

Adair County
Rural Water District No. 5
Adair County, Oklahoma

Basic Financial Statements
December 31, 2017

TURNER & ASSOCIATES, PLC
Certified Public Accountants
P.O. Box 378
Vinita, OK 74301
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Adair County Rural Water District No. 5
Adair County, Oklahoma
Water District Officials
December 31, 2017

Board of Directors

Lonnie Jeffries	Chairperson
Joe D. Leak	Vice-Chairperson
Dallas Jeffries	Secretary-Treasurer
Josh Pulver	Director

System Manager
Lyle Collins

Office Manager
Lyndia Humphrey

Adair County Rural Water District No. 5
Adair County, Oklahoma
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Adair County Rural Water District No. 5

Report on the Financial Statements

We have audited the accompanying modified cash basis financial statements of the business-type activities of the Adair County Rural Water District No. 5, of the County of Adair, as of and for the year ended December 31, 2017, and the related notes to the financial statements, 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 in accordance with the modified cash basis of accounting described in Note I; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. 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 from 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. 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 audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the proprietary fund activities of the District, as of December 31, 2017, and the respective changes in modified cash basis financial position, and where applicable, cash flows thereof and for the year then ended in accordance with the modified cash basis of accounting described in Note I.

Basis of Accounting

We draw attention to Note I of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Management has omitted the management's discussion and analysis that 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 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. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 24, 2018, 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 controls over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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.

TURNER & Associates, PLLC

Vinita, Oklahoma

May 24, 2018



**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
Adair County Rural Water District No. 5

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 business-type activities of the Adair County Rural Water District No. 5, County of Adair, Oklahoma, as of and for the year ended December 31, 2017, and the related notes to the financial statements which collectively comprise the District's financial statements, and have issued our report thereon dated May 24, 2018. The District did not present the Management's Discussion that accounting principles generally accepted in the United States of America require to supplement, although not to be part of, the basic financial statements.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting (internal control) to determine the 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 the District's internal control. Accordingly, we do not express an opinion on the effectiveness of District's internal control.

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 over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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.

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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from 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 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 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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

TURNER & Associates, PLLC

Vinita, Oklahoma
May 24, 2018

Adair County Rural Water District No. 5
Adair County, Oklahoma
Statement of Net Position – Modified Cash Basis
December 31, 2017

	December 31, 2017	December 31, 2016 (Memo Only)
ASSETS		
Current Assets		
Cash and Cash Equivalents, Unrestricted	\$ 49,579.83	\$ 26,657.90
Non-current Assets		
Restricted Assets:		
Cash and Cash Equivalents, Restricted	454,081.10	497,729.17
Capital Assets:		
Property, Plant and Equipment, Net of Accumulated Depreciation	2,466,205.97	2,544,595.81
Land	6,429.00	6,429.00
Total Non-Current Assets	2,926,716.07	3,048,753.98
TOTAL ASSETS	2,976,295.90	3,075,411.88
LIABILITIES		
Current Liabilities		
Deposits Payable	16,675.00	17,800.00
Current Portion of Bonds Payable	25,000.00	25,000.00
Total Current Liabilities	41,675.00	42,800.00
Long Term Liabilities		
Bonds Payable	2,285,000.00	2,310,000.00
TOTAL LIABILITIES	2,326,675.00	2,352,800.00
NET POSITION		
Net Investment in Capital Assets	372,600.49	471,867.59
Restricted	227,440.58	224,086.39
Unrestricted	49,579.83	26,657.90
Total Net Position	\$ 649,620.90	\$ 722,611.88

The accompanying Notes to the Financial Statements are an integral part of this statement.

