

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

**Financial Statements  
and Reports of Independent Auditor**

**October 31, 2022**

Audited by

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

Broken Arrow, OK

**McCurtain County Rural Water District No. 8**  
**Broken Bow, Oklahoma**  
October 31, 2022

**BOARD OF DIRECTORS**

**Chairman**

Kelly Kemp

**Vice-Chairman**

Rick Harder

**Secretary**

Jerry Snider

**Members**

Jamie Butler

Scott Jennings

**MANAGER**

Randy McMurl

**OFFICE MANAGER**

Beth Calvin

**BOOKKEEPER**

Richard Prewitt

**McCurtain County Rural Water District No. 8**  
**Broken Bow, Oklahoma**  
October 31, 2022

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## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
McCurtain County Rural Water District No. 8  
Broken Bow, 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. 8, Broken Bow, Oklahoma (the District), as of and for the year ended October 31, 2022 and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### *Opinion*

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, 2022 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 24 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 January 20, 2023 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

January 20, 2023

RURAL WATER DISTRICT NO. 8, McCURTAIN COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS

OCTOBER 31, 2022

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, 2022. Please read it in conjunction with the District's financial statements that begin on page 14.

**FINANCIAL HIGHLIGHTS:**

- The District's total operating revenues exceeded total operating expenses by \$156,412, a decrease of \$215,011 compared to the prior year.
- The District's total net position increased by \$1,505,101 in the current fiscal year.
- The District continued to make timely payments on their existing ORWB loan. In addition, the District secured a new \$615,000 OWRB loan and received \$355,011 of loan proceeds during the year. The loan, in addition to ODOT reimbursements, is being used for the Highway 3 relocation and improvement project.
- The District approved a water rate increase to keep up with the increased costs to produce and deliver water to users. These rates became effective in December 2022.

**Using This Report**

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

**Basis of Accounting**

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

**The Financial Statements**

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

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

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

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

The District’s Net Position was higher in 2021-22, increasing from \$8,115,419 to \$9,620,520. Our analysis below focuses on the Net Position (Table 1) and Changes in Net Position (Table 2) of the District’s business-type activities.

**Table 1 – Net Position:**

	<u>2021-22</u>	<u>2020-21</u>	<u>Variances</u>
Current and other assets	\$ 2,563,238	2,355,742	207,496
Capital assets, net	<u>10,201,728</u>	<u>8,656,125</u>	<u>1,545,603</u>
Total Assets	<u>\$ 12,764,966</u>	<u>11,011,867</u>	<u>1,753,099</u>
Current liabilities	\$ 23,873	20,146	(3,727)
Long-term liabilities	<u>3,120,573</u>	<u>2,876,302</u>	<u>(244,271)</u>
Total Liabilities	<u>\$ 3,144,446</u>	<u>2,896,448</u>	<u>(247,998)</u>
Invest. In capital assets, net of related debt	\$ 7,081,155	5,779,823	1,301,332
Restricted	204,220	204,220	-
Unrestricted	<u>2,335,145</u>	<u>2,131,376</u>	<u>203,769</u>
Total Net Position	<u>\$ 9,620,520</u>	<u>8,115,419</u>	<u>1,505,101</u>

Net Position of the District increased by 18.54 percent (\$9,620,520 compared to \$8,115,419). 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 \$2,131,376 to \$2,335,145.



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

	<u>2021-22</u>	<u>2020-21</u>	<u>Variances</u>
<b>Revenues:</b>			
Charges for services	\$ 1,766,598	1,729,705	36,893
Other collections	165,406	86,128	79,278
ODOT and OWRB proceeds	1,450,089	723,449	726,640
Interest	6,736	9,635	(2,899)
Total Revenues	<u>3,388,829</u>	<u>2,548,917</u>	<u>839,912</u>
<b>Expenses:</b>			
Salaries, taxes and benefits	677,821	524,522	(153,299)
Maintenance and supplies	403,289	313,118	(90,171)
Utilities	210,930	197,175	(13,755)
Other expenses	173,780	136,758	(37,022)
Depreciation	309,772	272,837	(36,935)
Interest on debt	108,136	105,055	(3,081)
Total Expenses	<u>1,883,728</u>	<u>1,549,465</u>	<u>(334,263)</u>
Changes in Net Position	1,505,101	999,452	505,649
Net Position, Beginning	<u>8,115,419</u>	<u>7,115,967</u>	<u>999,452</u>
Net Position, Ending	<u>\$ 9,620,520</u>	<u>8,115,419</u>	<u>1,505,101</u>

The District's total revenues increased by 32.95 percent (\$839,912). The total cost of all services increased by 21.57 percent (\$334,263).

