

**INDEPENDENT
ACCOUNTANT'S AUDIT REPORT
CONSOLIDATED RURAL WATER
AND SEWER DISTRICT NO. 1**

SEPTEMBER 30, 2019

BY



Consolidated Rural Water and Sewer District No. 1
Hastings, Oklahoma
Year Ended September 30, 2019

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Consolidated Rural Water and Sewer District No. 1
Jefferson County
Hastings, Oklahoma

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Consolidated Rural Water and Sewer District No. 1, Jefferson County, Hastings, Oklahoma (the District), as of and for the year ended September 30, 2019, 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 accounting principles standards generally accepted in the United States of America; this includes 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, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express

no 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 obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

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 Consolidated Rural Water and Sewer District No. 1, as of September 30, 2019, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require the budgetary comparison information on page 18 and the grant schedule on page 19 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. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary comparison and grant schedule is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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 Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Consolidated Rural Water and Sewer District No. 1's basic financial

statements. The combining statement of net position, combining statement of revenue and expense and schedule of outstanding long-term debt are presented for purposes of additional analysis and are not a required part of the basic financial statements.

These supplemental schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining financial statements and the schedule of outstanding long-term debt are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 28, 2019, 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 and 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 District's internal control over financial reporting and compliance.



Furrh & Associates, PC
Lawton, Oklahoma
November 28, 2019

Consolidated Rural Water and Sewer District No. 1

Hastings, Oklahoma

Statement of Net Position

For Year Ended September 30, 2019

ASSETS

Current Assets

Cash - Operating Accounts	\$	2,329,810	
Temporary Investments - Due after 90 Days		578,979	
Net Accounts Receivable		213,880	
Inventory		57,138	
Prepaid Expense		25,647	
Accrued Interest Receivable		508	
		<u> </u>	
Total Current Assets	\$		3,205,962

Fixed Assets

Water and Sewer System	\$	19,134,807	
Accumulated Depreciation		<u>(9,239,442)</u>	9,895,365
Machinery and Equipment		158,035	
Accumulated Depreciation		<u>(116,436)</u>	41,599
Transportation Equipment		305,787	
Accumulated Depreciation		<u>(205,559)</u>	100,228
Office Equipment		26,156	
Accumulated Depreciation		<u>(17,739)</u>	8,417
Buildings		114,359	
Accumulated Depreciation		<u>(66,770)</u>	47,589
		<u> </u>	
Net Fixed Assets			10,093,198

Other Assets

Cash - Reserve Accounts		140,708	
Cash & CD's - Reserve Accounts		<u>200,000</u>	
			<u>340,708</u>
Total Assets	\$		<u><u>13,639,868</u></u>

Please see accompanying notes to financial statements.

Consolidated Rural Water and Sewer District No. 1

Hastings, Oklahoma

Statement of Net Position

For Year Ended September 30, 2019

LIABILITIES AND NET POSITION

Current Liabilities

Current Portion of Long-Term Debt	\$	247,447	
Accounts Payable		59,541	
Accrued Compensated Absences		7,047	
Accrued Interest Payable		1,363	
Payroll Taxes & Related Payables		989	
Total Current Liabilities			\$ 316,387

Long-Term Liabilities

Notes Payable - Rural Development Administration		4,709,115	
Notes Payable - Arvest		494,725	
Less Current Portion		(247,447)	
Total Long-Term Liabilities			<u>4,956,393</u>
Total Liabilities			5,272,780

Net Position

Invested in Capital Assets, Net of Related Debt		4,889,358	
Restricted for Debt Service		340,708	
Unrestricted		3,137,022	
Total Net Position			<u>8,367,088</u>
Total Liabilities and Net Position			<u>\$ 13,639,868</u>

Please see accompanying notes to financial statements.

