

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

SEPTEMBER 30, 2021

BY



Consolidated Rural Water and Sewer District No. 1

Hastings, Oklahoma
Year Ended September 30, 2021

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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, 2021, 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, 2021, 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 22, 2021, 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

Furrh & Associates, PC
Lawton, Oklahoma
November 22, 2021

Consolidated Rural Water and Sewer District No. 1

Hastings, Oklahoma

Statement of Net Position

For Year Ended September 30, 2021

ASSETS

Current Assets

Cash - Operating Accounts	\$	2,429,804	
Temporary Investments - Due after 90 Days		585,783	
Net Accounts Receivable		219,387	
Inventory		78,876	
Prepaid Expense		45,360	
Accrued Interest Receivable		75	
Total Current Assets			\$ 3,359,285

Fixed Assets

Water and Sewer System	\$	19,826,264	
Accumulated Depreciation		(10,110,132)	9,716,132
Machinery and Equipment		158,035	
Accumulated Depreciation		(133,678)	24,357
Transportation Equipment		298,097	
Accumulated Depreciation		(201,379)	96,718
Office Equipment		29,541	
Accumulated Depreciation		(21,299)	8,242
Buildings		114,359	
Accumulated Depreciation		(72,074)	42,285
Net Fixed Assets			9,887,734

Other Assets

Cash - Reserve Accounts		147,647	
Cash & CD's - Reserve Accounts		200,000	
			347,647
Total Assets			<u>\$ 13,594,666</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, 2021

LIABILITIES AND NET POSITION

Current Liabilities

Current Portion of Long-Term Debt	\$	135,840	
Accounts Payable		24,308	
Accrued Compensated Absences		9,310	
Accrued Payroll		6,966	
Payroll Taxes & Related Payables		1,704	
Accrued Interest Payable		579	
Total Current Liabilities			\$ 178,707

Long-Term Liabilities

Notes Payable - Rural Development Administration		4,226,133	
Notes Payable - Arvest		401,704	
Less Current Portion		(135,840)	
Total Long-Term Liabilities			<u>4,491,997</u>

Total Liabilities 4,670,704

Net Position

Invested in Capital Assets, Net of Related Debt		5,259,897	
Restricted for Debt Service		347,647	
Unrestricted		3,316,418	
Total Net Position			<u>8,923,962</u>

Total Liabilities and Net Position \$ 13,594,666

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, 2021

Operating Revenue

Water Revenue	\$ 1,956,529	
ODOT Revenue	208,451	
Construction Revenue	131,960	
Tower Maintenance	131,949	
Benefit Unit Fees	49,591	
Other Revenue	32,667	
Penalty Revenue	21,717	
Sewer Revenue	11,078	
Meter Service Fees	4,104	
Reactivation Fees	3,187	
Total Revenue		\$ 2,551,233

Cost of Sales

System Maintenance and Repairs	1,012,462	
System Electricity	91,022	
Water Purchased	75,545	
Total Cost of Sales		<u>1,179,029</u>
Gross Operating Revenue		1,372,204

Operating Expense

Depreciation	482,333	
Salaries and Related Payroll Taxes	407,668	
Employee Health and Pension Benefits	70,237	
Auto and Truck Expense	77,174	
Insurance	41,457	
Other Repairs and Maintenance	58,250	
Office Supplies and Expense	22,173	
Dues, Licenses, Fees, and Permits	19,689	
Miscellaneous	11,074	
Utilities and Telephone	15,720	
Accounting	7,689	
Legal Expense	5,700	
Leases-Equipment	3,426	
Uniforms	1,971	
Advertising	492	
Total Operating Expense		<u>1,225,053</u>
Net Operating Revenue/(Loss)		\$ 147,151

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, 2021

<u>Nonoperating Revenue (Expense)</u>		
Interest Income	\$ 7,657	
Interest Expense	<u>(198,554)</u>	
Total Nonoperating Revenue (Expense)		<u>\$ (190,897)</u>
Net Revenue/(Loss)		(43,746)
Net Position, September 30, 2020		8,967,708
Net Position, September 30, 2021		<u>\$ 8,923,962</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, 2021

