Capital and Related Financing Activities:		
ODOT reimbursements	0	316,049
Grant proceeds	0	13,900
Principal paid on long-term debt	(32,655)	(31,085)
Interest paid on long-term debt	(26,859)	(28,434)
Net Cash Provided by (used in) Capital and Related Financing Activities	<u>(59,514)</u>	<u>270,430</u>
Cash Flows from Investing Activities:		
Interest earned on investments	19,362	12,359
(Additions) / sale of capital assets	(83,199)	(442,469)
Net Cash Provided by Operating Activities	<u>(63,837)</u>	<u>(430,110)</u>
Net Increase (Decrease) in Cash	64,798	46,140
Cash and cash equivalents, beginning of period	<u>973,058</u>	<u>926,918</u>
Cash and cash equivalents, end of period	<u><u>\$ 1,037,856</u></u>	<u><u>973,058</u></u>
<u>Reconciliation of operating income (loss) to net cash provided by operating activities:</u>		
Operating Income	\$ 132,603	145,975
Adjustments to reconcile net income to net cash provided (used) by operating activities:		
Depreciation Expense	87,350	86,813
Change in assets and liabilities:		
(Increase) decrease in accounts receivable	(20,007)	(19,907)
(Increase) decrease in supplies inventory	(16,337)	2,576
(Increase) decrease in prepaid insurance	3,868	(3,967)
Increase (decrease) in accounts payable	762	(5,584)
Increase (decrease) in accrued liabilities	(90)	(86)
Net cash provided by operating activities	<u><u>\$ 188,149</u></u>	<u><u>205,820</u></u>

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, 2024

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 McCurtain County National Bank in Idabel, Oklahoma. Account balances as of October 31st, are detailed as follows:

	October 31,	
	2024	2023
Revenue account	\$ 489,826	434,771
Office account	637	1,271
Replacement account	442,029	432,004
Reserve account	112,918	110,358
ORWA investment account	2,000	2,000
Total Cash Balances:	1,047,410	980,404
Less: Outstanding checks	(9,554)	(7,346)
Total	<u>\$ 1,037,856</u>	<u>973,058</u>

McCURTAIN COUNTY RURAL WATER DISTRICT NO. 1

Haworth, Oklahoma

Notes to the Financial Statements

October 31, 2024

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, 2024, the District held deposits of approximately \$1,047,410 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, 2024

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 USDA Rural Economic and Community Development regulations, cash reserves have been established to collect up to one year's payment on the notes payable, or \$59,604, 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 Statement of Cash Flows. As of October 31, 2024, the reserve account balance was \$112,918.

Other Cash Sources

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.

Accounts Receivable

Billings for accounts receivable at October 31, 2024, were \$143,792. 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, 2024

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, 2024, 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:

	11/1/2023 Amount	Additions	Deletions	10/31/2024 Amount
Land	\$ 31,225	-	-	31,225
Buildings	171,248	-	-	171,248
Office equipment	87,498	5,400	-	92,898
Plant and water sys.	3,974,342	23,190	-	3,997,532
Vehicles and equip.	743,021	54,609	-	797,630
Total Capital Assets	5,007,334	83,199	-	5,090,533
Less: Accumulated Depreciation	(3,115,268)	(87,350)	-	(3,202,618)
Total	<u>\$ 1,892,066</u>	<u>(4,151)</u>	<u>-</u>	<u>1,887,915</u>

McCURTAIN COUNTY RURAL WATER DISTRICT NO. 1
Haworth, Oklahoma
Notes to the Financial Statements
October 31, 2024

Note B – Long-Term Debt

Long-term debt consists of three notes with the USDA Office of Rural Economic & Community Development.