Adair Rural Water District No. 5
Adair County, Oklahoma
Statement of Revenues, Expenses and Changes in Net Position –
Modified Cash Basis
For the Year Ended December 31, 2017

	December 31, 2017	December 31, 2016 (Memo Only)
Operating Revenues		
Water Revenues	\$ 448,622.41	\$ 424,757.48
Penalties and Fees	9,402.84	8,163.99
Other Operating Revenues	608.18	2,144.35
Total Operating Revenues	458,633.43	435,065.82
Operating Expenses		
Annual Dues / Fees	8,397.68	7,992.93
Bank Service Charges	6,890.06	6,830.83
Contract Services	48,825.00	49,075.00
Depreciation	110,430.84	109,869.00
Insurance	5,669.59	6,745.68
Office Expense	7,327.05	9,784.09
Operating Materials & Supplies	33,781.78	17,170.88
Operator / Manager	81,600.00	81,600.00
Professional Fees	5,500.00	8,250.00
Publications & Advertising	609.25	650.75
Repairs & Maintenance	39,529.33	30,042.64
Telephone & Utilities	53,511.90	49,214.10
Water Testing	3,070.00	1,980.00
Water Treatment	11,675.18	10,327.29
Total Operating Expenses	416,817.66	389,533.19
Operating Income (Loss)	41,815.77	45,532.63
Non-Operating Revenues (Expenses)		
Interest Income	765.75	52.30
Bond Fees	(1,000.00)	(1,000.00)
Interest Expense	(127,572.50)	(128,585.00)
Total Non-Operating Revenues (Expenses)	(127,806.75)	(129,532.70)
Capital Contributions		
Membership Fees	13,000.00	11,925.00
Net Income (Loss)	(72,990.98)	(72,075.07)
Net Position, Beginning of Year	722,611.88	794,686.95
Net Position, End of Year	\$ 649,620.90	\$ 722,611.88

The accompanying Notes to the Financial Statements are an integral part of this statement.

Adair Rural Water District No. 5
Adair County, Oklahoma
Statement of Cash Flows – Modified Cash Basis
For the Year Ended December 31, 2017

Cash Flows from Operating Activities

Cash Inflows:

Payments Received from Customers	\$ 458,633.43
Deposits Received from Customers	-
Total Cash Provided by Operating Activities	458,633.43

Cash Outflows:

Payments to Suppliers for Goods and Services	(175,961.82)
Payments for Contract Services	(130,425.00)
Deposits Refunded to Customers	(1,125.00)
Total Cash Used by Operating Activities	(307,511.82)

Net Cash Provided (Used) by Operating Activities	151,121.61
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Cash Flows from Capital and Related Financing Activities

Fees Paid Related to Bond	(1,000.00)
Interest Paid on Bond	(127,572.50)
Principal Paid on Bond	(25,000.00)
Purchase of Capital Assets	(32,041.00)
Membership Fees Received	13,000.00
Net Cash Provided (Used) by Capital and Related Financing Activities	(172,613.50)

Cash Flows from Investing Activities

Interest Received	765.75
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Net Cash Inflow (Outflow) from All Activities	(20,726.14)
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Cash and Cash Equivalents at Beginning of Year	524,387.07
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Cash and Cash Equivalents at End of Year	\$ 503,660.93
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Unrestricted	\$ 49,579.83
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Restricted	454,081.10
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Cash and Cash Equivalents at End of Year	\$ 503,660.93
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Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:

Operating Income (Loss)	\$ 41,815.77
Depreciation	110,430.84
(Increase) Decrease in:	
Customer Deposits	(1,125.00)
Net Cash Provided (Used) by Operating Activities	\$ 151,121.61

The accompanying Notes to the Financial Statements are an integral part of this statement.

Adair Rural Water District No. 5
Adair County, Oklahoma
Notes to the Financial Statements
For the Year Ended December 31, 2017

The following notes to the financial statements are an integral part of Adair County Rural Water District No. 5's financial statements.

I. Summary of Significant Accounting Policies

Adair Rural Water District No. 5, Adair County, Oklahoma (the "District") was created under the provisions of Title 82, O.S. 1981, Sections 1324.1-1324.26 inclusive, for the purpose of providing water to the members of the District it serves. Membership in the water district consists of water users who have paid the required membership and connection fees. The District is exempt from federal and state income taxes.