Cash Flow from Operating Activities

Cash Received from Customers	\$	2,548,701	
Cash Paid for Water		(1,179,029)	
Cash Paid for Salaries and Related Costs		(475,836)	
Cash Paid to Suppliers		<u>(340,963)</u>	
Net Cash Provided by Operating Activities	\$		552,873

Cash Flow from Capital and Related Financing Activities

Payments on Long-Term Debt:			
Rural Development		(112,933)	
Arvest		(47,648)	
Interest on Long-Term Debt		<u>(198,554)</u>	
Net Cash Used by Capital and Related Financing Activities			(359,135)

Cash Flow from Investing Activities

Purchase of Fixed Assets		(55,790)	
Interest Income		7,657	
Decrease in Interest Receivable		<u>393</u>	
Net Cash Used by Investing Activities			<u>(47,740)</u>

Net Increase in Cash and Cash Equivalents			145,998
Cash and Cash Equivalents, September 30, 2020			<u>3,217,236</u>
Cash and Cash Equivalents, September 30, 2021	\$		<u><u>3,363,234</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, 2021

Reconciliation of Operating Income to Net Cash Provided by

Operating Activities

Net Operating Revenue		\$	147,151
Add, Depreciation			482,333
(Increase) Decrease in Other Current Assets:			
Prepaid Expense	\$	(8,104)	
Inventory		(17,343)	
Accounts Receivable		(2,532)	
Increase (Decrease) in Other Current Liabilities:			
Accounts Payable		(50,701)	
Accrued Payroll		733	
Payroll Taxes Payable		(178)	
Compensated Absences		1,514	
			<u>(76,611)</u>
Net Cash Provided by Operating Activities		\$	<u>552,873</u>

Please see accompanying notes to financial statements.

Consolidated Rural Water and Sewer District No. 1
Hastings, Oklahoma
Notes to Financial Statements
September 30, 2021

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, 2021

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

Petty Cash Fund	\$	309
Checking/Savings Accts:		
First Bank & Trust Company - Debit Card Acct		1,666
First Farmers National Bank - HiFi Acct		6,500 *
First Farmers National Bank - Reserve Acct		73,439 #
First Bank & Trust Company - Reserve Acct		74,208 #
First Bank & Trust Company - Membership		83,968 *
First Bank & Trust Company - CD		200,000 #
First Farmers National Bank - Construction Acct		252,173 *
First Farmers National Bank - CDBG Acct		261,928 *
First Famers National Bank - Tower Acct		389,335 *
First Farmers National Bank - Operating Hifi Acct		505,883
First Farmers National Bank - Operating Acct		928,041
Total		2,777,451

- 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, 2021

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 \$482,333, which was charged against current operations.

Current year changes to fixed assets were as follows:

	Balance 09/30/2020	Additions	Disposals	Balance 09/30/2021
<u>Assets</u>				
Water & Sewer System	\$ 19,773,858	\$ 52,405	\$ 0	\$ 19,826,263
Transportation Equipment	298,097	0	0	298,097
Machinery & Equipment	158,035	0	0	158,035
Buildings	114,359	0	0	114,359
Office Equipment	26,156	3,385	0	29,541
Total	\$ 20,370,505	\$ 55,790	\$ 0	\$ 20,426,296
<u>Accumulated Depreciation</u>				
Water & Sewer System	\$ 9,676,937	\$ 433,195	\$ 0	\$ 10,110,132
Transportation Equipment	163,380	37,999	0	201,379
Machinery & Equipment	126,833	6,845	0	133,678
Buildings	69,422	2,652	0	72,074
Office Equipment	19,657	1,642	0	21,299
Total	\$ 10,056,229	\$ 482,333	\$ 0	\$ 10,538,562
Net Fixed Assets	\$ 10,314,276			\$ 9,887,734