### **Capital Assets**

At October 31, 2022 the District had \$10,201,728 invested in capital assets, net of depreciation, including land, the water plant and system, vehicles and equipment. Capital assets of \$1,450,089 were added in 2021-22, which was some water line improvements, including the Highway 3 Relocation Project, and equipment upgrades.

### **Long-Term Debt**

The promissory note with the Oklahoma Water Resources Board (OWRB) 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 3.79%. Through October 31, 2022 \$5,817,402 of these loan proceeds were received, and \$2,000,000 of the loan was forgiven by federal ARRA funds. The outstanding principal balance at October 31, 2022 was \$2,693,713.

The District secured a new promissory note with OWRB during the 2020-21 fiscal year for \$615,000. This note was only partially funded at year-end. The District received \$355,011 in loan proceeds during the year. This note is being used to finance the Highway 3 relocation project and will be repaid over 30 years at a rate of 1.69%. The outstanding principal balance at October 31, 2022 was \$426,860.

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

For the upcoming fiscal year ending October 31, 2023, the District's budget is fairly consistent with the prior fiscal year. The normal cost of operation continues to increase for all areas of the economy, and rural water is not exempt from these increases.

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

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



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

Board of Directors  
McCurtain County Rural Water District No. 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 financial statements of the McCurtain County Rural Water District No. 8, Broken Bow, Oklahoma (the "District"), as of and for the year ended October 31, 2022 and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 20, 2023.

**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 were not 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, non-compliance 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 entity'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

January 20, 2023

**McCurtain County Rural Water District No. 8**  
**Broken Bow, Oklahoma**  
Disposition of Prior Year's Significant Deficiencies  
October 31, 2022

There were no prior year significant deficiencies.

**McCurtain County Rural Water District No. 8**  
**Broken Bow, Oklahoma**  
Schedule of Audit Results  
October 31, 2022

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

1. An unmodified opinion report 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. 8**  
**Broken Bow, Oklahoma**  
**Statement of Net Position**  
**October 31, 2022**

	<b>October 31,</b>	
	<b>2022</b>	<b>-Memorandum- -Only- 2021</b>
<b><u>ASSETS</u></b>		
Current Assets:		
Cash and cash equivalents	\$ 1,171,806	\$ 1,131,150
Investments	736,106	610,245
Accounts receivable	204,694	195,208
Inventory of supplies	424,047	385,322
Prepaid insurance	26,585	33,817
Total current assets	2,563,238	2,355,742
Capital Assets-		
Land and easements	51,716	51,716
Buildings and improvements	190,485	184,785
Equipment and vehicles	3,188,754	3,188,754
Plant and water systems	12,755,281	10,905,606
Less: Accumulated depreciation	(5,984,508)	(5,674,736)
Total capital assets (net)	10,201,728	8,656,125
<b>TOTAL ASSETS</b>	<b>\$ 12,764,966</b>	<b>\$ 11,011,867</b>
 <b><u>LIABILITIES</u></b>		
Current Liabilities:		
Customer deposits	\$ 23,873	\$ 20,146
Non-current Liabilities:		
Notes payable	3,120,573	2,876,302
Total Liabilities	3,144,446	2,896,448
 <b><u>NET POSITION</u></b>		
Net investment in capital assets	7,081,155	5,779,823
Reserved for debt service	204,220	204,220
Unrestricted assets	2,335,145	2,131,376
Total Net Position	9,620,520	8,115,419
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$ 12,764,966</b>	<b>\$ 11,011,867</b>

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

**McCURTAIN COUNTY RURAL WATER DISTRICT NO. 8**  
**Broken Bow, Oklahoma**  
**Statement of Revenue, Expenses and Changes in Net Position**  
**For The Year Ended October 31, 2022**

	<b>2021-22</b>	<b>-Memorandum- -Only- 2020-21</b>
<b>Operating Revenues:</b>		
Water sales	\$ 1,766,598	\$ 1,729,705
Other sales and services	165,406	86,128
Total revenue from operations	1,932,004	1,815,833
 <b>Operating Expenses:</b>		
Salaries and benefits	677,821	524,522
Repairs and maintenance	97,163	77,988
Supplies and materials	229,283	170,350
Chemicals	76,839	38,480
Vehicle expense	22,312	13,644
Utilities and telephone	210,930	197,175
Testing fees	17,768	16,631
Insurance	59,825	53,557
Office expense and postage	41,054	43,997
Depreciation	309,772	272,837
Professional fees	15,107	32,100
Dues and fees	13,285	0
Travel	2,912	3,129
Other expenses	1,521	0
Total expenses from operations	1,775,592	1,444,410
 Operating Income (Loss)	156,412	371,423
 <b>Non-Operating Revenues (Expenses):</b>		
Interest income	6,736	9,635
OWRB loan forgiveness	0	100,000
ODOT reimbursement	1,450,089	623,449
Interest paid on long-term debt	(108,136)	(105,055)
Total Non-Operating Revenues (Expenses)	1,348,689	628,029
 Change in Net Position	1,505,101	999,452
 Total Net Position, beginning of period	8,115,419	7,115,967
 <b>Total Net Position, end of period</b>	<b>\$ 9,620,520</b>	<b>\$ 8,115,419</b>

