

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

SEPTEMBER 30, 2020

BY



Consolidated Rural Water and Sewer District No. 1
Hastings, Oklahoma
Year Ended September 30, 2020

Table of Contents

	<u>Page</u>
<u>INDEPENDENT AUDITOR'S REPORT</u>	1 - 3
 <u>FINANCIAL STATEMENTS</u>	
Statement of Net Position	4 - 5
Statement of Revenues, Expenses, and Changes in Net Position.....	6 - 7
Statement of Cash Flows	8 - 9
Notes To Financial Statements	10 - 16
 <u>REQUIRED SUPPLEMENTAL INFORMATION</u>	
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 <i>Government Auditing Standards</i>	17 - 18
Revenue and Expense Compared to Budget.....	19
 <u>SUPPLEMENTAL INFORMATION</u>	
Comparative Statement of Net Position.....	20
Comparative Statement of Revenue and Expense	21 - 22
Schedule of Outstanding Long-Term Debt.....	23 - 24
Grant Schedule.....	25



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, 2020, 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, 2020, 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 19 and the grant schedule on page 25 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 6, 2020, 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 6, 2020

Consolidated Rural Water and Sewer District No. 1

Hastings, Oklahoma

Statement of Net Position

For Year Ended September 30, 2020

ASSETS

Current Assets

Cash - Operating Accounts	\$	2,287,044	
Temporary Investments - Due after 90 Days		584,392	
Net Accounts Receivable		216,855	
Inventory		61,533	
Prepaid Expense		37,256	
Accrued Interest Receivable		468	
Total Current Assets			\$ 3,187,548

Fixed Assets

Water and Sewer System	\$	19,773,858	
Accumulated Depreciation		<u>(9,676,937)</u>	10,096,921
Machinery and Equipment		158,035	
Accumulated Depreciation		<u>(126,833)</u>	31,202
Transportation Equipment		298,097	
Accumulated Depreciation		<u>(163,380)</u>	134,717
Office Equipment		26,156	
Accumulated Depreciation		<u>(19,657)</u>	6,499
Buildings		114,359	
Accumulated Depreciation		<u>(69,422)</u>	44,937
Net Fixed Assets			10,314,276

Other Assets

Cash - Reserve Accounts		145,800	
Cash & CD's - Reserve Accounts		<u>200,000</u>	
			<u>345,800</u>
Total Assets			<u>\$ 13,847,624</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, 2020

LIABILITIES AND NET POSITION

Current Liabilities

Current Portion of Long-Term Debt	\$	231,806	
Accounts Payable		75,009	
Accrued Compensated Absences		7,796	
Accrued Payroll		6,233	
Payroll Taxes & Related Payables		1,882	
Accrued Interest Payable		1,363	
Total Current Liabilities			\$ 324,089

Long-Term Liabilities

Notes Payable - Rural Development Administration		4,500,386	
Notes Payable - Arvest		449,352	
Less Current Portion		(231,806)	
Total Long-Term Liabilities			<u>4,717,932</u>

Total Liabilities 5,042,021

Net Position

Invested in Capital Assets, Net of Related Debt		5,364,538	
Restricted for Debt Service		345,800	
Unrestricted		3,095,265	
Total Net Position			<u>8,805,603</u>

Total Liabilities and Net Position \$ 13,847,624

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, 2020

Operating Revenue

Water Revenue	\$ 1,861,003	
Grant Revenue	249,999	
Construction Revenue	130,164	
Tower Maintenance	130,135	
Benefit Unit Fees	53,618	
Other Revenue	34,172	
Penalty Revenue	26,903	
ODOT Revenue	25,525	
Sewer Revenue	11,138	
Reactivation Fees	4,661	
Meter Service Fees	3,447	
Total Revenue		\$ 2,530,765

Cost of Sales

System Maintenance and Repairs	684,822	
System Electricity	86,842	
Water Purchased	56,943	
Total Cost of Sales		<u>828,607</u>

Gross Operating Revenue 1,702,158

Operating Expense

Depreciation	489,745	
Salaries and Related Payroll Taxes	367,094	
Employee Health and Pension Benefits	68,320	
Auto and Truck Expense	58,222	
Insurance	47,744	
Other Repairs and Maintenance	46,706	
Office Supplies and Expense	21,448	
Dues, Licenses, Fees, and Permits	20,584	
Miscellaneous	15,480	
Utilities and Telephone	15,377	
Accounting	7,045	
Legal Expense	5,250	
Leases-Equipment	3,728	
Uniforms	1,288	
Advertising	668	
Total Operating Expense		<u>1,168,699</u>
Net Operating Revenue/(Loss)		\$ 533,459