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, 2021

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 6/12/22, Interest Paid Quarterly at 0.150%	\$	54,064
First Farmers National Bank, Waurika, OK		
Maturity 11/16/22, Interest Paid Monthly at .300%		100,000
First Farmers National Bank, Waurika, OK		
Maturity 6/21/22, Interest Paid Monthly at 0.30%		131,000
Arvest Bank, Duncan, OK		
Maturity 5/26/22, Interest Paid Monthly at 2.0%		167,360
First Bank & Trust Company, Duncan, OK		
Maturity 3/31/22, Interest Paid Monthly at 0.300%		133,359
Total	<u>\$</u>	<u>585,783</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:

<u>Description</u>
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, 2021

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 \$196,980 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, 2020	\$	4,338,281
Less, Current Year Principal Payments		(112,148)
Balance, September 30, 2021	\$	4,226,133

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

	Principal	Interest	Total
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
Year Ended September 30, 2026	101,770	95,210	196,980
Years Ended September 30, 2053	3,738,138	1,383,865	5,122,003
 Total	\$ 4,226,133	\$ 1,880,770	\$ 6,106,903

Arvest Bank

The total annual debt service requirements of the long-term mortgage note to Arvest Bank detailed on page 23 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:

Consolidated Rural Water and Sewer District No. 1
Hastings, Oklahoma
Notes to Financial Statements
September 30, 2021

Balance, September 30, 2020	\$	449,352
Less, Current Year Principal Payments		(47,648)
Balance, September 30, 2021	\$	401,704

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

	Principal	Interest	Total
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
Year Ended September 30, 2026	50,929	15,093	66,022
Years Ended September 30, 2032	170,905	43,658	214,563
 Total	 \$ 401,704	 \$ 142,969	 \$ 544,673

Note 9 – Supplemental Disclosures

Supplemental disclosure of cash flow information:

Cash paid during the year for interest expense		\$ <u>198,554</u>
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Note 10 – Compensated Absences

Accrued compensated absences includes the following:

Earned Unpaid Vacation/Sick Leave		\$ <u>9,310</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

Consolidated Rural Water and Sewer District No. 1

Hastings, Oklahoma

Notes to Financial Statements

September 30, 2021

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.

Costs of pension contributions for the current year were:

District	\$	10,390
Employees		15,341
Total	\$	<u>25,731</u>

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

09/30/2021	\$	10,390
09/30/2020		11,454
09/30/2019		9,859
Total	\$	<u>31,703</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, 2021 and through November 22, 2021, 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, 2021, 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 22, 2021.

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
FURRH & ASSOCIATES, PC

Lawton, Oklahoma
November 22, 2021

Consolidated Rural Water and Sewer District No. 1

Hastings, Oklahoma

Revenues and Expenses Compared with Budget

Year Ended September 30, 2021

	<u>Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
<u>Revenue</u>			
Water Revenue	\$ 2,118,000	\$ 1,956,529	\$ (161,471)
ODOT Revenue	200,000	208,451	8,451
Construction Revenue	131,000	131,960	960
Tower Maintenance	131,000	131,949	949
Other Revenue	40,000	32,667	(7,333)
Benefit Unit Fees	53,000	49,591	(3,409)
Penalty Revenue	30,000	21,717	(8,283)
Sewer Revenue	13,000	11,078	(1,922)
Reactivation Fees	7,500	3,187	(4,313)
Meter Service Fees	3,500	4,104	604
Total Revenue	2,727,000	2,551,233	(175,767)
<u>Cost of Sales</u>			
System Maintenance and Repairs	770,000	1,012,462	242,462
System Electricity	100,000	91,022	(8,978)
Water Purchased	50,000	75,545	25,545
Total Cost of Sales	920,000	1,179,029	259,029
Gross Revenue	1,807,000	1,372,204	(434,796)
<u>Operating Expense</u>			
Salaries and Related Payroll Taxes	431,500	407,668	(23,832)
Depreciation	361,348	482,333	120,985
Employee Health and Pension Benefits	85,000	70,237	(14,763)
Insurance	66,500	41,457	(25,043)
Auto and Truck Expense	63,000	77,174	14,174
Dues, Licenses, Fees, and Permits	58,000	19,689	(38,311)
Miscellaneous	47,000	11,074	(35,926)
Office Supplies and Expense	37,000	22,173	(14,827)
Utilities and Telephone	16,000	15,720	(280)
Other Repairs and Maintenance	14,000	58,250	44,250
Legal Expense	10,000	5,700	(4,300)
Accounting	10,000	7,689	(2,311)
Leases-Equipment	5,000	3,426	(1,574)
Uniforms	2,500	1,971	(529)
Advertising	1,500	492	(1,008)
Total Operating Expense	1,208,348	1,225,053	16,705
Interest Expense	(25,000)	(198,554)	(173,554)
Interest Income	25,000	7,657	(17,343)
Net Revenue (Loss)	\$ 598,652	\$ (43,746)	\$ (642,398)

