

**McCurtain County Rural Water District No. 6
(Kiamichi Rural Water District)
Smithville, Oklahoma**

Financial Statements and Auditor's Reports

Year Ended December 31, 2023

Audited by

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

BROKEN ARROW, OK

McCurtain County Rural Water District No. 6
Smithville, Oklahoma
December 31, 2023

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
McCurtain County Rural Water District No. 6
Smithville, 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. 6, Smithville, Oklahoma (the District), as of and for the year ended December 31, 2023, 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 December 31, 2023, 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

The District has not presented the Management's Discussion and Analysis that governmental accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board (GASB), who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

The prior year “memorandum only” comparative information and the supplementary information on page 19 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 March 27, 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

March 27, 2024



**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. 6
Smithville, 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 modified cash basis financial statements of the McCurtain County Rural Water District No. 6, Smithville, Oklahoma (the "District"), as of and for the year ended December 31, 2023 and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 27, 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 (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of District's internal control. Accordingly, we do not express an opinion on the effectiveness of District's internal control.

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

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 have not been identified.

Compliance and Other Matters

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 grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

March 27, 2024

**McCURTAIN COUNTY RURAL DISTRICT NO. 6
Disposition of Prior Year's Significant Deficiencies and Material Instances of
Noncompliance
December 31, 2023**

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

McCURTAIN COUNTY RURAL WATER DISTRICT NO. 6
Schedule of Audit Results, Findings and Questioned Costs
December 31, 2023

Section 1 – Summary of Auditor’s Results:

1. An unqualified opinion report was issued on the modified cash basis financial statements.
2. The audit did not report 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 were 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. 6
Statement of Net Position - Modified Cash Basis
December 31, 2023

| | 2023 | -Memorandum- -Only- 2022 |
|---|----------------------|--------------------------------|
| <u>ASSETS</u> | | |
| Current Assets: | | |
| Cash in bank - unrestricted | \$ 416,081 | 237,809 |
| Cash in bank - restricted | 250,301 | 1,021,590 |
| Total current assets | 666,382 | 1,259,399 |
| Capital Assets: | | |
| Water system & lines | 32,485,636 | 29,994,266 |
| Equipment and tools | 61,418 | 14,340 |
| Office furniture & equipment | 10,489 | 10,489 |
| Engineering fees & surveys | 145,944 | 145,944 |
| Total capital assets | 32,703,487 | 30,165,039 |
| Less: accumulated depreciation | (5,512,359) | (4,704,536) |
| Capital assets, net | 27,191,128 | 25,460,503 |
| TOTAL ASSETS | \$ 27,857,510 | 26,719,902 |
| <u>LIABILITIES</u> | | |
| Notes payable - Rural Development | \$ 5,658,866 | 5,658,866 |
| <u>NET POSITION</u> | | |
| Net investment in capital assets | 21,532,262 | 19,801,637 |
| Restricted for projects | 250,301 | 1,021,590 |
| Unrestricted assets | 416,081 | 237,809 |
| Total Net Position | 22,198,644 | 21,061,036 |
| TOTAL LIABILITIES AND NET POSITION | \$ 27,857,510 | 26,719,902 |

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

McCURTAIN COUNTY RURAL WATER DISTRICT NO. 6
Statement of Revenues, Expenses and Changes in Net Position -
Modified Cash Basis
For The Year Ended December 31, 2023