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, 2020

<u>Nonoperating Revenue (Expense)</u>		
Interest Income	\$ 22,716	
Gain on Disposal of Assets	20,312	
Interest Expense	<u>(137,972)</u>	
Total Nonoperating Revenue (Expense)		<u>\$ (94,944)</u>
Net Revenue/(Loss)		438,515
Net Position, September 30, 2019		8,367,088
Net Position, September 30, 2020		<u>\$ 8,805,603</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, 2020

<u>Cash Flow from Operating Activities</u>		
Cash Received from Customers	\$ 2,527,790	
Cash Paid for Water	(833,002)	
Cash Paid for Salaries and Related Costs	(359,219)	
Cash Paid to Suppliers	<u>(308,001)</u>	
Net Cash Provided by Operating Activities		\$ 1,027,568
<u>Cash Flow from Capital and Related Financing Activities</u>		
Payments on Long-Term Debt:		
Rural Development	(208,729)	
Arvest	(45,373)	
Interest on Long-Term Debt	<u>(137,972)</u>	
Net Cash Used by Capital and Related Financing Activities		(392,074)
<u>Cash Flow from Investing Activities</u>		
Purchase of Fixed Assets	(718,011)	
Sale of Fixed Assets	27,500	
Interest Income	22,716	
Decrease in Interest Receivable	<u>40</u>	
Net Cash Used by Investing Activities		<u>(667,755)</u>
Net Increase in Cash and Cash Equivalents		(32,261)
Cash and Cash Equivalents, September 30, 2019		<u>3,249,497</u>
Cash and Cash Equivalents, September 30, 2020		<u><u>\$ 3,217,236</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, 2020

Reconciliation of Operating Income to Net Cash Provided by		
Operating Activities		
Net Operating Revenue	\$	533,459
Add, Depreciation		489,745
(Increase) Decrease in Other Current Assets:		
Prepaid Expense	\$ (11,609)	
Inventory	(4,395)	
Accounts Receivable	(2,975)	
Increase (Decrease) in Other Current Liabilities:		
Accounts Payable	15,468	
Accrued Payroll	6,233	
Payroll Taxes Payable	893	
Compensated Absences	749	
		4,364
Net Cash Provided by Operating Activities	\$	1,027,568

Please see accompanying notes to financial statements.

Consolidated Rural Water and Sewer District No. 1

Hastings, Oklahoma

Notes to Financial Statements

September 30, 2020

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, 2020

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

Petty Cash Fund	\$	387
Checking/Savings Accts:		
First Bank & Trust Company - Debit Card Acct		1,768
First Farmers National Bank - HiFi Acct		6,492 *
First Farmers National Bank - Reserve Acct		72,783 #
First Bank & Trust Company - Reserve Acct		73,017 #
First Bank & Trust Company - Membership		78,787 *
First Farmers National Bank - CDBG Acct		280,101 *
First Farmers National Bank - Construction Acct		323,610 *
First Famers National Bank - Tower Acct		566,078 *
First Farmers National Bank - Operating Acct		1,029,821
Total		2,432,844

- 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, 2020

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 \$489,745, which was charged against current operations.

Current year changes to fixed assets were as follows:

	Balance 09/30/2019	Additions	Disposals	Balance 09/30/2020
<u>Assets</u>				
Water & Sewer System	\$ 19,134,807	\$ 639,051	\$ 0	\$ 19,773,858
Transportation Equipment	305,787	78,960	(86,650)	298,097
Machinery & Equipment	158,035	0	0	158,035
Buildings	114,359	0	0	114,359
Office Equipment	26,156	0	0	26,156
Total	<u>\$ 19,739,144</u>	<u>\$ 718,011</u>	<u>\$ (86,650)</u>	<u>\$ 20,370,505</u>
<u>Accumulated Depreciation</u>				
Water & Sewer System	\$ 9,239,442	\$ 437,495	\$ 0	\$ 9,676,937
Transportation Equipment	205,559	37,283	(79,462)	163,380
Machinery & Equipment	116,436	10,397	0	126,833
Buildings	66,770	2,652	0	69,422
Office Equipment	17,739	1,918	0	19,657
Total	<u>\$ 9,645,946</u>	<u>\$ 489,745</u>	<u>\$ (79,462)</u>	<u>\$ 10,056,229</u>
Net Fixed Assets	<u>\$ 10,093,198</u>			<u>\$ 10,314,276</u>