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, 2022**

	<b>2021-22</b>	<b>-Memorandum- -Only- 2020-21</b>
<b>Cash Flows from Operating Activities:</b>		
Receipts from customers	\$ 1,998,073	\$ 1,846,183
Payments to employees	(677,821)	(524,522)
Payments to vendors	(891,320)	(785,134)
Net Cash Provided by Operating Activities	428,932	536,527
<b>Cash Flows from Investing Activities:</b>		
Interest earned on investments	6,736	9,635
Net Cash Provided by (used in) Investing Activities	6,736	9,635
<b>Cash Flows from Capital and Related Financing Activities:</b>		
ODOT reimbursements	1,450,089	623,449
OWRB loan forgiveness	0	100,000
Loan proceeds	355,011	81,005
Principal paid on long-term debt	(110,740)	(99,164)
Interest paid on long-term debt	(108,136)	(105,055)
Acquisition of capital assets	(1,855,375)	(644,612)
Net Cash Provided by (used in) Capital and Related Financing Activities	(269,151)	(44,377)
Net Increase (Decrease) in Cash	166,517	501,785
Cash and cash equivalents, beginning of period	1,741,395	1,239,610
<b>Cash and cash equivalents, end of period</b>	<b>\$ 1,907,912</b>	<b>\$ 1,741,395</b>

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

Operating Income	\$ 156,412	\$ 371,423
Adjustments to reconcile net income to net cash provided (used) by operating activities:		
Depreciation Expense	309,772	272,837
Change in assets and liabilities:		
(Increase) decrease in accounts receivable	(9,486)	(34,343)
(Increase) decrease in supplies inventory	(38,725)	(73,992)
(Increase) decrease in prepaid insurance	7,232	602
Increase (decrease) in customer deposits	3,727	0
Net cash provided by operating activities	\$ 428,932	\$ 536,527

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, 2022

**Note A – Significant Accounting Policies**

Organization

McCurtain County Rural Water District No. 8 (the District) is an Oklahoma water district organized under Title 82 of Oklahoma Statutes, Sections 1324.1-1324.26 inclusive, to provide water service to rural residents of McCurtain County, Oklahoma. The District is considered a subdivision of the State of Oklahoma. The District is exempt from federal and state income taxes. The membership consists of approximately 2,750 members.

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

Basis of Accounting

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

Deposits and Investments

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

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

Custodial Credit Risk - At October 31, 2022, the District held deposits of approximately \$1,911,801 at financial institutions. The District's cash deposits, including interest-bearing certificates of deposit, are entirely covered by Federal Depository Insurance (FDIC) or direct obligation of the U.S. Government insured or collateralized with securities held by the District or by its agent in the District's name.

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

**Broken Bow, Oklahoma**

Notes to the Financial Statements

October 31, 2022

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

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

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

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

The investments held at October 31, 2022 are as follows:

	Wtd. Avg Maturity	Credit Rating	Market	Cost
Money market/checking	N/A	AAAm	\$ 1,180,695	1,176,806
Certificates of deposit	1.0 Yr	N/A	731,106	731,106
<b>Total Deposits</b>			<b>\$ 1,911,801</b>	<b>1,907,912</b>

Concentration of Investment Credit Risk – The District places no limit on the amount it may invest in any one issuer. The District has the following of credit risk: 38% in Certificates of Deposit (\$731,106) and 62% in Money Market funds (\$1,176,806).

**McCURTAIN COUNTY RURAL WATER DISTRICT NO. 8**  
**Broken Bow, Oklahoma**  
Notes to the Financial Statements  
October 31, 2022

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

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

Inventories

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

Accounts Receivable

Billings for accounts receivable at October 31, 2022 were \$209,942. Allowance for doubtful accounts was computed at 2.5% (\$5,249) based upon historical collection rates.