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, 2021

	<u>09/30/2021</u>	<u>09/30/2020</u>	<u>Increase (Decrease)</u>
<u>Current Assets</u>			
Cash	\$ 2,429,804	\$ 2,287,044	\$ 142,760
Temp. Investments - Due After 90 Days	585,783	584,392	1,391
Accounts Receivable	219,387	216,855	2,532
Inventory	78,876	61,533	17,343
Prepaid Expense	45,360	37,256	8,104
Interest Receivable	75	468	(393)
<u>Fixed Assets</u>			
Water and Sewer System (Net)	9,716,132	10,096,921	(380,789)
Machinery and Equipment (Net)	24,357	31,202	(6,845)
Transportation Equipment (Net)	96,718	134,717	(37,999)
Office Equipment (Net)	8,242	6,499	1,743
Buildings (Net)	42,285	44,937	(2,652)
<u>Other Assets</u>			
Cash - Reserve Accounts	147,647	145,800	1,847
Cash & CD's - Reserve Accounts	200,000	200,000	0
Total Assets	<u>\$ 13,594,666</u>	<u>\$ 13,847,624</u>	<u>\$ (252,958)</u>
<u>Current Liabilities</u>			
Current Portion of LT Debt	\$ 135,840	\$ 159,796	\$ (23,956)
Accounts Payable	24,308	75,009	(50,701)
Compensated Absences	9,310	7,796	1,514
Accrued Payroll	6,966	6,233	733
Payroll Taxes & Related Payables	1,704	1,882	(178)
Accrued Interest Payable	579	1,363	(784)
<u>Long Term Liabilities</u>			
Notes Payable - Rural Development	4,226,133	4,338,281	(112,148)
Notes Payable - Arvest	401,704	449,352	(47,648)
Less: Current Portion	<u>(135,840)</u>	<u>(159,796)</u>	<u>23,956</u>
Total Liabilities	<u>4,670,704</u>	<u>4,879,916</u>	<u>(209,212)</u>
<u>Net Position</u>			
Invested in Capital Assets (Net)	5,259,897	5,364,538	(104,641)
Restricted for Debt Service	347,647	345,800	1,847
Unrestricted	<u>3,316,418</u>	<u>3,257,370</u>	<u>59,048</u>
Total Net Position	<u>8,923,962</u>	<u>8,967,708</u>	<u>(43,746)</u>
Total Liabilities and Net Position	<u>\$ 13,594,666</u>	<u>\$ 13,847,624</u>	<u>\$ (252,958)</u>