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, 2020

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 6/12/21, Interest Paid Quarterly at 0.30%	\$	53,922
First Farmers National Bank, Waurika, OK		
Maturity 11/16/20, Interest Paid Monthly at 2.0%		100,000
First Farmers National Bank, Waurika, OK		
Maturity 6/21/21, Interest Paid Monthly at 0.65%		131,000
First Bank & Trust Company, Duncan, OK		
Maturity 3/31/24, Interest Paid Monthly at 0.80%		132,631
Arvest Bank, Duncan, OK		
Maturity 5/26/21, Interest Paid Monthly at 2.1%		166,839
First Bank & Trust Company, Duncan, OK		
Maturity 4/23/21, Interest Paid Monthly at 0.65%		200,000
Total	<u>\$</u>	<u>784,392</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, 2020

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, 2019	\$	4,709,115
Less, Current Year Principal Payments		<u>(208,729)</u>
Balance, September 30, 2020	\$	<u>4,500,386</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, 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
Year Ended September 30, 2025	100,203	96,777	196,980
Years Ended September 30, 2053	<u>3,923,419</u>	<u>2,009,823</u>	<u>5,933,242</u>
 Total	 <u>\$ 4,500,386</u>	 <u>\$ 2,522,986</u>	 <u>\$ 7,023,372</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:

Balance, September 30, 2019	\$	494,725
Less, Current Year Principal Payments		<u>(45,373)</u>
Balance, September 30, 2020	\$	<u>449,352</u>

Consolidated Rural Water and Sewer District No. 1
Hastings, Oklahoma
Notes to Financial Statements
September 30, 2020

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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
Year Ended September 30, 2025	47,868	18,154	66,022
Years Ended September 30, 2032	<u>229,085</u>	<u>64,296</u>	<u>293,381</u>
 Total	 <u>\$ 449,352</u>	 <u>\$ 174,139</u>	 <u>\$ 623,491</u>

Note 9 – Supplemental Disclosures

Supplemental disclosure of cash flow information:

Cash paid during the year for interest expense	<u>\$ 137,972</u>
--	-------------------

Note 10 – Compensated Absences

Accrued compensated absences includes the following:

Earned Unpaid Vacation/Sick Leave	<u>\$ 7,796</u>
-----------------------------------	-----------------

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, 2020

Costs of pension contributions for the current year were:

District	\$	11,454
Employees		15,216
Total	\$	<u>26,670</u>

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

09/30/2020	\$	11,454
09/30/2019		9,859
09/30/2018		8,937
Total	\$	<u>30,250</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, 2020 and through November 6, 2020, 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, 2020, 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 6, 2020.

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.

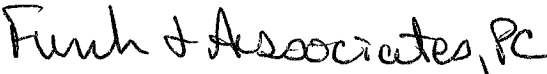
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not 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 6, 2020

Consolidated Rural Water and Sewer District No. 1

Hastings, Oklahoma

Revenues and Expenses Compared with Budget

Year Ended September 30, 2020

	Budget	Actual	Over (Under) Budget
<u>Revenue</u>			
Water Revenue	\$ 2,116,600	\$ 1,861,003	\$ (255,597)
Grant Revenue	375,665	249,999	(125,666)
ODOT Revenue	200,000	25,525	(174,475)
Construction Revenue	130,000	130,164	164
Tower Maintenance	130,000	130,135	135
Other Revenue	40,000	34,172	(5,828)
Benefit Unit Fees	40,000	53,618	13,618
Penalty Revenue	30,000	26,903	(3,097)
Sewer Revenue	13,000	11,138	(1,862)
Reactivation Fees	7,200	4,661	(2,539)
Meter Service Fees	3,000	3,447	447
Total Revenue	3,085,465	2,530,765	(554,700)
<u>Cost of Sales</u>			
System Maintenance and Repairs	690,948	684,822	(6,126)
System Electricity	100,000	86,842	(13,158)
Water Purchased	35,000	56,943	21,943
Total Cost of Sales	825,948	828,607	2,659
Gross Revenue	2,259,517	1,702,158	(557,359)
<u>Operating Expense</u>			
Depreciation	575,665	489,745	(85,920)
Salaries and Related Payroll Taxes	436,500	367,094	(69,406)
Employee Health and Pension Benefits	95,000	68,320	(26,680)
Insurance	74,000	47,744	(26,256)
Auto and Truck Expense	63,000	58,222	(4,778)
Dues, Licenses, Fees, and Permits	63,000	20,584	(42,416)
Office Supplies and Expense	35,200	21,448	(13,752)
Miscellaneous	30,000	15,480	(14,520)
Other Repairs and Maintenance	25,000	46,706	21,706
Leases-Equipment	20,000	3,728	(16,272)
Utilities and Telephone	16,500	15,377	(1,123)
Legal Expense	10,000	5,250	(4,750)
Accounting	10,000	7,045	(2,955)
Uniforms	2,500	1,288	(1,212)
Advertising	1,500	668	(832)
Total Operating Expense	1,457,865	1,168,699	(289,166)
Interest Expense	(70,000)	(137,972)	(67,972)
Interest Income	25,000	22,716	(2,284)
Net Revenue (Loss)	\$ 756,652	\$ 418,203	\$ (338,449)