Consolidated Rural Water and Sewer District No. 1
Hastings, Oklahoma
Statement of Revenue, Expense, and Changes in Net Position
Year Ended September 30, 2019

Operating Revenue

Water Revenue	\$ 1,760,098	
ODOT Revenue	121,635	
Tower Maintenance	129,270	
Construction Revenue	129,270	
Benefit Unit Fees	41,195	
Other Revenue	18,262	
Penalty Revenue	29,129	
Sewer Revenue	11,513	
Reactivation Fees	5,481	
Meter Service Fees	2,723	
	Total Revenue	\$ 2,248,576

Cost of Sales

System Maintenance and Repairs	512,319	
System Electricity	85,885	
Water Purchased	28,387	
	Total Cost of Sales	626,591

Gross Operating Revenue 1,621,985

Operating Expense

Depreciation	531,873	
Salaries and Related Payroll Taxes	323,312	
Employee Health and Pension Benefits	84,632	
Other Repairs and Maintenance	72,743	
Auto and Truck Expense	67,043	
Insurance	45,110	
Office Supplies and Expense	22,084	
Dues, Licenses, Fees, and Permits	20,587	
Utilities and Telephone	15,465	
Miscellaneous	12,610	
Accounting	7,497	
Legal Expense	7,320	
Leases-Equipment	3,734	
Uniforms	3,048	
Advertising	384	
	Total Operating Expense	1,217,442

Net Operating Revenue/(Loss) \$ 404,543

Please see accompanying notes to financial statements.

Consolidated Rural Water and Sewer District No. 1
Hastings, Oklahoma
Statement of Revenue, Expense, and Changes in Net Position
Year Ended September 30, 2019

<u>Nonoperating Revenue (Expense)</u>		
Interest Income	\$ 23,107	
Interest Expense	<u>(240,578)</u>	
Total Nonoperating Revenue (Expense)		<u>\$ (217,471)</u>
Net Revenue/(Loss)		187,072
Net Position, September 30, 2018		8,180,016
Net Position, September 30, 2019		<u><u>\$ 8,367,088</u></u>

Please see accompanying notes to financial statements.

Consolidated Rural Water and Sewer District No. 1
Hastings, Oklahoma
Statement of Cash Flows
Year Ended September 30, 2019

Cash Flow from Operating Activities

Cash Received from Customers	\$ 2,227,573	
Cash Paid for Water	(593,256)	
Cash Paid for Salaries and Related Costs	(447,331)	
Cash Paid to Suppliers	(266,784)	
Net Cash Provided by Operating Activities		\$ 920,202

Cash Flow from Capital and Related Financing Activities

Payments on Long-Term Debt:		
Rural Development	(115,035)	
Arvest	(161,431)	
Interest on Long-Term Debt	(240,578)	
Decrease in Interest Payable	(392)	
Net Cash Used by Capital and Related Financing Activities		(517,436)

Cash Flow from Investing Activities

Purchase of Fixed Assets	(724,764)	
Interest Income	23,107	
Increase in Interest Receivable	(341)	
Net Cash Used by Investing Activities		(701,998)

Net Increase in Cash and Cash Equivalents (299,232)

Cash and Cash Equivalents, September 30, 2018 3,548,729

Cash and Cash Equivalents, September 30, 2019 \$ 3,249,497

Please see accompanying notes to financial statements.

Consolidated Rural Water and Sewer District No. 1
Hastings, Oklahoma
Statement of Cash Flows
Year Ended September 30, 2019

Reconciliation of Operating Income to Net Cash Provided by		
Operating Activities		
Net Operating Revenue	\$	404,543
Add, Depreciation		531,873
(Increase) Decrease in Other Current Assets:		
Accounts Receivable	\$	(21,003)
Prepaid Expense		4,340
Inventory		33,335
Increase (Decrease) in Other Current Liabilities:		
Accounts Payable		6,501
Payroll Taxes Payable		(571)
Compensated Absences		<u>(38,816)</u>
		<u>(16,214)</u>
Net Cash Provided by Operating Activities	\$	<u><u>920,202</u></u>

Please see accompanying notes to financial statements.

Consolidated Rural Water and Sewer District No. 1
Hastings, Oklahoma
Notes to Financial Statements
September 30, 2019

Note 1 – Summary of Significant Accounting Policies

The Consolidated Rural Water and Sewer District No. 1, Jefferson County, Oklahoma (the District), was organized December 1, 1975, by consolidation of previously existing Rural Water and Sewer District No. I, Jefferson County, Oklahoma, and Rural Water and Sewer District No. II, Jefferson County, Oklahoma. The District is organized under the Oklahoma Rural Water and Sewer Districts Act and is a political subdivision of the State of Oklahoma.