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, 2021

	<u>Year Ended</u> <u>09/30/2021</u>	<u>Year Ended</u> <u>09/30/2020</u>	<u>(Increase)</u> <u>Decrease</u>
<u>Revenue</u>			
Water Revenue	\$ 1,956,529	\$ 1,861,003	\$ 95,526
Grant Revenue	0	249,999	(249,999)
Construction Revenue	131,960	130,164	1,796
Tower Maintenance	131,949	130,135	1,814
ODOT Revenue	49,591	25,525	24,066
Benefit Unit Fees	32,667	53,618	(20,951)
Penalty Revenue	21,717	26,903	(5,186)
Other Revenue	208,451	34,172	174,279
Sewer Revenue	11,078	11,138	(60)
Reactivation Fees	3,187	4,661	(1,474)
Meter Service Fees	4,104	3,447	657
Total Revenue	<u>2,551,233</u>	<u>2,530,765</u>	<u>20,468</u>
<u>Cost of Sales</u>			
System Maintenance and Repairs	1,012,462	684,822	327,640
System Electricity	91,022	86,842	4,180
Water Purchased	75,545	56,943	18,602
Total Cost of Sales	<u>1,179,029</u>	<u>828,607</u>	<u>350,422</u>
Gross Operating Revenue	1,372,204	1,702,158	(329,954)
<u>Operating Expense</u>			
Depreciation	482,333	489,745	(7,412)
Salaries and Related Payroll Taxes	407,668	367,094	40,574
Employee Health and Pension Benefits	70,237	68,320	1,917
Other Repairs and Maintenance	58,250	46,706	11,544
Auto and Truck Expense	77,174	58,222	18,952
Insurance	41,457	47,744	(6,287)
Office Supplies and Expense	22,173	21,448	725
Dues, Licenses, Fees, and Permits	19,689	20,584	(895)
Utilities and Telephone	15,720	15,377	343
Miscellaneous	11,074	15,480	(4,406)
Accounting	7,689	7,045	644
Legal Expense	5,700	5,250	450
Leases-Equipment	3,426	3,728	(302)
Uniforms	1,971	1,288	683
Advertising	492	668	(176)
Total Operating Expense	<u>1,225,053</u>	<u>1,168,699</u>	<u>56,354</u>
Net Operating Revenue/(Loss)	\$ 147,151	\$ 533,459	\$ (386,308)

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, 2021

	<u>Year Ended</u> <u>09/30/2021</u>	<u>Year Ended</u> <u>09/30/2020</u>	<u>(Increase)</u> <u>Decrease</u>
<u>Nonoperating Revenue/(Expense)</u>			
Interest Income	\$ 7,657	\$ 22,716	\$ (15,059)
Gain on Disposal of Asset	0	20,312	(20,312)
Interest Expense	<u>(198,554)</u>	<u>(137,972)</u>	<u>(60,582)</u>
Total Nonoperating Revenue/(Expense)	<u>(190,897)</u>	<u>(94,944)</u>	<u>(95,953)</u>
Net Revenue/(Loss)	(43,746)	438,515	(482,261)
Net Position, Beg of year	<u>8,967,708</u>	<u>8,529,193</u>	<u>438,515</u>
Net Position, End of Year	<u>\$ 8,923,962</u>	<u>\$ 8,967,708</u>	<u>\$ (43,746)</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, 2021

<u>Description</u>	<u>Original Note Balance</u>	<u>Balance as of 09/30/2021</u>
United States Department of Agriculture Rural Development Administration 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, 2021		<u>\$ 4,226,133</u>
Total United States Department of Agriculture Notes Payable		<u>\$ 4,226,133</u>
Arvest Bank Tower Construction Loan Mortgage Note 4344304, October, 2016 Matures August 15, 2032	\$ 725,000	
Monthly Payment \$5,502, Including 4.25% Interest Principal Balance, September 30, 2021		<u>\$ 401,704</u>
Total Arvest Notes Payable		<u>\$ 401,704</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, 2021

	<u>Budget</u>	<u>Total</u>	<u>(Over) Under Budget</u>
<u>Revenue</u>			
Grant Revenue	\$ 299,999	\$ 0	\$ 299,999
Grant Match	<u>570,837</u>	<u>52,405</u>	<u>518,432</u>
Total Revenue	870,836	52,405	818,431
<u>Expenditures</u>			
Construction	746,750	0	746,750
Engineering	100,086	47,605	52,481
Administration	<u>24,000</u>	<u>4,800</u>	<u>19,200</u>
Total Expenditures	870,836	52,405	818,431
<u>Revenue Over (Under) Expenditures</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

Contract No.: 18231 CDBG 18

Contract Period: 09/3/2021 - 09/02/2023

Please see accompanying notes to the financial statements.