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, 2020

	09/30/2020	09/30/2019	Increase (Decrease)
<u>Current Assets</u>			
Cash	\$ 2,287,044	\$ 2,329,810	\$ (42,766)
Temp. Investments - Due After 90 Days	584,392	578,979	5,413
Accounts Receivable	216,855	213,880	2,975
Inventory	61,533	57,138	4,395
Prepaid Expense	37,256	25,647	11,609
Interest Receivable	468	508	(40)
<u>Fixed Assets</u>			
Water and Sewer System (Net)	10,096,921	9,895,365	201,556
Machinery and Equipment (Net)	31,202	41,599	(10,397)
Transportation Equipment (Net)	134,717	100,228	34,489
Office Equipment (Net)	6,499	8,417	(1,918)
Buildings (Net)	44,937	47,589	(2,652)
<u>Other Assets</u>			
Cash - Reserve Accounts	145,800	140,708	5,092
Cash & CD's - Reserve Accounts	200,000	200,000	0
Total Assets	\$ 13,847,624	\$ 13,639,868	\$ 207,756
<u>Current Liabilities</u>			
Current Portion of LT Debt	\$ 231,806	\$ 247,447	\$ (15,641)
Accounts Payable	75,009	59,541	15,468
Compensated Absences	7,796	7,047	749
Accrued Payroll	6,233	0	6,233
Payroll Taxes & Related Payables	1,882	989	893
Accrued Interest Payable	1,363	1,363	0
<u>Long Term Liabilities</u>			
Notes Payable - Rural Development	4,310,728	4,461,668	(150,940)
Notes Payable - Arvest	407,204	494,725	(87,521)
Total Liabilities	5,042,021	5,272,780	(230,759)
<u>Net Position</u>			
Invested in Capital Assets (Net)	5,364,538	4,889,358	475,180
Restricted for Debt Service	345,800	340,708	5,092
Unrestricted	3,095,265	3,137,022	(41,757)
Total Net Position	8,805,603	8,367,088	438,515
Total Liabilities and Net Position	\$ 13,847,624	\$ 13,639,868	\$ 207,756

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, 2020

	Year Ended 09/30/2020	Year Ended 09/30/2019	(Increase) Decrease
<u>Revenue</u>			
Water Revenue	\$ 1,861,003	\$ 1,760,098	\$ 100,905
Grant Revenue	249,999	0	249,999
Construction Revenue	130,164	129,270	894
Tower Maintenance	130,135	129,270	865
ODOT Revenue	25,525	121,635	(96,110)
Benefit Unit Fees	53,618	41,195	12,423
Penalty Revenue	26,903	29,129	(2,226)
Other Revenue	34,172	18,262	15,910
Sewer Revenue	11,138	11,513	(375)
Reactivation Fees	4,661	5,481	(820)
Meter Service Fees	3,447	2,723	724
Total Revenue	2,530,765	2,248,576	282,189
<u>Cost of Sales</u>			
System Maintenance and Repairs	684,822	512,319	172,503
System Electricity	86,842	85,885	957
Water Purchased	56,943	28,387	28,556
Total Cost of Sales	828,607	626,591	202,016
Gross Operating Revenue	1,702,158	1,621,985	80,173
<u>Operating Expense</u>			
Depreciation	489,745	531,873	(42,128)
Salaries and Related Payroll Taxes	367,094	323,312	43,782
Employee Health and Pension Benefits	68,320	84,632	(16,312)
Other Repairs and Maintenance	46,706	72,743	(26,037)
Auto and Truck Expense	58,222	67,043	(8,821)
Insurance	47,744	45,110	2,634
Office Supplies and Expense	21,448	22,084	(636)
Dues, Licenses, Fees, and Permits	20,584	20,587	(3)
Utilities and Telephone	15,377	15,465	(88)
Miscellaneous	15,480	12,610	2,870
Accounting	7,045	7,497	(452)
Legal Expense	5,250	7,320	(2,070)
Leases-Equipment	3,728	3,734	(6)
Uniforms	1,288	3,048	(1,760)
Advertising	668	384	284
Total Operating Expense	1,168,699	1,217,442	(48,743)
Net Operating Revenue/(Loss)	\$ 533,459	\$ 404,543	\$ 128,916