At December 31, 2017, the membership consisted of approximately 582 users, each entitled one vote. The Board of Directors consists of 5 members serving three year staggered terms. The vacant Board seats are elected at the annual meeting, and following, the Board of Directors meet and elect a chairman, vice-chairman, secretary, treasurer, and director. All Board members serve without pay.

The accounting policies of the District conform to generally accepted accounting principles applicable to governmental units. The District complies with the modified cash basis of accounting and applies all relevant Government Accounting Standards Board (GASB) pronouncements. The District has elected to apply only applicable FASB Statements and Interpretations issued on or before November 30, 1989 that do not contradict GASB pronouncements in its accounting and reporting practices for its proprietary operations.

A. Financial Reporting Entity

Adair County Rural Water District No. 5 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.

B. Basis of Presentation

The District's fund is an enterprise fund. Enterprise funds are proprietary funds used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector.

C. Measurement Focus and Basis of Accounting

The Trust's proprietary fund financial statements are prepared on a modified basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America (GAAP). This basis of presentation differs from GAAP in that certain revenues are recognized when received rather than earned and certain expenses are recognized when paid rather than when the obligation is incurred. Specifically, the variances from GAAP include omission of receivables and accruals. Such variances are presumed to be material.

Adair Rural Water District No. 5
Adair County, Oklahoma
Notes to the Financial Statements
For the Year Ended December 31, 2017

I. Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting (continued)

Similar to financial statements prepared in accordance with GAAP, these financial statements reflect the capitalized cost of property and equipment and related depreciation, along with amounts attributed to long term debt. The accompanying financial statements are not intended to present the financial position and results of operations in conformity with accounting principles generally accepted in the United States of America.

Memorandum Only – Prior Year Amounts

The prior year amounts on the financial statements are captioned “Memo Only” to indicate that those amounts are present only to facilitate comparative financial information.

D. Assets, Liabilities and Net Position

1. Cash and Cash Equivalents

For purposes of the statement of cash flows, the District considers all cash on hand, demand deposits, and highly liquid investments, with an original maturity of three months or less when purchased, to be cash and cash equivalents.

2. Fair Value of Financial Instruments

The District’s financial statements include cash and cash equivalents. The District’s estimates of the fair value of all financial instruments do 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 value because of the short maturity of these instruments.

3. Restricted Assets

Restricted assets include cash and cash equivalents for debt service, construction proceeds, and meter deposits. Restricted assets for construction proceeds and debt service are held by the Bank of Oklahoma for purposes related to the 2007 series revenue bonds. According to the bond indenture, the Bond Fund Reserve account shall be funded in an amount equal to \$150,000. The Bond Fund Reserve account shall be used to receive the reserve requirement upon the issuance of the bonds, to transfer the excess investment monies to the principal account, interest account, or any other account, to receive reserve requirements of any additional bonds, to pay the last maturing bonds, and to transfer monies in excess to the project fund until the completion of the project and thereafter to the principal and/or interest accounts. Restricted assets for construction proceeds are also held by the Bank of Oklahoma in accounts designated for construction funds. Restricted assets for meter deposits are held by the Bank of Commerce.

Adair Rural Water District No. 5
Adair County, Oklahoma
Notes to the Financial Statements
For the Year Ended December 31, 2017

I. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Net Position (continued)

4. Inventory of Supplies and Materials

The District does not maintain inventory records of supplies or materials, but charges these purchases to maintenance or supplies as they are received.

5. Capital Assets

Capital assets are carried at historical cost. Donated capital assets are reported at fair market value as of the date donated. The District determines which assets to capitalize on a case by case basis.

Additions and improvements that significantly extend the useful life of an asset are capitalized. The cost of normal maintenance and repairs are expensed as incurred.

All reported capital assets are depreciated on the straight-line basis over the estimated useful lives ranging from five to forty years as listed below:

Equipment	5 years
Water System	40 years
Water System Additions	20 years

6. Liabilities

The District's deposits payable balance of \$16,675.00 at year end consists of amounts to be refunded to customers. The District has \$17,428.65 on deposit to cover this liability. The result is that the District's meter deposits payable balance is overfunded by \$753.65 at December 31, 2017.