Compensated Absences

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

**McCURTAIN COUNTY RURAL WATER DISTRICT NO. 8**  
**Broken Bow, Oklahoma**  
Notes to the Financial Statements  
October 31, 2022

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

Capital Assets

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

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

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

The capital asset information for the District is shown below:

	11/1/2021 Amount	Additions	Deletions	10/31/2022 Amount
Land & easements	\$ 51,716	-	-	51,716
Buildings & improv.	184,785	5,700	-	190,485
Water system	10,905,606	1,849,675	-	12,755,281
Equipment	3,188,754	-	-	3,188,754
Total Capital Assets	14,330,861	1,855,375	-	16,186,236
Less: Accumulated Depreciation	(5,674,736)	(309,772)	-	(5,984,508)
Total	\$ 8,656,125	1,545,603	-	10,201,728

**McCURTAIN COUNTY RURAL WATER DISTRICT NO. 8**  
**Broken Bow, Oklahoma**  
Notes to the Financial Statements  
October 31, 2022

**Note B – Long-Term Debt**

Long-Term Debt consists of two notes:

The District acquired a promissory note from the Oklahoma Water Resources Board (OWRB). 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. In the 2019-20 fiscal year, the loan was refinanced with the OWRB and resulted in approximately \$94,281 of savings that will applied over the remaining term of the loan. The note will bear interest at a rate of 3.79%, and payments will be made bi-annually for 30 years.

The District also acquired a promissory note from OWRB during the 2021-22 fiscal year. The approved note is in the amount of \$615,000 will be used for water treatment system improvements. The District received \$355,011 of loan proceeds during the 2021-22 fiscal year. The note will bear interest at a rate of 1.19% per annum, plus an administrative fee of 0.5%. The note calls for semi-annual payments of principal, interest, and administrative fee from a Trustee bank beginning after completion of the project, expected during the 2022-23 fiscal year, and continuing until fully paid, but no longer than 30 years from completion.

	October 31,	
	2022	2021
Oklahoma Water Resources Board note payable (2011), issued for \$5,817,402, at 3.79% interest, due in semi-annual installments, until paid;	\$ 2,693,713	2,795,297
Oklahoma Water Resources Board note payable (2021), issued for \$615,000, at 1.69% interest, due in semi-annual installments, until paid;	426,860	81,006
Long-Term Debt Outstanding	3,120,573	2,876,303
Less: Current maturities of long-term debt	(124,959)	(102,284)
Total Long-Term Debt, Net	\$ 2,995,614	2,774,019

**McCURTAIN COUNTY RURAL WATER DISTRICT NO. 8**  
**Broken Bow, Oklahoma**  
Notes to the Financial Statements  
October 31, 2022

**Note B – Long-Term Debt – cont’d**

Future principal payments on the outstanding loan are as follows:

October 31, Year	Total	2011 OWRB	2021* OWRB
2023	\$ 124,959	106,252	18,707
2024	129,121	110,097	19,024
2025	133,993	114,645	19,348
2026	138,769	119,093	19,676
2027	143,723	123,713	20,010
2028-32	799,223	693,962	105,261
2033-37	954,264	839,763	114,501
2038-42	696,521	586,188	110,333
Total	<u>\$ 3,120,573</u>	<u>2,693,713</u>	<u>426,860</u>

\* - Estimated payments, payment schedule has not been finalized

**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.

**McCURTAIN COUNTY RURAL WATER DISTRICT NO. 8**  
**Broken Bow, Oklahoma**  
Notes to the Financial Statements  
October 31, 2022

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

The District collects payments from its users for sewer services and passes these payments forward to the Broken Bow PWA. In the 2021-22 year, the District collected and paid forward \$19,647 in sewer collections.

The District also collects payments from its users for fire protection services and passes these payments forward to the City of Broken Bow, Eagletown Volunteer Fire Department and the Holly Creek – Oak Hill Volunteer Fire Department. For the 2021-22 year, the District collected and paid forward \$52,181 in fire protection collections.

**Note F – Subsequent Events**

Management has evaluated subsequent events through January 20, 2023, 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**  
**Schedule of Water Rates and Customers**  
**-Unaudited Information-**  
**October 31, 2022**

**Water Rates:**

Residential = \$ 21.25 minimum  
Commercial (2") = \$ 140.70 minimum  
Industrial (2") = \$ 140.70 minimum

Water Rates for all above categories:

0 – 20,000 gallons - \$5.15/1,000 gallons  
20,000 gallons + - \$5.20/1,000 gallons

**Water Loss:**

	<u>2021-22</u>	<u>2020-21</u>
Total gallons pumped	307,407,000	291,636,000
Total gallons sold to District customers	<u>(168,435,890)</u>	<u>(170,104,530)</u>
Net Water loss	138,971,110	119,921,270
Less: water used for maintenance	<u>(1,802,900)</u>	<u>(1,610,200)</u>
Total unaccounted water loss	<u>137,168,210</u>	<u>118,311,070</u>
Percentage of water loss	<u>44.62%</u>	<u>40.57%</u>

Source - Usage and Loss Report

**Customers:**

The District had 2,763 active accounts at the close of the fiscal year.

Water membership fee is \$1,250, without meter. Reinstatement of a benefit unit is \$150.