

**Bryan County Rural Water, Sewer and
Solid Waste Management District No. 2
Mead, Oklahoma**

Financial Statements and Auditor's Reports

Year Ended September 30, 2021

Audited by

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

BROKEN ARROW, OK

**Bryan County Rural Water, Sewer and
Solid Waste Management District No. 2
Mead, Oklahoma**

BOARD OF DIRECTORS

Chairman

Jerry Lewis

Vice-Chair

Mark Smith

Secretary

John Hoefler

Treasurer

Linda Henderson

Members

Terry Bourne

Brett Butlan

Dustin Rudolf

MANAGER

Regina Clinton

FIELD SUPERINTENDENT

Merle Pearce

OFFICE MANAGER

Nancy Parry

**Bryan County Rural Water, Sewer and
Solid Waste Management District No. 2
Mead, Oklahoma
September 30, 2021**

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Bryan County Rural Water, Sewer and
Solid Waste Management District No. 2
Mead, Oklahoma

Report on Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Bryan County Rural Water, Sewer and Solid Waste Management District No. 2 (the District), Mead, Oklahoma, 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. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 District'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 District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our 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 the District as of September 30, 2021 and the respective changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 - 8 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The prior year "memorandum only" comparative information and the other supplemental information provided on page 24 is presented for the purposes of additional analysis and is not a required part of the basic financial statements of the District. Such information has not been subjected to the auditing procedures applied in our audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 14, 2022 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 or on 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.

Bledsoe, Hewett & Gullekson

Bledsoe, Hewett & Gullekson
Certified Public Accountants, PLLLP

January 14, 2022

**RURAL WATER, SEWER & SOLID WASTE MANAGEMENT
DISTRICT NO. 2, BRYAN COUNTY, OKLAHOMA**

MANAGEMENT'S DISCUSSION AND ANALYSIS

SEPTEMBER 30, 2021

Our discussion and analysis of the Bryan County Rural Water, Sewer and Solid Waste Management District (the District)'s financial performance provides an overview of the District's financial activities for the fiscal year ended September 30, 2021. Please read it in conjunction with the District's financial statements that begin on page 13.

FINANCIAL HIGHLIGHTS

- The District's total operating revenues exceeded total operating expenses by \$267,439. Overall, the District's cash and cash equivalents increased by \$22,292 in the current fiscal year.
- The District earned a total of \$6,243 in interest in 2020-21 on bank accounts and certificates of deposit - a decrease from prior years due to falling interest rates.
- Membership numbers increased in 2020-21, with total users reaching over 4,400 at year-end.
- The District was forced to increase water and sewer rates in 2021 due to the increased cost of materials and supplies.

Using This Report

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

Basis of Accounting

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

The Financial Statements

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

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

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

Net Position, and Changes in Net Position

The District’s Net Position was higher in 2020-21, increasing from \$7,351,019 to \$7,643,953. Our analysis below focuses on the Net Position (Table 1) and Changes in Net Position (Table 2) of the District’s business-type activities.

Table 1 – Net Position:

	<u>2020-21</u>	<u>2019-20</u>	<u>Variances</u>
Current and other assets	\$ 3,903,243	\$ 3,721,487	181,756
Capital assets, net	6,583,817	6,663,709	(79,892)
Total Assets	<u>\$ 10,487,060</u>	<u>\$ 10,385,196</u>	<u>101,864</u>
Current liabilities	\$ 373,737	\$ 360,088	(13,649)
Long-term liabilities	2,469,370	2,674,089	204,719
Total Liabilities	<u>\$ 2,843,107</u>	<u>\$ 3,034,177</u>	<u>191,070</u>
Invest. In capital assets, net			
of related debt	\$ 3,909,734	\$ 3,788,933	120,801
Restricted	76,764	76,764	-
Unrestricted	3,657,455	3,485,322	172,133
Total Net Position	<u>\$ 7,643,953</u>	<u>\$ 7,351,019</u>	<u>292,934</u>

Net Position of the District increased by 3.98 percent (\$7,643,953 compared to \$7,351,019). Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – increased from \$3,485,322 to \$3,657,455.