7. Long-Term Obligations

On February 1, 2007, the District issued revenue bond series 2007. The bonds are special obligations of the District payable and secured by a lien on the gross revenues of the District's water facilities. The District has covenanted to indenture to fix and maintain rates for water services which shall provide gross revenues in an amount adequate to:

- (i) maintain the facilities in good repair and condition,
- (ii) pay all operation and maintenance expenses related to the facilities,
- (iii) pay all amounts required to be paid by the District under the terms of the Indenture,
- (iv) generate on an annual basis an amount equal to 110% of the annual debt service on the bonds for that year after payment of the amounts required in (i) and (ii), and
- (v) provide for any other amounts which may be required under the terms of the Indenture.

Long-term debt is reported as a liability in the District's balance sheet. Bond premiums and discounts, as well as issuance costs, are recognized as non-operating income or expense items in the Statement of Revenues, Expenses, and Changes in Net Position.

Adair Rural Water District No. 5
Adair County, Oklahoma
Notes to the Financial Statements
For the Year Ended December 31, 2017

I. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Net Position (continued)

8. Budget

The district's management prepares an annual budget as directed by Title 82, O.S. 1994, §1324.18.

9. Equity Classifications

Equity is classified as Net Position and displayed in three components:

- a. *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 mortgages, notes, or other borrowings that are attributable to the acquisition, construction or improvement of those assets.
- b. *Restricted Net Position* -- Consists of Net Position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. *Unrestricted Net Position* -- All other Net Positions that do not meet the definition of "restricted" or "net investment in capital assets."

II. Detailed Notes Concerning the Funds

A. Deposits and Investments

Custodial Credit Risk – Deposits: Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District's cash deposits, including interest-bearing certificates of deposit, are maintained in financial institutions. The District does not have a deposit policy for custodial credit risk. As of December 31, 2017, none of the District's investments were exposed to custodial credit risk because they were uninsured or uncollateralized.

Interest rate risk: This is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. 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.

Repurchase agreements: A portion of the District's reserve funds held by the Bank of Oklahoma are invested in Cavanal Hill U.S. Treasury Funds. According to the U.S Treasury Fund Quarterly Fact Sheet, 17.4% of the investments are subject to repurchase agreements. The District's investments are collateralized by Treasury securities; however, current and future earnings are subject to risk.

Adair Rural Water District No. 5
Adair County, Oklahoma
Notes to the Financial Statements
For the Year Ended December 31, 2017

II. Detailed Notes Concerning the Funds (continued)

B. Changes in Capital Assets

Capital asset activity for the year was as follows:

	Balance <u>December 31, 2016</u>	Additions	Deletions	Balance <u>December 31, 2017</u>
Capital Assets				
Non-depreciable Assets:				
Land	\$ 6,429.00	\$ -	\$ -	\$ 6,429.00
Depreciable Assets:				
Water Distribution System	4,181,227.45	27,521.00	(14,728.45)	4,194,020.00
Office Furniture/Equipment	23,469.00	4,520.00	(12,727.00)	15,262.00
Total Depreciable Assets	4,204,696.45	32,041.00	(27,455.45)	4,209,282.00
Accumulated Depreciation	(1,660,100.64)	(110,430.84)	27,455.45	(1,743,076.03)
Net Depreciable Assets	2,544,595.81	(78,389.84)	-	2,466,205.97
Net Capital Assets	<u>\$ 2,551,024.81</u>	<u>\$ (78,389.84)</u>	<u>\$ -</u>	<u>\$ 2,472,634.97</u>

C. Long-Term Debt

Revenue Bonds Series 2007

On February 1, 2007, the District issued \$2,390,000 in refunding revenue bonds with interest rates ranging between 4.5% and 5.5%. The proceeds of the bonds were used to refund the outstanding indebtedness of the District, fund the debt service reserve, pay all costs of issuance, and fund a project fund.

