

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

**Financial Statements  
and Reports of Independent Auditor**

**October 31, 2013**

Audited by

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

Broken Arrow, OK

**McCurtain County Rural Water District No. 8**  
**Broken Bow, Oklahoma**  
October 31, 2013

**BOARD OF DIRECTORS**

**Chairman**

Leon Westbrook

**Vice-Chairman**

Homer Coleman

**Secretary**

Jerry Snider

**Members**

Elvis McDaniel

Nancy Packwood

**MANAGER**

Randy McMurl

**BOOKKEEPERS**

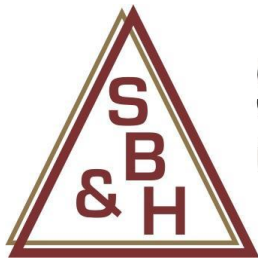
Debbie Aebischer

Beth Calvin

**McCurtain County Rural Water District No. 8**  
**Broken Bow, Oklahoma**  
October 31, 2013

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# SANDERS, BLEDSOE & HEWETT

CERTIFIED PUBLIC ACCOUNTANTS, LLP

## **INDEPENDENT AUDITOR'S REPORT**

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

We have audited the accompanying financial statements of the business-type activities of the McCurtain County Rural Water District No. 8 (the District), Broken Bow, Oklahoma, as of and for the year ended October 31, 2013, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

Management is responsible for the preparation and fair presentation of these financial statements. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the

reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

### **Opinions**

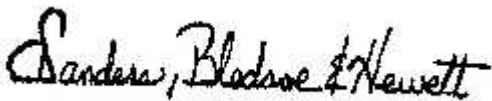
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the District as of October 31, 2013, and the respective changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

### **Other Matters**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 and 6 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 27, 2013 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting or on compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.



Sanders, Bledsoe & Hewett  
Certified Public Accountants, LLP

## RURAL WATER DISTRICT NO. 8, McCURTAIN COUNTY

### MANAGEMENT'S DISCUSSION AND ANALYSIS

OCTOBER 31, 2013

Our discussion and analysis of the Rural Water District No. 8, McCurtain County's financial performance provides an overview of the District's financial activities for the fiscal year ended October 31, 2013. Please read it in conjunction with the District's financial statements that begin on page 11.

#### **FINANCIAL HIGHLIGHTS:**

- The District's total operating revenues exceeded total operating expenses by \$73,892, an increase of \$14,932 over the 2011-12 amount.
- The District's total net assets decreased by \$4,398 in the current fiscal year.
- The District continued to make timely payments on the existing ORWB loan.
- The micro-filtration plant and a water treatment facility was completed in 2010-11 using additional ORWB loan proceeds and some liquidated investments. A relocation project was completed in 2012-13, with ODOT reimbursing the District for these costs.
- The District opened a vehicle replacement account, and are transferring \$2,500 each month into this account in order to purchase new vehicles to be placed into service.

#### **Using This Report**

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

#### **Basis of Accounting**

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

#### **The Financial Statements**

One of the most important questions asked about the District's finances is, "Is the District as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets, the Statement of Activities 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 assets and the changes in them. You can think of the District's net assets – 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 assets 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.

### **Fixed Assets**

At October 31, 2013, the District had \$8,511,755 invested in fixed assets, net of depreciation, including land, the water plant and system, vehicles and equipment. Capital assets of \$19,757 were added in 2012-13, as a few minor items were purchased.

### **Long-Term Debt**

The promissory note with the Oklahoma Water Resources Board was approved in 2008-09. The note was for \$7,038,410, and will be paid back in bi-annual payments over 30 years, at an interest rate of 3.29%. Through October 31, 2013, \$5,817,402 of these loan proceeds were received, and \$2,000,000 of the loan was forgiven by ARRA funds. The outstanding principal balance at October 31, 2013 was \$3,469,161.

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

For the upcoming fiscal year ending October 31, 2014, the District's budget is fairly consistent with the prior fiscal year. The normal cost of operation continues to increase for all areas of the economy, and rural water is not exempt from these increases.

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

This report is designed to provide our customers and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact the District Office at Rt. 4 Box 7, Broken Bow, OK 74728 or call (580) 584-2918.



# SANDERS, BLEDSOE & HEWETT

CERTIFIED PUBLIC ACCOUNTANTS, LLP

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the accompanying financial statements of the McCurtain County Rural Water District No. 8 (the District), Broken Bow, Oklahoma, as of and for the year ended October 31, 2013, 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 27, 2013.