| | 2023 | -Memorandum- -Only- 2022 |
|--|----------------------|--------------------------------|
| Revenue from Operations: | | |
| Water sales & services | \$ 1,044,272 | 984,423 |
| Expenses from Operations: | | |
| Water purchases | 111,678 | 106,844 |
| Salaries and taxes | 174,281 | 108,367 |
| Contract labor | 53,288 | 91,365 |
| System maintenance and repairs | 235,977 | 103,514 |
| Operating supplies | 21,107 | 32,276 |
| Miscellaneous | 4,701 | 1,302 |
| Office and postage | 26,248 | 15,890 |
| Rent | 5,850 | 7,800 |
| Testing | 3,400 | 4,114 |
| Dues and fees | 169 | 120 |
| Fuel / Vehicle | 11,740 | 18,397 |
| Utilities | 49,286 | 45,929 |
| Professional fees | 12,511 | 12,639 |
| Insurance | 43,820 | 23,161 |
| Closure of construction account | 0 | 31,805 |
| Depreciation | 807,823 | 711,279 |
| Total expenses from operations | 1,561,879 | 1,314,802 |
| Operating Income (Loss) | (517,607) | (330,379) |
| Non-operating income: | | |
| Interest earnings | 0 | 17 |
| ODOT reimbursement | 0 | 240,108 |
| Contributed capital | 1,853,215 | 4,389,404 |
| Total other income | 1,853,215 | 4,629,529 |
| Non-operating expenses: | | |
| Interest paid on debt | (198,000) | (154,000) |
| Change in Net Position | 1,137,608 | 4,145,150 |
| Total Net Position, beginning of period | 21,061,036 | 16,915,886 |
| Total Net Position, end of period | \$ 22,198,644 | 21,061,036 |

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

McCURTAIN COUNTY RURAL WATER DISTRICT NO. 6
Statement of Cash Flows - Modified Cash Basis
For Year Ended December 31, 2023

| | 2023 | -Memorandum- -Only- 2022 |
|--|-------------------|--------------------------------|
| Cash Flows from Operating Activities: | | |
| Receipts from customers | \$ 1,044,272 | 984,423 |
| Payments to employees | (174,281) | (108,367) |
| Payments to vendors | (579,775) | (495,155) |
| Net cash provided by operating activities | 290,216 | 380,901 |
| Cash Flows from Capital and Relayed Financial Activities: | | |
| Interest payments on long-term debt | (198,000) | (154,000) |
| Contributed capital | 1,853,215 | 4,389,404 |
| ODOT reimbursement | 0 | 240,108 |
| Capital asset additions | (2,538,448) | (5,061,749) |
| Net cash provided by (used in) capital and relayed financial activities | (883,233) | (586,237) |
| Cash Flows from Investing Activities: | | |
| (Increase) decrease in restricted assets | 771,289 | 341,382 |
| Interest revenue | 0 | 17 |
| Net cash provided by (used in) investing activities | 771,289 | 341,399 |
| Net increase (decrease) in cash and equivalents | 178,272 | 136,063 |
| Cash and cash equivalents, beginning of period | 237,809 | 101,746 |
| Cash and cash equivalents, end of period | \$ 416,081 | 237,809 |
| | | |
| Reconciliation of operating net income (loss) to net cash provided by operating activities: | | |
| Net income (loss) from operations | \$ (517,607) | (330,378) |
| Adjustments to reconcile operating income to net cash provided (used) by operating activities: | | |
| Depreciation Expense | 807,823 | 711,279 |
| Net Cash Provided by Operating Activities | \$ 290,216 | 380,901 |

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

McCURTAIN COUNTY RURAL WATER DISTRICT NO. 6

Smithville, Oklahoma

Notes to the Financial Statements

December 31, 2023

Note 1 – Summary of Significant Accounting Policies

Reporting Entity

The McCurtain County Rural Water District No. 6 (the District) was incorporated in 2001 under the Laws of the State of Oklahoma in accordance with Title 82 of the Oklahoma Statutes, as a subdivision of the State of Oklahoma. The District operates and maintains a water treatment and distribution system within McCurtain County, Oklahoma, and provides potable water services for members around Smithville, Oklahoma.

Fund Accounting

The District is accounted for within the framework of enterprise fund accounting. Propriety Fund Type Enterprise Funds are used to account for operations that are operated in a manner similar to private business enterprises wherein the intent of the District's Board of Directors is to recover the cost of providing goods and services through user charges.

Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Assets, liabilities, revenues and expenses are recognized on the cash basis modified to include depreciation and amortization of capitalized assets, prepaid payroll taxes, and other significant line expansion cost, and accrued liabilities for federal and state payroll taxes payable. Under this basis, revenues are recognized when collected rather than when earned, and expenses are generally recognized when paid rather than when incurred. Consequently, accounts receivable, trade accounts payable, prepaid expenses other than prepaid payroll tax and prepaid installation cost, and certain accrued expenses are not included in the financial statements.

Budgetary Data

The District is required by its loan agreements to prepare annually an estimated budget.