Interest on the bonds is payable semi-annually on February 1 and August 1 at varying rates starting August 1, 2007. Principal payments are due annually on February 1 starting February 1, 2012.

Debt service requirements for the Series 2007 bonds are:

Year Ended December 31,	Rate	Principal	Interest	Total Requirements
2018	5.50%	25,000.00	126,322.50	151,322.50
2019	5.50%	30,000.00	124,810.00	154,810.00
2020	5.50%	35,000.00	123,022.50	158,022.50
2021	5.50%	45,000.00	120,822.50	165,822.50
2022	5.50%	45,000.00	118,347.50	163,347.50
2023-2027	5.50%	275,000.00	550,487.50	825,487.50
2028-2032	5.40%	375,000.00	462,000.00	837,000.00
2033-2037	5.4% to 5.5%	510,000.00	342,530.00	852,530.00
2038-2042	5.50%	660,000.00	181,177.50	841,177.50
2043	5.50%	310,000.00	8,602.50	318,602.50
		<u>\$ 2,310,000.00</u>	<u>\$ 2,158,122.50</u>	<u>\$ 4,468,122.50</u>

Adair Rural Water District No. 5
Adair County, Oklahoma
Notes to the Financial Statements
For the Year Ended December 31, 2017

II. Detailed Notes Concerning the Funds (continued)

D. Changes in Long-Term Debt

Long-term debt consists of bonds payable. The following is a summary of the changes in long-term debt of the District for the fiscal year.

	Balance December 31, 2016	Proceeds	Payments	Balance December 31, 2017	Due Within One Year
Bonds Payable	\$ 2,335,000.00	\$ -	\$ 25,000.00	\$ 2,310,000.00	\$ 25,000.00

III. Other Information

A. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. The District purchases commercial insurance to cover these risks, including general and auto liability, property damage, and public officials liability. There were no significant reductions in insurance coverage from the prior year. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

B. Rates and Fees

Deposits

Meter Deposit \$ 25.00

Fees

New Membership Fee (3/4 " Meter) \$ 900.00

New Membership Fee (1 " Meter) \$ 1,800.00

New Membership Fee (2 " Meter) \$ 2,500.00

Membership Fee (Previous installation) \$ 500.00

Reconnect Fee \$ 75.00

Rates

First 1,000 Gallons (Base Rate) \$ 31.00

1,000 to 5,000 Gallons \$ 5.75

5,000 to 8,000 Gallons \$ 6.50

8,000 to 10,000 Gallons \$ 6.75

10,000 & Above Gallons \$ 5.25

Adair Rural Water District No. 5
Adair County, Oklahoma
Notes to the Financial Statements
For the Year Ended December 31, 2017

III. Other Information (continued)

C. Contingent Liabilities

The governing board of the District is not aware of any pending or threatened legal actions against it. However, any such actions would probably be covered by insurance.

D. Related Party Transactions

Management has entered into an agreement with the Office Manager to lease a piece of land along with the associated building for use by the District in providing water services. The lease agreement is dated December 27th, 2016 and calls for either a monthly payment of \$200 for 12 months or a single payment of \$2,400. On December 19th, 2016, the District paid the Office Manager the amount of \$2,400 for the 12-month lease in 2017. The lease agreement was renewed on January 22, 2018 for the 2018 fiscal year.

E. Subsequent Events

Management has evaluated subsequent events through the date of this report, which is the date the financial statements were available to be issued and has determined that no additional information needs to be added to the financial statements.

F. Prior Period Adjustments

Prior period adjustments were made to Net Position to correct capital assets and accumulated depreciation to updated capital asset schedule provided by the District and to restate the useful life of assets listed on the capital asset schedule that were still in use by the District and that had been fully depreciated. The Water System account was increased (debited) by \$1,119,504.19, the Fixed Assets account was credited (decreased) by \$1,116,903.34, the Office Furniture and Equipment account was credited (decreased) by \$4,598.51, the Accumulated Depreciation account was decreased (debited) by \$260,764.36 and the Net Position account was increased (credited) by \$258,766.70 from \$463,845.18 to \$722,611.88.