**Internal Control Over Financial Reporting**

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified no deficiencies in the internal controls that we considered to be material weaknesses.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material*



*weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

#### Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

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



Sanders, Bledsoe & Hewett  
Certified Public Accountants, LLP

December 27, 2013

**McCurtain County Rural Water District No. 8**  
**Broken Bow, Oklahoma**  
Disposition of Prior Year's Reportable Conditions  
October 31, 2013

There were no prior year reportable conditions.

**McCurtain County Rural Water District No. 8**  
**Broken Bow, Oklahoma**  
Schedule of Audit Results  
October 31, 2013

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

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

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

NONE

McCURTAIN COUNTY RURAL WATER DISTRICT NO. 8  
Broken Bow, Oklahoma  
Statement of Net Assets  
October 31, 2013

ASSETS

Current Assets:

Cash and cash equivalents	\$ 533,787
Current portion of receivables	127,244
Inventory of supplies	160,450
Prepaid assets	34,535
Total current assets	<u>856,016</u>

Non-current Assets:

Investments with fiscal agents	550,902
Capital Assets-	
Land and easements, net	44,216
Building, plant and water systems, net	8,240,975
Equipment and vehicles, net	226,564
Total non-current assets	<u>9,062,657</u>

Total Assets	<u>9,918,673</u>
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LIABILITIES

Current Liabilities:

Customer deposits	<u>20,911</u>
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Non-current Liabilities:

Notes payable	<u>3,469,161</u>
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Total Liabilities	<u>3,490,072</u>
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NET ASSETS

Invested in capital assets, net of related debt	5,042,594
Unrestricted assets	<u>1,386,007</u>
Total Net Assets	<u>\$ 6,428,601</u>

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

McCURTAIN COUNTY RURAL WATER DISTRICT NO. 8  
Broken Bow, Oklahoma  
Statement of Activities  
For The Year Ended October 31, 2013

Operating Revenues:	
Water sales	\$ 1,284,557
Miscellaneous	18,585
Total revenue from operations	<u>1,303,142</u>
Operating Expenses:	
Salaries and benefits	564,044
Water purchases	20,805
Repairs and maintenance	141,201
Vehicle expense	21,653
Utilities and telephone	108,018
Testing fees	12,002
Insurance	52,308
Office expense and postage	28,738
Depreciation	264,623
Dues and fees	11,940
Other expenses	3,918
Total expenses from operations	<u>1,229,250</u>
Operating Income (Loss)	73,892
Non-Operating Revenues (Expenses):	
Interest income	7,071
Sale of fixed assets	9,083
ODOT reimbursement	41,653
Interest paid on long-term debt	<u>(136,097)</u>
Total Non-Operating Revenues (Expenses)	<u>(78,290)</u>
Change in Net Assets	(4,398)
Total Net Assets, beginning of period	<u>6,432,999</u>
Total Net Assets, end of period	<u><u>\$ 6,428,601</u></u>

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

McCURTAIN COUNTY RURAL WATER DISTRICT NO. 8  
Broken Bow, Oklahoma  
Statement of Cash Flows  
For the Year Ended October 31, 2013

Cash Flows from Operating Activities:

Receipts from customers	\$ 1,348,950
Payments to employees	(564,044)
Payments to vendors	(476,046)
	<hr/>
Net Cash Provided by Operating Activities	308,860
	<hr/>

Cash Flows from Investing Activities:

Reimbursements from ODOT for relocation	41,653
Interest earned on investments	7,071
	<hr/>
Net Cash Provided by (used in) Investing Activities	48,724
	<hr/>

Cash Flows from Financing Activities:

Proceeds from sale of fixed asset	9,083
Principal paid on long-term debt	(72,638)
Interest paid on long-term debt	(136,097)
Acquisition of fixed assets	(19,757)
	<hr/>
Net Cash Provided by (used in) Financing Activities	(219,409)
	<hr/>

Net Increase (Decrease) in Cash	138,175
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Cash and cash equivalents, beginning of period	<hr/> 946,514
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Cash and cash equivalents, end of period	<hr/> <hr/> \$ 1,084,689
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Reconciliation of operating income (loss) to net cash provided by operating activities:

Operating Income	\$ 73,892
Adjustments to reconcile net income to net cash provided (used) by operating activities:	
Depreciation Expense	264,623
Change in assets and liabilities:	
(Increase) decrease in accounts receivable	(11,164)
(Increase) decrease in supplies inventory	(18,394)
(Increase) decrease in prepaid insurance	(47)
Increase (decrease) in customer deposits	(50)
	<hr/>
Net cash provided by operating activities	<hr/> <hr/> \$ 308,860

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

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

**Broken Bow, Oklahoma**

Notes to the Financial Statements

October 31, 2013

**Note A – Significant Accounting Policies**

Organization

McCurtain County Rural Water District No. 8 (the District) is an Oklahoma non-profit water district organized under Title 82 of Oklahoma Statutes to provide water service to rural residents of McCurtain County, Oklahoma. The District is considered a subdivision of the State of Oklahoma.

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 First Bank and Trust in Broken Bow, Oklahoma, and at October 31<sup>st</sup>, are detailed as follows:

	October 31,	
	2013	2012
Operating account	\$ 613,206	472,207
Rental account	20,054	20,104
Vehicle replacement account	5,000	-
Office account	1,325	1,342
Cash on hand	400	400
Less: Outstanding checks	(106,198)	(91,869)
Total	<u>\$ 533,787</u>	<u>402,184</u>

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

**Broken Bow, Oklahoma**

Notes to the Financial Statements

October 31, 2013

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

Investments

The District's investments at October 31, 2013 are detailed as follows:

First Bank and Trust, Broken Bow, OK:	
CD no. 30125, due 1-28-14, .45%	\$ 121,783
Diamond State Bank, DeQueen, AR:	
CD no. 12779, due 4-26-14, .55%	138,466
Horatio State Bank, Horatio, AR:	
CD no. 79737121, due 5-26-15, 1.90%	140,079
CD no. 79737120, due 5-21-14, 1.65%	145,574
Oklahoma Rural Water Association Assurance Group	
Insurance certificate	<u>5,000</u>
Total Investments	<u>\$ 550,902</u>

The District's cash deposits and investments at October 31, 2013 are categorized to give an indication of the level of risk assumed by the District at year-end.

Deposit Categories of Credit Risk

(A) Insured by Federal Deposit Insurance

(B) Collateralized with securities held by the pledging financial institution's trust department or agent in the District's name

(C) Uncollateralized

	<u>Category</u>			<u>Bank Balance</u>	<u>Carrying Amount</u>
	<u>(A)</u>	<u>(B)</u>	<u>(C)</u>		
Cash	\$ 250,000	389,534		639,534	533,787
Investments	<u>515,249</u>	<u>35,653</u>		<u>550,902</u>	<u>550,902</u>
Totals	<u>\$ 765,249</u>	<u>425,187</u>	<u>0</u>	<u>1,190,436</u>	<u>1,084,689</u>



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

**Broken Bow, Oklahoma**

Notes to the Financial Statements

October 31, 2013

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

Accounts Receivable

Billings for accounts receivable at October 31, 2013 were \$130,507. Allowance for doubtful accounts was computed at 2.5% (\$3,263) based upon historical collection rates.

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, 2013, no determination of the aggregate dollar value of vacation or sick pay had been made.

Prior Year Information

Prior year financial statement information is included in the other supplementary information section for comparative purposes only. No opinions are issued on these amounts, and are included as memorandum.

Fixed Assets

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

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

**McCURTAIN COUNTY RURAL WATER DISTRICT NO. 8****Broken Bow, Oklahoma**

## Notes to the Financial Statements

October 31, 2013

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

The fixed asset information for the District is shown below:

	11/1/2012 Amount	Additions	Deletions	10/31/2013 Amount
Land & easements	\$ 51,716	-	-	51,716
Buildings & improv.	178,398	-	-	178,398
Water system	9,161,786	19,461	-	9,181,247
Equipment	2,666,107	296	-	2,666,403
Total Fixed Assets	12,058,007	19,757	-	12,077,764
Less: Accumulated Depreciation	(3,301,386)	(264,623)	-	(3,566,009)
Total	<u>\$ 8,756,621</u>	<u>(244,866)</u>	<u>-</u>	<u>8,511,755</u>

**Note B – Long-Term Debt**

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

	October 31,	
	2013	2012
Principal Balance, beginning	\$ 3,538,799	3,626,711
Additions	-	-
Less: Principal Paid	<u>(72,638)</u>	<u>(87,912)</u>
Principal Balance, end	<u>\$ 3,466,161</u>	<u>3,538,799</u>