The District operates a water distribution and sewer service system for the communities of Addington and Hastings, Oklahoma, and a water distribution system over the remainder of its service area, which includes an area of approximately 1600 square miles in Jefferson, Stephens, Carter, Cotton, and Love Counties, Oklahoma. The District has installed its own water wells and purchases supplemental water from the cities of Comanche, Duncan, and Waurika, Oklahoma.

In addition to service to individual consumers, the District provides water to the Corps of Engineers Waurika Project and the Towns of Loco, Healdton, Terral, and Wilson, Oklahoma, for their respective distribution systems.

The District operates as an autonomous proprietary fund and its bookkeeping accounts and financial statements are maintained and presented as Enterprise Fund accounts.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

The District keeps its books and prepares its financial statements on the accrual basis of accounting. Water and sewer revenues are recognized when billed. Cost of water sold is recognized when billed by the supplier. Service and installation fees are reported as revenue when received. Meter and installation costs are expensed as current operating costs. Inventories are recorded at the lower of cost or market value.

Accounts receivable is stated at net realizable value. Bad debts are recorded by the specific charge-off method.

Note 2 – Bank Accounts

For the purpose of the Statement of Cash Flows, the District considers all highly liquid investments to be cash equivalents. Certificates of deposit and other time deposits with an

Consolidated Rural Water and Sewer District No. 1
Hastings, Oklahoma
Notes to Financial Statements
September 30, 2019

original maturity date of 90 days or less are considered cash equivalents. Cash and cash equivalents include the following accounts:

Petty Cash Fund	\$	500
Checking/Savings Accts:		
First Bank & Trust Company - Debit Card Acct		481
First Farmers National Bank - HiFi Acct		6,474 *
First Bank & Trust Company - Membership		71,701 *
First Bank & Trust Company - Reserve Acct		70,062 #
First Farmers National Bank - Reserve Acct		70,646 #
First Farmers National Bank - CDBG Acct		238,446 *
First Famers National Bank - Tower Acct		459,791 *
First Farmers National Bank - Construction Acct		535,154 *
First Farmers National Bank - Operating Acct		1,017,262
Total		2,470,517

- Reserve Accounts – Restricted cash accounts, held for mortgage loan reserve guaranty that are not available for operating activities.

* Interest Bearing Accounts

The bank accounts used by the District are covered by F.D.I.C. insurance and a collateral pledge held by both First Farmers National Bank and First Bank and Trust.

Note 3 – Income Tax Status

As a political subdivision of the State of Oklahoma, the District is exempt from federal and state income taxes.

Note 4 – Fixed Assets

Fixed assets are recorded at cost and expenditures for maintenance and repairs are charged to current operations as incurred. Fixed assets costing less than \$500 per unit are charged to current expense.

Consolidated Rural Water and Sewer District No. 1

Hastings, Oklahoma

Notes to Financial Statements

September 30, 2019

Depreciation is computed by the straight line method, using the following estimated useful lives.

Building	40 years
Water and Sewer System	40 years
Master Meters	20 years
Furniture and Fixtures	5 years
Machinery and Equipment	5-8 years
Transportation Equipment	3-5 years

Total depreciation expense for the current year was \$531,873, which was charged against current operations.

Current year changes to fixed assets were as follows:

	Balance 9/30/18	Additions	Disposals	Balance 9/30/19
<u>Assets</u>				
Water & Sewer System	\$ 18,484,515	\$ 650,292	\$ 0	\$ 19,134,807
Transportation Equipment	231,315	74,472	0	305,787
Machinery & Equipment	158,035	0	0	158,035
Buildings	114,359	0	0	114,359
Office Equipment	26,156	0	0	26,156
Total	\$ 19,014,380	\$ 724,764	\$ 0	\$ 19,739,144
<u>Accumulated Depreciation</u>				
Water & Sewer System	\$ 8,764,438	\$ 475,004	\$ 0	\$ 9,239,442
Transportation Equipment	167,062	38,497	0	205,559
Machinery & Equipment	102,833	13,603	0	116,436
Buildings	64,118	2,652	0	66,770
Office Equipment	15,622	2,117	0	17,739
Total	\$ 9,114,073	\$ 531,873	\$ 0	\$ 9,645,946
Net Fixed Assets	\$ 9,900,307			\$ 10,093,198

Note 5 – Inventory

Inventories of replacement parts and consumable supplies are recorded at cost.