Note balances, October 31, 2023	\$ 630,756
Less: Principal paid	<u>(32,565)</u>
Note balances, October 31, 2024	<u>\$ 598,191</u>

The notes payable at October 31st, are detailed as follows:

	<u>2024</u>	<u>2023</u>
Note No. 91-08, Rural Economic & Community Development, issued for \$350,000, dated 2-16-90, 5.00% interest, due in monthly installments of \$1,691 until paid;	\$ 79,816	95,686
Note No. 91-10, Rural Economic & Community Development, issued for \$145,300, dated 12-02-97, 4.50% interest, due in monthly installments of \$660 until paid;	78,018	82,322
Note No. 91-12, Rural Economic & Community Development, issued for \$602,650, dated 3-19-08, 4.25% interest, due in monthly installments of \$2,616 until paid;	<u>440,357</u>	<u>452,748</u>
Total	598,191	630,756
Less: Current maturities of long-term debt	<u>(34,108)</u>	<u>(32,562)</u>
Total Long-Term Debt	<u>\$ 564,083</u>	<u>598,194</u>

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

	<u>91-08</u>	<u>91-10</u>	<u>91-12</u>	<u>Total</u>
2024-25	\$ 16,680	4,501	12,927	34,108
2025-26	17,533	4,708	13,487	35,728
2026-27	18,430	4,924	14,071	37,425
2027-28	19,373	5,151	14,681	39,205
2028-29	7,802	5,387	15,317	28,506
2029-2034	0	30,885	87,138	118,023
2034-2039	0	22,462	107,730	130,192
2039+	0	0	175,004	175,004
Totals	<u>\$ 79,818</u>	<u>78,018</u>	<u>440,355</u>	<u>598,191</u>

McCURTAIN COUNTY RURAL WATER DISTRICT NO. 1

Haworth, Oklahoma

Notes to the Financial Statements

October 31, 2024

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, 2024, were \$22,712.

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 2023-24 fiscal year, the District collected and forwarded \$32,394.

Note E -Insurance and Surety Bond Coverage

At October 31, 2024, the District had appropriate coverage against all major perils.

Note F – Contingencies

The District purchases water exclusively from the Broken Bow Public Works Authority.

Note G – Subsequent Events

Management has evaluated subsequent events through December 6, 2024, 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, 2024

Water Rates:

Base rate	=	\$23.00 minimum
Every 1,000 gallons	=	\$6.00
Prorated days	=	\$.57
Meter testing	=	\$25.00
Meter reconnection	=	\$35.00 (normal hours)
Meter read	=	\$25.00 per month

Customers:

The District had 1,671 active accounts at the close of the fiscal year.

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



BLEDSON, HEWETT & GULLEKSON
CERTIFIED PUBLIC ACCOUNTANTS, PLLLP

Eric M. Bledsoe, CPA
Jeffrey D. Hewett, CPA
Christopher P. Gullekson, CPA

P.O. BOX 1310 • 121 E. COLLEGE ST. • BROKEN ARROW, OK 74013 • (918) 449-9991 • (800) 522-3831 • FAX (918) 449-9779

December 6, 2024

Ms. Sandy Meek, Office Manager
McCurtain Co. RWD #1
110 N. Elm HWY 3
Haworth, Oklahoma 74740

Dear Ms. Meek:

Listed below are the observations and recommendations from the final audit work we performed for you. Please review them very carefully, along with the review copy of your audit report. If you have questions or desire additional information, please call us so that any discrepancies may be resolved.

The following contains the observations relayed to management that are control deficiencies, which we feel need to be communicated to you so appropriate action may be taken to correct these deficiencies. These items are not included in your audit report, as they are not considered material or immaterial in nature. They are simply observations of some minor findings that could evolve into immaterial or material findings if not addressed or corrected.

Form 941 Quarterly Federal Tax Returns

During our audit test work, we observed that the total amounts listed on the 2023 Form 941's for total wages, federal tax withheld, social security withheld and medicare withheld did not reconcile with the W-2's nor the payroll amounts per the software. The W-2's did reconcile with the District's software; however, the amounts listed for the fourth quarter Form 941 appear to be incorrect. This may require a Form 941-X (Adjusted Quarterly Federal Tax Return) to be filed for the fourth quarter. We recommend in addition to ensuring that the amounts listed on the Form 941's reconcile to the software reports, an individual independent of the payroll process review the 941's before submission to ensure accuracy.

We take this opportunity to thank you and your professional staff for the outstanding cooperation and invaluable assistance you gave us during our recent onsite audit work.

Sincerely,

Eric M. Bledsoe