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

**Broken Bow, Oklahoma**

Notes to the Financial Statements

October 31, 2013

**Note B – Long-Term Debt – cont'd**

Future principal payments on the outstanding loan are as follows:

<u>October 31,</u>		
2014	\$	75,456
2015		78,383
2016		81,066
2017		84,570
2018-23		580,588
2024-28		595,835
2029-33		721,112
2034-38		872,341
2039-40		<u>379,810</u>
Total	\$	<u><u>3,469,161</u></u>

**Note C – Insurance Coverage**

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

**Note D – Employee Pension Plan**

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

**Note E – Subsequent Events**

Management has evaluated subsequent events through September 13, 2013, which is the date the financial statements were available to be issued and have determined that no additional information needs to be added to the financial statements.

McCURTAIN COUNTY RURAL WATER DISTRICT NO. 8  
Broken Bow, Oklahoma  
Balance Sheet  
October 31, 2013

	October 31,	
	2013	(memo only) 2012
<u>ASSETS</u>		
Current Assets:		
Cash	\$ 533,787	402,184
Investments	545,902	539,330
Accounts receivable	127,244	116,080
Inventory	160,450	142,056
Prepaid insurance	34,535	34,488
Total current assets	<u>1,401,918</u>	<u>1,234,138</u>
Fixed Assets:		
Land and easements	51,716	51,716
Buildings and improvements	178,398	178,398
Equipment and vehicles	2,666,403	2,666,107
Plant and water systems	9,181,247	9,161,786
Total fixed assets	<u>12,077,764</u>	<u>12,058,007</u>
Less: accumulated depreciation	<u>(3,566,009)</u>	<u>(3,301,386)</u>
Total fixed assets (net)	<u>8,511,755</u>	<u>8,756,621</u>
Other Assets:		
Investments - ORWA	<u>5,000</u>	<u>5,000</u>
Total Assets	<u>\$ 9,918,673</u>	<u>9,995,759</u>
<u>LIABILITIES AND FUND EQUITY</u>		
Current Liabilities:		
Customer deposits	<u>\$ 20,911</u>	<u>20,961</u>
Long-Term Debt, less current maturities:		
Notes payable	<u>3,469,161</u>	<u>3,541,799</u>
Total Liabilities	<u>3,490,072</u>	<u>3,562,760</u>
Fund Equity:		
Contributed capital	2,000,000	2,000,000
Retained earnings	4,428,601	4,432,999
Total fund equity	<u>6,428,601</u>	<u>6,432,999</u>
Total Liabilities and Fund Equity	<u>\$ 9,918,673</u>	<u>9,995,759</u>

McCURTAIN COUNTY RURAL WATER DISTRICT NO. 8  
Broken Bow, Oklahoma  
Statement of Revenue, Expenses and Changes in Retained Earnings  
For the Year Ended October 31, 2012

	2011-12	(memo only) 2010-11
Revenue from Operations:		
Water sales	\$ 1,138,731	1,323,168
Sales adjustments	35,557	41,804
Connection and reconnect fees	3,530	3,100
Penalties	26,071	28,469
Meter reading fees	39,260	36,063
Other sales and services	34,063	24,998
Total revenue from operations	<u>1,277,212</u>	<u>1,457,602</u>
Expenses from Operations:		
Salaries and benefits	474,495	466,794
Water purchases	24,607	106,400
Repairs and maintenance	214,104	61,874
Vehicle expense	24,213	20,137
Utilities and telephone	105,896	93,952
Office expenses	27,624	30,061
Testing fees	12,603	-
Insurance	59,329	45,440
Depreciation	267,039	204,174
Dues and fees	6,587	6,455
Other expenses	1,755	9,469
Total expenses from operations	<u>1,218,252</u>	<u>1,044,756</u>
Net Income (Loss) from Operations	58,960	412,846
Non-operating income (expenses):		
Interest earnings	7,250	16,494
Sale of fixed assets	9,105	8,949
Interest paid on debt	(173,006)	(128,680)
Total non-operating income (expenses)	<u>(156,651)</u>	<u>(103,237)</u>
Net Income (Loss)	(97,691)	309,609
Retained earnings, beginning of period	<u>4,530,690</u>	<u>4,221,081</u>
Retained earnings, end of period	<u><u>\$ 4,432,999</u></u>	<u><u>4,530,690</u></u>