Consolidated Rural Water and Sewer District No. 1
Hastings, Oklahoma
Notes to Financial Statements
September 30, 2019

Note 6 – Investments

The District has the following investments which are legal investments under the Oklahoma Statutes:

Certificates of Deposit:

Arvest Bank, Duncan, OK		
Maturity 6/12/20, Interest Paid Quarterly at 1.95%	\$	53,101
First Farmers National Bank, Waurika, OK		
Maturity 11/16/19, Interest Paid Monthly at 2.0%		100,000
First Bank & Trust Company, Duncan, OK		
Maturity 3/31/20, Interest Paid Monthly at 0.45%		130,787
First Farmers National Bank, Waurika, OK		
Maturity 6/21/20, Interest Paid Monthly at 0.65%		131,000
Arvest Bank, Duncan, OK		
Maturity 5/26/20, Interest Paid Monthly at 2.1%		164,091
First Bank & Trust Company, Duncan, OK		
Maturity 4/23/20, Interest Paid Monthly at 0.95%		200,000
Total	<u>\$</u>	<u>778,979</u>

All investments are covered by FDIC insurance and/or collateral pledge agreements.

Note 7 – Insurance against Loss Contingencies

The District maintains the following insurance coverage for protection against possible loss contingencies:

Description

Rural Water Association Assurance Group
 Officers and Directors Liability
 Business Property Protection
 General Liability
 Automobile Protection
 Fidelity Bond Coverage
 Workers Compensation & Employers Liability

Consolidated Rural Water and Sewer District No. 1

Hastings, Oklahoma

Notes to Financial Statements

September 30, 2019

Note 8 – Debt

Rural Development Administration:

The total annual debt service requirements of the long-term mortgage notes to Rural Development Administration detailed on page 23 amounts to \$193,059 plus interest at 2.5-5.0% per annum, payable in total monthly payments of \$27,171.

Changes in total long-term debt for the Rural Development Administration loan for the current year were as follows:

Balance, September 30, 2018	\$	4,824,150
Less, Current Year Principal Payments		(115,035)
Balance, September 30, 2019	\$	<u>4,709,115</u>

The principal maturities for the succeeding five years and thereafter on the Rural Development Administration long-term debt will be approximately as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year Ended September 30, 2020	\$ 208,729	\$ 117,323	\$ 326,052
Year Ended September 30, 2021	190,742	111,468	302,210
Year Ended September 30, 2022	92,970	104,010	196,980
Year Ended September 30, 2023	95,321	101,659	196,980
Year Ended September 30, 2024	97,731	99,249	196,980
Years Ended September 30, 2053	<u>4,023,622</u>	<u>2,106,600</u>	<u>6,130,222</u>
Total	<u>\$ 4,709,115</u>	<u>\$ 2,640,309</u>	<u>\$ 7,349,424</u>

Arvest Bank

The total annual debt service requirements of the long-term mortgage note to Arvest Bank detailed on page 24 amounts to \$35,569 plus interest at 4.25% per annum, payable in total monthly payments of \$5,502.

Changes in total long-term debt for the Arvest Bank loan for the current year were as follows:

The principal maturities for the succeeding five years and thereafter on the Arvest long-term debt will be approximately as follows:

Consolidated Rural Water and Sewer District No. 1
Hastings, Oklahoma
Notes to Financial Statements
September 30, 2019

Balance, September 30, 2018	\$	680,794
Less, Current Year Principal Payments		(186,069)
Balance, September 30, 2019	\$	494,725

	Principal	Interest	Total
Year Ended September 30, 2020	\$ 38,718	\$ 27,304	\$ 66,022
Year Ended September 30, 2021	40,397	25,625	66,022
Year Ended September 30, 2022	42,148	23,874	66,022
Year Ended September 30, 2023	43,974	22,048	66,022
Year Ended September 30, 2024	45,880	20,142	66,022
Years Ended September 30, 2032	283,608	113,269	396,877
 Total	\$ 494,725	\$ 232,262	\$ 726,987

Note 9 – Supplemental Disclosures

Supplemental disclosure of cash flow information:

Cash paid during the year for interest expense		\$ <u>240,578</u>
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Note 10 – Compensated Absences