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, 2020

	<u>Year Ended</u> <u>09/30/2020</u>	<u>Year Ended</u> <u>09/30/2019</u>	<u>(Increase)</u> <u>Decrease</u>
<u>Nonoperating Revenue/(Expense)</u>			
Interest Income	\$ 22,716	\$ 23,107	\$ (391)
Gain on Disposal of Asset	20,312	0	20,312
Interest Expense	<u>(137,972)</u>	<u>(240,578)</u>	<u>102,606</u>
Total Nonoperating Revenue/(Expense)	<u>(94,944)</u>	<u>(217,471)</u>	<u>122,527</u>
Net Revenue/(Loss)	438,515	187,072	251,443
Net Position, Beg of year	<u>8,367,088</u>	<u>8,180,016</u>	<u>187,072</u>
Net Position, End of Year	<u>\$ 8,805,603</u>	<u>\$ 8,367,088</u>	<u>\$ 438,515</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, 2020

<u>Description</u>	<u>Original Note Balance</u>	<u>Balance as of 09/30/2020</u>
United States Department of Agriculture Rural Development Administration		
Mortgage Note #9112, November 5, 1981, Matures November 5, 2021	<u>\$ 106,228</u>	
Monthly Payment \$514, Including 5% Interest Principal Balance, September 30, 2020		\$ 4,446
Mortgage Note #9213, November 5, 1981, Matures November 5, 2021	<u>76,787</u>	
Monthly Payment \$371, Including 5% Interest Principal Balance, September 30, 2020		2,341
Mortgage Note #9314, November 5, 1981, Matures November 5, 2021	<u>170,675</u>	
Monthly Payment \$796, Including 4.75% Interest Principal Balance, September 30, 2020		9,413
Mortgage Note #9115, November 5, 1981, Matures November 5, 2021	<u>424,690</u>	
Monthly Payment \$2,052, Including 5% Interest Principal Balance, September 30, 2020		21,934
Mortgage Note #9116, November 5, 1981, Matures November 5, 2021	<u>955,816</u>	
Monthly Payment \$4,617, Including 5% Interest Principal Balance, September 30, 2020		40,369
Mortgage Note #9117, November 5, 1981, Matures November 5, 2021	<u>497,988</u>	
Monthly Payment \$2,406, Including 5% Interest Principal Balance, September 30, 2020		20,478
Mortgage Note #9121, March 28, 2013, Matures April 28, 2053	<u>4,900,000</u>	
Monthly Payment \$16,415, Including 2.5% Interest Principal Balance, September 30, 2020		<u>4,401,405</u>
Total United States Department of Agriculture Notes Payable		<u>\$ 4,500,386</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, 2020

<u>Description</u>	<u>Original Note Balance</u>	<u>Balance as of 09/30/2020</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, 2020		<u>\$ 449,352</u>
 Total Arvest Notes Payable		<u><u>\$ 449,352</u></u>

Please see accompanying notes to the financial statements.

Consolidated Rural Water and Sewer District No. 1
Hastings, Oklahoma
Community Development Block Grant
Revenue and Expenditures Compared with Budget
Year Ended September 30, 2020

	Budget	Total	(Over) Under Budget
<u>Revenue</u>			
Grant Revenue	\$ 249,999	\$ 249,999	\$ 0
Grant Match	375,665	396,052	(20,387)
Total Revenue	625,664	646,051	(20,387)
<u>Expenditures</u>			
Construction	535,825	567,657	(31,832)
Engineering	69,839	58,394	11,445
Administration	20,000	20,000	0
Total Expenditures	625,664	646,051	(20,387)
<u>Revenue Over (Under) Expenditures</u>	\$ 0	\$ 0	\$ 0

Contract No.: 17520 CDBG 19
Contract Period: 08/13/2019 - 08/12/2021

Please see accompanying notes to the financial statements.