Assets, Liabilities and Equity:

Cash and Cash Equivalents

For purposes of the statement of cash flows, cash and cash equivalents consist of unrestricted cash in the checking accounts.

McCURTAIN COUNTY RURAL WATER DISTRICT NO. 6
Smithville, Oklahoma
Notes to the Financial Statements
December 31, 2023

Note 1 – Summary of Significant Accounting Policies - (cont'd)

Capital Assets

Assets acquisitions are recorded and depreciated at historical cost. Depreciation on capital assets is calculated using the straight-line method of depreciation with useful lives as follows:

| | Life (in years) |
|------------------------------|--------------------|
| Water System & Lines | 20 - 50 |
| Office Furniture & Equipment | 3 - 5 |
| Maintenance Equipment | 5 |

The dollar threshold for capitalization has been set at \$250.

Equity Classification

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

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

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

McCURTAIN COUNTY RURAL WATER DISTRICT NO. 6

Smithville, Oklahoma

Notes to the Financial Statements

December 31, 2023

Note 1 – Summary of Significant Accounting Policies - (cont'd)

Revenues, Expenditures & Expenses

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

Governmental Accounting Standards Board Statement No. 34

In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments. Certain of the significant changes in the Statement include the following:

1. For the first time the financial statement should include:
 - a. A Management Discussion and Analysis (MD&A) section providing analysis of the District’s overall financial position and results of operations.
 - b. Financial statements prepared using full accrual accounting for all of the District’s activities, except for including the General capital assets or infrastructure (liens, pump stations, etc.).
2. A change in the fund financial statements to focus on major funds.

These and other changes are reflected in the accompanying financial statements (including the notes to the financial statements). The District has elected to implement the general provisions of the Statement and report infrastructure acquired after December 31, 2003 as provided by GASB standards.

Income Taxes

The District is exempt from income taxes as a political subdivision of the State of Oklahoma.

Memorandum Totals

The “Memorandum Only” captions above the total columns mean that totals are presented for overview information purposes only.

McCURTAIN COUNTY RURAL WATER DISTRICT NO. 6
Smithville, Oklahoma
Notes to the Financial Statements
December 31, 2023

Note 2- Cash and Equivalents

Custodial Credit Risk

At December 31, 2023, the District held deposits of approximately \$681,630 at financial institutions. The District's cash deposits, including interest-bearing certificates of deposit are covered by Federal Depository Insurance (FDIC) or direct obligation of the U.S. Government insured or collateralized with securities held by the District or by its agent in the District's name.

Investment Interest Rate Risk

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

Investment Credit Risk

The District has no policy that limits its investment choices other than the limitation of state law as follows:

- a. Direct obligation 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.).

McCURTAIN COUNTY RURAL WATER DISTRICT NO. 6

Smithville, Oklahoma

Notes to the Financial Statements

December 31, 2023

Note 3 – Restricted Assets

The Project account and Debt Service Reserve account are classified as restricted assets. These accounts are restricted and are used to collect and expend funds for specific projects or to set aside funds for future debt obligations if need be. The Debt Service Reserve account (balance of \$50,300) was supervised by Rural Development in 2023. The District had to obtain permission from the Rural Development office in order to expend funds from this account; however, there were no expenditures from this account during 2023.

The Project account (balance of \$200,001) was opened during the 2019 fiscal year and is used to collect capital to expand services in several developments within the District.

Note 4 – Capital Assets

The following is a summary of the property, plant and equipment of the District as of December 31, 2023:

| | <u>Balance at Dec. 31, 2022</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance at Dec. 31, 2023</u> |
|-----------------------------------|-------------------------------------|------------------|------------------|-------------------------------------|
| Water system & lines | \$ 29,994,266 | 2,491,370 | - | 32,485,636 |
| Engineering fees and surveys | 145,944 | - | - | 145,944 |
| Equipment and tools | 14,340 | 47,078 | - | 61,418 |
| Office furniture and equipment | 10,489 | - | - | 10,489 |
| Subtotal | 30,165,039 | 2,538,448 | - | 32,703,487 |
| Less: Accumulated Depreciation | <u>(4,704,536)</u> | <u>(807,823)</u> | - | <u>(5,512,359)</u> |
| Total | <u>\$ 25,460,503</u> | <u>1,730,625</u> | - | <u>27,191,128</u> |

Note 5 – Notes Payable

Notes payable consist of two notes to the Office of Rural Economic & Community Development. The District did not make any principal payments during 2023 but did pay \$198,000 in interest payments. Loan interest payments began March 12, 2014, and loan principal payments were to begin April 12, 2016. The loans are each payable over forty years from March 13, 2013. These loans are secured by District assets.