Accrued compensated absences includes the following:

Earned Unpaid Vacation/Sick Leave		\$ <u>7,047</u>
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Note 11 – Pension Accounting

The District sponsors an employee deferred compensation plan under Section 457 of the Internal Revenue Code. All full time employees are eligible to participate, on a voluntary basis, with no waiting period requirements. Participating employees are 100% vested in all elected deferrals. Salary reductions under the plan may not exceed the lesser of \$7,500 or 1/3 of the participant's includable compensation. Employee contributions to the plan are made from payroll deductions from the participating employees. The District matches the employee contributions up to 4.5% of compensation contributed by the employee.

Consolidated Rural Water and Sewer District No. 1
Hastings, Oklahoma
Notes to Financial Statements
September 30, 2019

Costs of pension contributions for the current year were:

District	\$	9,859
Employees		13,028
Total	\$	<u>22,887</u>

Pension cost to the District for the past three years was:

9/30/2019	\$	9,859
9/30/2018		8,937
9/30/2017		8,705
Total	\$	<u>27,501</u>

Assets of the plan, which are invested in individual employee insurance annuity contracts, are not included in the financial statement of the District because of the fiduciary responsibility to use the plan assets only for the payment of benefits.

Note 12 – Subsequent Events

In preparing the accompanying audited financial statements, management reviewed all known events that have occurred after September 30, 2019 and through November 28, 2019, the date the financial statements were available for issuance, for inclusion in the financial statements and footnotes.



**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 Trustees
Consolidated Rural Water and Sewer District No. 1
Jefferson County
Hastings, Oklahoma

We have audited, in accordance with the 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 Consolidated Rural Water and Sewer District No. 1, as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 28, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Consolidated Rural Water and Sewer District No. 1'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 Consolidated Rural Water and Sewer District No. 1's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Consolidated Rural Water and Sewer District No. 1’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 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.



FURRH & ASSOCIATES, PC

Lawton, Oklahoma
November 28, 2019

Consolidated Rural Water and Sewer District No. 1

Hastings, Oklahoma

Revenues and Expenses Compared with Budget

Year Ended September 30, 2019

	Budget	Actual	Over (Under) Budget
<u>Revenue</u>			
Water Revenue	\$ 1,908,600	\$ 1,760,098	\$ (148,502)
ODOT Revenue	200,000	121,635	(78,365)
Construction Revenue	128,000	129,270	1,270
Tower Maintenance	128,000	129,270	1,270
Other Revenue	40,000	18,262	(21,738)
Benefit Unit Fees	40,000	41,195	1,195
Penalty Revenue	30,000	29,129	(871)
Sewer Revenue	13,000	11,513	(1,487)
Reactivation Fees	8,000	5,481	(2,519)
Meter Service Fees	3,000	2,723	(277)
Total Revenue	2,498,600	2,248,576	(250,024)
<u>Cost of Sales</u>			
System Maintenance and Repairs	876,000	512,319	(363,681)
System Electricity	100,000	85,885	(14,115)
Water Purchased	50,000	28,387	(21,613)
Total Cost of Sales	1,026,000	626,591	(399,409)
Gross Revenue	1,472,600	1,621,985	149,385
<u>Operating Expense</u>			
Salaries and Related Payroll Taxes	411,800	323,312	(88,488)
Depreciation	305,500	531,873	226,373
Employee Health and Pension Benefits	90,000	84,632	(5,368)
Insurance	84,000	45,110	(38,890)
Auto and Truck Expense	63,000	67,043	4,043
Office Supplies and Expense	47,000	22,084	(24,916)
Dues, Licenses, Fees, and Permits	33,000	20,587	(12,413)
Miscellaneous	25,000	12,610	(12,390)
Utilities and Telephone	15,000	15,465	465
Other Repairs and Maintenance	15,000	72,743	57,743
Legal Expense	10,000	7,320	(2,680)
Accounting	10,000	7,497	(2,503)
Leases-Equipment	5,000	3,734	(1,266)
Uniforms	2,000	3,048	1,048
Advertising	1,500	384	(1,116)
Total Operating Expense	1,117,800	1,217,442	99,642
Interest Expense	(72,200)	(240,578)	(168,378)
Interest Income	5,000	23,107	18,107
Net Revenue (Loss)	\$ 287,600	\$ 187,072	\$ (100,528)

Please see accompanying notes to the financial statements.