Table 2 – Changes in Net Position:

	<u>2020-21</u>	<u>2019-20</u>	<u>Variances</u>
Revenues:			
Charges for services	\$ 2,281,564	\$ 2,135,513	146,051
Other revenue	290,935	212,084	78,851
Memberships	63,375	172,225	(108,850)
Grant proceeds	-	310,618	(310,618)
Interest	6,243	13,400	(7,157)
Total Revenues	<u>2,642,117</u>	<u>2,843,840</u>	<u>(201,723)</u>
Expenses:			
Salaries, taxes and benefits	860,475	795,368	(65,107)
Maintenance and repairs	611,765	655,593	43,828
Other expenses	372,871	333,134	(39,737)
Depreciation	420,963	367,887	(53,076)
Interest on debt	83,109	79,851	(3,258)
Total Expenses	<u>2,349,183</u>	<u>2,231,833</u>	<u>(117,350)</u>
Changes in Net Position	292,934	612,007	(319,073)
Net Position, Beginning	<u>7,351,019</u>	<u>6,739,012</u>	<u>612,007</u>
Net Position, Ending	<u>\$ 7,643,953</u>	<u>\$ 7,351,019</u>	<u>292,934</u>

The District's total revenues decreased by 7.09 percent (\$201,723). The total cost of expenses increased by 5.25 percent (\$117,350).

Capital Assets

At September 30, 2021 the District had \$6,583,817 invested in capital assets, net of depreciation, including land, buildings, the water system, vehicles and equipment. The District made some drinking water system improvements and replacements in 2020-21 increasing total capital assets by \$341,071. A summary of capital assets can be found on page 19.

Long-Term Debt

The District is indebted to Oklahoma Water Resources Board on three notes obtained for extensive water and sewer system extensions, and two notes from Rural Development. The outstanding principal balance owed on the notes decreased from \$2,874,776 to \$2,674,083 during the 2020-21 fiscal year. Debt information can be found on pages 19-22.

Economic Factors and Next Year's Budget and Rates

A water rate increase was approved, effective January 1, 2022.

DEQ/EPA has new regulations for all Rural Water Districts. There will be continuing substantial costs associated with these testing requirements, along with increasing chemical costs.

The District's operating budget for fiscal year 2021-22 will remain much like previous years budgets.

The District will continue to consider additional rate increases to allow for needed improvements to existing infrastructure and the replacement of capital assets in the future.

Contacting the District's Management

This report is designed to provide our customers and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact the District Office at P.O. Box 119, Mead, OK 73449 or call (580) 924-8517.



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

Board of Directors
Bryan County Rural Water, Sewer and
Solid Waste Management District No. 2
Mead, Oklahoma

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the accompanying financial statements of the Bryan County Rural Water, Sewer and Solid Waste Management District No. 2 (the District), Mead, Oklahoma, 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 January 14, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting in order to determine our auditing procedures that are appropriate for the purpose of expressing our opinion 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 the District's internal control over financial reporting.

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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District'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 the internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 that are required to be reported under *Government Auditing Standards*.

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Bledsoe, Hewett & Gullekson

Bledsoe, Hewett & Gullekson
Certified Public Accountants, PLLLP

January 14, 2022

**BRYAN COUNTY RURAL WATER, SEWER AND
SOLID WASTE MANAGEMENT DISTRICT NO. 2
Disposition of Prior Year's Significant Deficiencies
September 30, 2021**

There were no prior year significant deficiencies.

**BRYAN COUNTY RURAL, SEWER AND
SOLID WASTE MANAGEMENT DISTRICT NO. 2
Schedule of Audit Results
September 30, 2021**

Section 1 – Summary of Auditor’s Results:

1. An unmodified opinion was issued on the financial statements.
2. The audit did not report any significant deficiencies in the internal controls over financial reporting.
3. The audit disclosed no instances of noncompliance which are material to the financial statements.

Section 2 – Findings relating to the financial statements required to be reported in accordance with GAGAS:

NONE

**BRYAN COUNTY RURAL WATER, SEWER AND SOLID WASTE
MANAGEMENT DISTRICT NO. 2**

Statement of Net Position
September 30, 2021

	September 30,	
	2021	(memo only) 2020
<u>ASSETS:</u>		
Current Assets:		
Cash and cash equivalents	\$ 3,014,818	\$ 2,992,526
Accounts receivable	197,055	145,273
Inventory on hand	569,308	436,336
Prepaid assets	45,298	70,588
Total current assets	3,826,479	3,644,723
Restricted Assets:		
Reserve account	76,764	76,764
Capital Assets:		
Land	54,129	54,129
Plant and equipment	14,608,622	14,267,551
Less: Accumulated Depreciation	(8,078,934)	(7,657,971)
Total capital assets	6,583,817	6,663,709
TOTAL ASSETS	\$ 10,487,060	\$ 10,385,196
<u>LIABILITIES:</u>		
Current Liabilities:		
Accounts payable	\$ 149,099	\$ 139,916
Pasture deposits	15,750	15,000
Accrued interest	4,175	4,485
Current portion of long-term debt	204,713	200,687
Total current liabilities	373,737	360,088
Noncurrent Liabilities:		
Long-term debt, less current maturities	2,469,370	2,674,089
Total Liabilities	2,843,107	3,034,177
<u>NET POSITION:</u>		
Net investment in capital assets	3,909,734	3,788,933
Restricted for debt service	76,764	76,764
Unrestricted assets	3,657,455	3,485,322
Total Net Position	7,643,953	7,351,019
TOTAL LIABILITIES & NET POSITION	\$ 10,487,060	\$ 10,385,196

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

**BRYAN COUNTY RURAL WATER, SEWER AND SOLID WASTE
MANAGEMENT DISTRICT NO. 2**

Statement of Revenues, Expenses and Changes in Net Position
For The Year Ended September 30, 2021

	<u>2020-21</u>	<u>(memo only) 2019-20</u>
Operating Revenues:		
Water and sewer revenue	\$ 2,281,564	\$ 2,135,513
Installation revenue	249,524	193,985
Service income	<u>2,425</u>	<u>2,471</u>
Total revenue from operations	<u>2,533,513</u>	<u>2,331,969</u>
Operating Expenses:		
Salaries and payroll expenses	719,920	664,289
Employee benefits	140,555	131,079
Insurance	85,406	58,583
Licenses and dues	16,663	11,852
Water purchased	36,403	36,403
Office and postage expenses	109,582	98,659
Bad debt expense	1,713	4,305
Electricity	107,942	101,724
Telephone	5,140	5,698
Professional fees	10,022	15,910
Testing	26,460	29,752
Building and grounds	15,696	24,392
Operating and maintenance expenses	569,609	601,449
Depreciation	<u>420,963</u>	<u>367,887</u>
Total expenses from operations	<u>2,266,074</u>	<u>2,151,982</u>
Operating Income (Loss)	267,439	179,987
Non-Operating Revenues (Expenses):		
Interest income	6,243	13,400
Development fees	38,986	15,628
Capital contributions-		
Memberships	63,375	172,225
Grant proceeds	0	310,618
Interest paid on long-term debt	<u>(83,109)</u>	<u>(79,851)</u>
Total Non-Operating Revenues (Expenses)	<u>25,495</u>	<u>432,020</u>
Change in Net Position	292,934	612,007
Total Net Position, beginning of period	<u>7,351,019</u>	<u>6,739,012</u>
Total Net Position, end of period	<u>\$ 7,643,953</u>	<u>\$ 7,351,019</u>

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

**BRYAN COUNTY RURAL WATER, SEWER AND SOLID WASTE
MANAGEMENT DISTRICT NO. 2**

Statement of Cash Flows
For the Year Ended September 30, 2021

	<u>2020-21</u>	<u>(memo only) 2019-20</u>
Cash Flows from Operating Activities:		
Receipts from customers	\$ 2,528,308	\$ 2,321,439
Payments to employees	(719,920)	(664,289)
Payments to vendors	(1,269,517)	(1,099,860)
Net Cash Provided by Operating Activities	<u>538,871</u>	<u>557,290</u>
Cash Flows from Capital and Related Financing Activities:		
Sale (purchase) of capital assets	(341,071)	(316,939)
Grant proceeds	0	310,618
Principal paid on long-term debt	(200,693)	(187,721)
Interest paid on long-term debt	(83,419)	(79,241)
Net Cash Provided by (used in) Capital and Related Financing Activities	<u>(625,183)</u>	<u>(273,283)</u>
Cash Flows from Investing Activities:		
Capital contributions - Memberships	63,375	172,225
Development and other non-operating sources	38,986	15,628
Interest earned on investments	6,243	13,400
Net Cash Provided by (used in) Investing Activities	<u>108,604</u>	<u>201,253</u>
Net Increase (Decrease) in Cash	22,292	485,260
Cash and cash equivalents, beginning of period	<u>3,069,290</u>	<u>2,584,030</u>
Cash and cash equivalents, end of period	<u>\$ 3,091,582</u>	<u>\$ 3,069,290</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:		
Operating Income	\$ 267,439	\$ 179,987
Adjustments to reconcile net income to net cash provided (used) by operating activities:		
Depreciation Expense	420,963	367,887
Change in assets and liabilities:		
(Increase) decrease in accounts receivable	(51,782)	19,025
(Increase) decrease in inventory	(132,972)	(92,517)
(Increase) decrease in prepaid assets	25,290	16,067
Increase (decrease) in accounts payable	9,183	66,091
Increase (decrease) in pasture deposits	750	750
Net cash provided by operating activities	<u>\$ 538,871</u>	<u>\$ 557,290</u>