McCURTAIN COUNTY RURAL WATER DISTRICT NO. 6

Smithville, Oklahoma

Notes to the Financial Statements

December 31, 2023

Note 5 – Notes Payable – cont'd

The notes payable at December 31st are detailed as follows:

| | <u>2023</u> | <u>2022</u> |
|---|---------------------|------------------|
| Note No. 91-01, Rural Economic & Community Development, issued for \$2,613,000, dated 03-12-13, at 1.875% interest, due in monthly installments of \$7,466, until paid; | \$ 2,612,866 | 2,612,866 |
| Note No. 91-03, Rural Economic & Community Development, issued for \$3,046,000, dated 03-12-13, at 1.875% interest, due in monthly installments of \$9,534, until paid; | <u>3,046,000</u> | <u>3,046,000</u> |
| Total | <u>\$ 5,658,866</u> | <u>5,658,866</u> |

Please see Note 9 for additional information regarding the long-term debt of the District.

The District has also accumulated unpaid interest due on these two loans of \$360,208 as of December 31, 2023.

Note 6 – Contingencies

Litigation

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

Federally Assisted Programs

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

McCURTAIN COUNTY RURAL WATER DISTRICT NO. 6

Smithville, Oklahoma

Notes to the Financial Statements

December 31, 2023

Note 7 – Insurance Coverage

The District has the following insurance coverage:

- Property Coverage (Buildings and Personal Property)
- Comprehensive General Liability
- Errors or Omissions
- Employment Related Practices Liability
- Employee Dishonesty and Crime Coverage

Note 8 – Benefits

The District does not provide retirement or insurance benefits to employees.

Note 9 – Long-Term Debt – Additional Information

Due to the District having two loans that are in default, the District agreed to a Workout Agreement with USDA Rural Development in February 2023. The following actions were agreed upon:

- 1) On 3/13/23 and 4/13/23, the District is to remit \$16,000, split between each loan. Also, deposit \$1,600 to the Reserve Account and \$3,900 to the Short-Lived Asset Account.
- 2) Starting 5/13/23 and going forward, remit \$7,466 to loan 91-01 and \$9,534 to loan 91-03.
- 3) Deposit \$1,700 to the Reserve Account and \$3,900 to the Short-Lived Asset Account by 7/31/23.
- 4) Beginning 1/31/23, submit monthly board packets that include financial statements and aged accounts receivables.
- 5) Annual management and financial audits will be provided.

The USDA Rural Development will not accelerate the District's loans if each of the above actions is completed to their satisfaction. As of the date of this report, March 27, 2024, all requirements have been met by the District.

McCURTAIN COUNTY RURAL DISTRICT NO. 6
Schedule of Water Rates and Customers
-Unaudited Information-
December 31, 2023

Water Rates:

Residential

| | | |
|------------------------|---|---------------------------|
| 0 – 1,000 gallons | = | \$43.00 minimum |
| 1,001 – 5,000 gallons | = | \$4.25 per 1,000 gallons |
| 5,001 – 10,000 gallons | = | \$6.50 per 1,000 gallons |
| Over 10,000 gallons | = | \$12.00 per 1,000 gallons |

Commercial

| | | |
|------------------------|---|---------------------------|
| 0 – 1,000 gallons | = | \$46.50 minimum |
| 1,001 – 5,000 gallons | = | \$4.60 per 1,000 gallons |
| 5,001 – 10,000 gallons | = | \$7.60 per 1,000 gallons |
| Over 10,000 gallons | = | \$12.00 per 1,000 gallons |

Customers:

The District had 1,008 active customers at the close of the fiscal year.

Current membership fee structure:

- \$800 per meter if meter is already in place
- \$1,800 per meter for new meter