Consolidated Rural Water and Sewer District No. 1

Hastings, Oklahoma

Comparative Statement of Net Position

Years Ended September 30, 2019

	09/30/19	9/30/2018	Increase (Decrease)
<u>Current Assets</u>			
Cash	\$ 2,329,810	\$ 2,638,389	\$ (308,579)
Temp. Investments - Due After 90 Days	578,979	574,786	4,193
Accounts Receivable	213,880	192,877	21,003
Inventory	57,138	90,473	(33,335)
Prepaid Expense	25,647	29,987	(4,340)
Interest Receivable	508	167	341
<u>Fixed Assets</u>			
Water and Sewer System (Net)	9,895,365	9,720,077	175,288
Machinery and Equipment (Net)	41,599	55,202	(13,603)
Transportation Equipment (Net)	100,228	64,253	35,975
Office Equipment (Net)	8,417	10,534	(2,117)
Buildings (Net)	47,589	50,241	(2,652)
<u>Other Assets</u>			
Cash - Reserve Accounts	140,708	135,554	5,154
Cash & CD's - Reserve Accounts	200,000	200,000	0
Total Assets	\$ 13,639,868	\$ 13,762,540	\$ (122,672)
<u>Current Liabilities</u>			
Current Portion of LT Debt	\$ 247,447	\$ 237,848	\$ 9,599
Accounts Payable	59,541	53,040	6,501
Compensated Absences	7,047	45,863	(38,816)
Accrued Interest Payable	1,363	1,755	(392)
Payroll Taxes & Related Payables	989	1,560	(571)
<u>Long Term Liabilities</u>			
Notes Payable - Rural Development	4,461,668	4,623,412	(161,744)
Notes Payable - Arvest	494,725	643,684	(148,959)
Total Liabilities	5,272,780	5,607,162	(334,382)
<u>Net Position</u>			
Invested in Capital Assets (Net)	4,889,358	4,395,363	493,995
Restricted for Debt Service	340,708	335,555	5,153
Unrestricted	3,137,022	3,424,460	(287,438)
Total Net Position	8,367,088	8,155,378	211,710
Total Liabilities and Net Position	\$ 13,639,868	\$ 13,762,540	\$ (122,672)

Please see accompanying notes to the financial statements.

Consolidated Rural Water and Sewer District No. 1

Hastings, Oklahoma

Comparative Statement of Revenue and Expense

Year Ended September 30, 2019

	<u>Year Ended</u> <u>9/30/19</u>	<u>Year Ended</u> <u>9/30/18</u>	<u>(Increase)</u> <u>Decrease</u>
<u>Revenue</u>			
Water Revenue	\$ 1,760,098	\$ 1,805,897	\$ (45,799)
Construction Revenue	129,270	127,420	1,850
Tower Maintenance	129,270	127,420	1,850
ODOT Revenue	121,635	387,191	(265,556)
Benefit Unit Fees	41,195	40,047	1,148
Penalty Revenue	29,129	27,717	1,412
Other Revenue	18,262	33,676	(15,414)
Sewer Revenue	11,513	11,510	3
Reactivation Fees	5,481	6,051	(570)
Meter Service Fees	2,723	2,324	399
Total Revenue	<u>2,248,576</u>	<u>2,569,253</u>	<u>(320,677)</u>
<u>Cost of Sales</u>			
System Maintenance and Repairs	512,319	560,031	(47,712)
System Electricity	85,885	81,926	3,959
Water Purchased	28,387	40,928	(12,541)
Total Cost of Sales	<u>626,591</u>	<u>682,885</u>	<u>(56,294)</u>
Gross Operating Revenue	1,621,985	1,886,368	(264,383)
<u>Operating Expense</u>			
Depreciation	531,873	520,293	11,580
Salaries and Related Payroll Taxes	323,312	358,840	(35,528)
Employee Health and Pension Benefits	84,632	86,187	(1,555)
Other Repairs and Maintenance	72,743	3,386	69,357
Auto and Truck Expense	67,043	55,757	11,286
Insurance	45,110	66,210	(21,100)
Office Supplies and Expense	22,084	34,424	(12,340)
Dues, Licenses, Fees, and Permits	20,587	5,696	14,891
Utilities and Telephone	15,465	12,688	2,777
Miscellaneous	12,610	13,355	(745)
Accounting	7,497	7,277	220
Legal Expense	7,320	3,800	3,520
Leases-Equipment	3,734	3,780	(46)
Uniforms	3,048	1,033	2,015
Advertising	384	531	(147)
Total Operating Expense	<u>1,217,442</u>	<u>1,173,257</u>	<u>44,185</u>
Net Operating Revenue/(Loss)	\$ 404,543	\$ 713,111	\$ (308,568)