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

**BRYAN COUNTY RURAL WATER, SEWER AND SOLID WASTE
MANAGEMENT DISTRICT NO. 2**

Notes to the Financial Statements

September 30, 2021

Note A – Significant Accounting Policies

Organization

Bryan County Rural Water, Sewer and Solid Waste Management District No. 2 (the District) is an Oklahoma water district organized under Title 82 of Oklahoma Statutes, Sections 1324.1-1324.26 inclusive, to provide water service to rural residents of Bryan County, Oklahoma. The District is considered a subdivision of the State of Oklahoma. The District is exempt from federal and state income taxes. The membership consists of approximately 4,400 members.

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

Basis of Accounting

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

Deposits and Investments

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

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

Custodial Credit Risk - At September 30, 2021, the District held deposits of approximately \$3,091,582 at financial institutions. The District's cash deposits, including interest-bearing certificates of deposit, are entirely covered by Federal Depository Insurance (FDIC) or direct obligation of the U.S. Government insured or collateralized with securities held by the District or by its agent in the District's name.

**BRYAN COUNTY RURAL WATER, SEWER AND SOLID WASTE
MANAGEMENT DISTRICT NO. 2**

Notes to the Financial Statements

September 30, 2021

Note A – Significant Accounting Policies – cont’d

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

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

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

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

Inventories

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

**BRYAN COUNTY RURAL WATER, SEWER AND SOLID WASTE
MANAGEMENT DISTRICT NO. 2**

Notes to the Financial Statements

September 30, 2021

Note A – Significant Accounting Policies – cont’d

Accounts Receivable

Billings for accounts receivable at September 30, 2021 were \$197,055 and includes utility billings and customer service receivables. An allowance for doubtful accounts was not considered material to the financial statements.

Income Taxes

The District as a governmental entity is exempt from income taxes under Section 501(C)(12) of the Internal Revenue Code.

Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District carries commercial insurance, including workers compensation, for risk of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note B – Capital Assets

Any items purchased or constructed in excess of \$2,500 and a useful life of over two years is considered a capital asset by the District.

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

Land	N/A
Office furniture & fixtures	5-10 years
Equipment & tools	5-10 years
Transportation equipment	5 years
Water system	40 years
Buildings	30 years
Radio read meters	20 years
Computer equipment	5 years

**BRYAN COUNTY RURAL WATER, SEWER AND SOLID WASTE
MANAGEMENT DISTRICT NO. 2**

Notes to the Financial Statements

September 30, 2021

Note B – Capital Assets – cont'd

The capital asset information for the District is shown below:

	9/30/2020 Amount	Additions	Deletions	9/30/2021 Amount
Land	\$ 54,129	-	-	54,129
Water system	1,457,574	110,100	-	1,567,674
Sewer system	666,238	-	-	666,238
Installations	121,695	-	-	121,695
Treatment plant	3,328,142	-	-	3,328,142
Upgrades & new lines	188,291	-	-	188,291
Upgrades & new lines RD	1,589,514	-	-	1,589,514
Vehicles	285,389	-	-	285,389
Buildings	116,131	-	-	116,131
Furniture & equipment	307,542	-	-	307,542
Completed projects	6,207,035	230,971	-	6,438,006
Const. in progress	-	-	-	-
Total Capital Assets	14,321,680	341,071	-	14,662,751
Less: Accumulated Depreciation	<u>(7,657,971)</u>	<u>(420,963)</u>	<u>-</u>	<u>(8,078,934)</u>
Total	<u>\$ 6,663,709</u>	<u>(79,892)</u>	<u>-</u>	<u>6,583,817</u>