Please see accompanying notes to the financial statements.

Consolidated Rural Water and Sewer District No. 1

Hastings, Oklahoma

Comparative Statement of Revenue and Expense

Year Ended September 30, 2019

	<u>Year Ended</u> <u>9/30/19</u>	<u>Year Ended</u> <u>9/30/18</u>	<u>(Increase)</u> <u>Decrease</u>
<u>Nonoperating Revenue/(Expense)</u>			
Interest Income	\$ 23,107	\$ 8,693	\$ 14,414
Gain on Disposal of Asset	0	7,194	(7,194)
Interest Expense	<u>(240,578)</u>	<u>(160,003)</u>	<u>(80,575)</u>
Total Nonoperating Revenue/(Expense)	<u>(217,471)</u>	<u>(144,116)</u>	<u>(73,355)</u>
Net Revenue/(Loss)	187,072	568,995	(381,923)
Net Position, Beg of year	8,180,016	7,614,487	565,529
Prior Period Adjustment	<u>0</u>	<u>(3,466)</u>	<u>3,466</u>
Net Position, End of Year	<u>\$ 8,367,088</u>	<u>\$ 8,180,016</u>	<u>\$ 187,072</u>

Please see accompanying notes to the financial statements.

Consolidated Rural Water and Sewer District No. 1

Hastings, Oklahoma Schedule of Long Term Debt Year Ended September 30, 2019

<u>Description</u>	<u>Original Note Balance</u>	<u>Balance as of 09/30/2019</u>
United States Department of Agriculture Rural Development Administration		
Mortgage Note #9112, November 5, 1981, Matures November 5, 2021	\$ 106,228	
Monthly Payment \$514, Including 5% Interest Principal Balance, September 30, 2019		\$ 10,232
Mortgage Note #9213, November 5, 1981, Matures November 5, 2021	76,787	
Monthly Payment \$371, Including 5% Interest Principal Balance, September 30, 2019		6,582
Mortgage Note #9314, November 5, 1981, Matures November 5, 2021	170,675	
Monthly Payment \$796, Including 4.75% Interest Principal Balance, September 30, 2019		18,284
Mortgage Note #9115, November 5, 1981, Matures November 5, 2021	424,690	
Monthly Payment \$2,052, Including 5% Interest Principal Balance, September 30, 2019		44,828
Mortgage Note #9116, November 5, 1981, Matures November 5, 2021	955,816	
Monthly Payment \$4,617, Including 5% Interest Principal Balance, September 30, 2019		91,790
Mortgage Note #9117, November 5, 1981, Matures November 5, 2021	497,988	
Monthly Payment \$2,406, Including 5% Interest Principal Balance, September 30, 2019		47,577
Mortgage Note #9121, March 28, 2013, Matures April 28, 2053	4,900,000	
Monthly Payment \$16,415, Including 2.5% Interest Principal Balance, September 30, 2019		4,489,822
Total United States Department of Agriculture Notes Payable		\$ 4,709,115

Please see accompanying notes to the financial statements.

Consolidated Rural Water and Sewer District No. 1

Hastings, Oklahoma

Schedule of Long Term Debt

Year Ended September 30, 2019

<u>Description</u>	<u>Original Note Balance</u>	<u>Balance as of 09/30/2019</u>
Arvest Bank Tower Construction Loan		
Mortgage Note 4344304, October, 2016	<u>\$ 725,000</u>	
Matures August 15, 2032		
Monthly Payment \$5,502, Including 4.25% Interest		
Principal Balance, September 30, 2019		<u>\$ 494,725</u>
Total Arvest Notes Payable		<u>\$ 494,725</u>

Please see accompanying notes to the financial statements.