Note C – Notes Payable

Long-Term Debt consists of five notes:

1. OWRB ORF-04-0008-DW - The District has a 2006 promissory note in the amount of \$1,800,000 with the Oklahoma Water Resources Board (OWRB) for a period of 20 years. The District makes the variable semi-annual payments of principal and interest to the OWRB. The interest rate on this note is 3.55%, but was reduced to 0% in 2014. The water system and future water revenues are used as security for this note.
2. Rural Development 91-10 - The District has a 2008 promissory note in the amount of \$1,055,500 with Rural Development for a period of 40 years. The District makes monthly principal and interest payments of \$4,750. The fixed interest rate on this note is 4.5%. The water system and future water revenues are used as security for this note.

**BRYAN COUNTY RURAL WATER, SEWER AND SOLID WASTE
MANAGEMENT DISTRICT NO. 2**

Notes to the Financial Statements

September 30, 2021

Note C – Notes Payable – cont'd

3. Rural Development 91-11 - The District has a 2009 promissory note in the amount of \$416,750 with Rural Development for a period of 40 years. The District makes monthly principal and interest payments of \$1,647. The fixed interest rate on this note is 3.625%. The water system and future water revenues are used as security for this note.
4. OWRB ORF-09-0020-DW - The District has a 2010 promissory note in the amount of \$382,000 with the Oklahoma Water Resources Board (OWRB) for a period of 20 years. The District makes the variable semi-annual payments of principal and interest to the OWRB. The interest rate on this note is 3.21%. The water system and future water revenues are used as security for this note.
5. OWRB ORF-16-0009-DW - The District has a 2016 promissory note in the estimated amount of \$1,114,000 with the Oklahoma Water Resources Board (OWRB) for a period of 30 years. The District will make the variable semi-annual payments of principal and interest to the OWRB. The interest rate on this note is 2.38%. The water system and future water revenues are used as security for this note.

Please see note D regarding OWRB Note Number ORF-20-0005-DW, which was forgiven in the 2019-20 fiscal year.

Restricted Assets

The Rural Development loan agreements require the District to set aside funds into a Reserve Account equal to the amounts to be paid in a given year on these notes, which is \$57,000 for Note 91-10 and \$19,764 for Note 91-11. Once the required reserve balances are met, no further deposits are required to be held, except to replace withdrawals. As of September 30, 2021, the required balance for the reserve account was \$76,764, which was the same as the amount shown as the account balance.

**BRYAN COUNTY RURAL WATER, SEWER AND SOLID WASTE
MANAGEMENT DISTRICT NO. 2**

Notes to the Financial Statements

September 30, 2021

Note C – Notes Payable – cont'd

	September 30,	
	2021	2020
Oklahoma Water Resources Board note payable, dated 2006, issued for \$1,800,000, at 0% interest, due in semi-annual installments, until paid;	\$ 347,594	469,313
Rural Development note payable, dated 2008, issued for \$1,055,500, at 4.5% interest, due in monthly installments, until paid;	869,591	887,034
Rural Development note payable, dated 2009, issued for \$416,750, at 3.625% interest, due in monthly installments, until paid;	339,928	347,227
Oklahoma Water Resources Board note payable, dated 2010, issued for \$382,000, at 3.21% interest, due in semi-annual installments, until paid;	126,167	140,399
Oklahoma Water Resources Board note payable, dated 2016, issued for \$1,114,000, at 2.38% interest, due in semi-annual installments, until paid;	<u>990,803</u>	<u>1,030,803</u>
Long-Term Debt Outstanding	2,674,083	2,874,776
Less: Current maturities of long-term debt	<u>(204,713)</u>	<u>(200,687)</u>
Total Long-Term Debt, Net	<u>\$ 2,469,370</u>	<u>2,674,089</u>

**BRYAN COUNTY RURAL WATER, SEWER AND SOLID WASTE
MANAGEMENT DISTRICT NO. 2**

Notes to the Financial Statements

September 30, 2021

Note C – Notes Payable – cont’d

The scheduled maturities for the next five (5) years, and in total thereafter, are detailed as follows:

<u>Year</u>	<u>Total</u>	<u>ORWB 04</u>	<u>ORWB 09</u>	<u>OWRB 16</u>	<u>RD 91-10</u>	<u>RD 91-11</u>
2022	\$ 204,713	122,240	14,665	42,000	18,242	7,566
2023	206,817	122,780	15,112	42,000	19,080	7,845
2024	211,230	102,574	15,565	65,000	19,956	8,135
2025	214,359	-	16,052	169,000	20,873	8,434
2026	221,122	-	16,545	174,000	21,832	8,745
2026-31	720,993	-	48,228	498,803	125,157	48,805
2031-36	215,159	-	-	-	156,672	58,487
2036-41	266,211	-	-	-	196,121	70,090
2041+	413,479	-	-	-	291,658	121,821
Total	\$ 2,674,083	347,594	126,167	990,803	869,591	339,928

Note D – Commitments/Contingencies

Pending Litigation

As of September 30, 2021, the District had no pending litigation.

Retirement Plan

The District sponsors a Simple IRA plan for employees. The District contributes up to 3% of the employees’ gross wages to the plan, and the employee must be willing to match or better the District’s contributed amount. In 2020-21, the District paid \$15,727.

Loan Forgiveness

In 2018-19, the District was awarded a \$100,000 loan from the Oklahoma Water Resources Board for drinking water system improvements. The District expended \$70,236 of these funds in 2019-20, as Loan Number ORF-20-0005-DW. This loan balance was later forgiven by the OWRB, and the proceeds were treated as a grant for accounting purposes on the financial statements.

**BRYAN COUNTY RURAL WATER, SEWER AND SOLID WASTE
MANAGEMENT DISTRICT NO. 2**

Notes to the Financial Statements
September 30, 2021

Note D – Commitments/Contingencies – cont'd

Paycheck Protection Program (PPP) Loan

This \$120,800 loan, administered through the Small Business Association, was enacted in 2020 by the federal government to enable small businesses and government entities to maintain payroll and other monthly costs during the Covid-19 Pandemic. The majority of these funds (75%) must be used for payroll and related costs associated with doing business, such as utilities. As of September 30, 2021, the District has expended all these loan proceeds for payroll expenditures. This loan has been forgiven by the federal government, and is not considered a debt by the District at September 30, 2021.

FEMA Reimbursements

The District spent \$28,920 in the 2020-21 fiscal year during the ice/winter storm that occurred in February 2021. These funds were approved to be reimbursed through the U.S. Department of Homeland Security's Federal Emergency Management Agency (FEMA). This reimbursement had not been received as of September 30, 2021.

Subsequent Events

The District did not have any material subsequent events through January 14, 2022, which is the date the financial statements were issued, for events requiring recording or disclosure in the financial statements for the year ending September 30, 2021.

**BRYAN COUNTY RURAL WATER, SEWER AND SOLID WASTE
MANAGEMENT DISTRICT NO. 2
Schedule of Water Rates and Customers
-Unaudited Information-
September 30, 2021**

Water Rates:

Residential Water Rates

5/8" meter	=	\$20.00 minimum for 1,000 gallons
1" meter	=	\$27.25 minimum for 1,000 gallons
2" meter	=	\$31.00 minimum for 1,000 gallons

Commercial Water Rates

5/8" meter	=	\$27.25 minimum for 1,000 gallons
1" meter	=	\$39.25 minimum for 1,000 gallons
2" meter	=	\$52.25 minimum for 1,000 gallons

Rates After the 1,000 Gallon Minimum for Residential and Commercial

2 nd 1,000 gallons	=	\$3.00
3 rd 1,000 gallons	=	\$ 3.50
4 th 1,000 gallons	=	\$ 4.00
Over 4,000 gallons	=	\$ 4.50 per thousand

Note – a water rate increase was approved, effective January 1, 2022

Water Loss:

	<u>2020-21</u>	<u>2019-20</u>
Total gallons produced	331,790,000	326,984,000
Total gallons purchased	6,281,800	9,290,000
Total gallons sold to District customers	<u>(302,034,099)</u>	<u>(293,985,500)</u>
Net Water loss	36,037,701	42,290,500
Less: water used for maintenance	<u>(23,778,083)</u>	<u>33,560,626)</u>
Total unaccounted water loss	<u>12,259,618</u>	<u>,729,874</u>
Water loss percentage	<u>3.6%</u>	<u>2.6%</u>

Customers:

The District had 4,428 active accounts at the close of the fiscal year.

Water membership fee, with installation of 5/8" meter is \$1,000.