

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

Financial Statements and Auditor's Reports

Year Ended September 30, 2018

Audited by

**SANDERS, BLEDSOE & HEWETT
CERTIFIED PUBLIC ACCOUNTANTS, LLP**

BROKEN ARROW, OK

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

BOARD OF DIRECTORS

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Vice-Chair

Bob Butlan

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Merle Pearce

OFFICE MANAGER

Nancy Parry

Bryan County Rural Water, Sewer and
Solid Waste Management District No. 2
Mead, Oklahoma
September 30, 2018

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SANDERS, BLEDSOE & HEWETT

CERTIFIED PUBLIC ACCOUNTANTS, LLP

INDEPENDENT AUDITOR'S REPORT

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

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, 2018, 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 opinions.

Opinions

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, 2018, 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2018 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal 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 Authority's internal control over financial reporting and compliance.



Sanders, Bledsoe & Hewett
Certified Public Accountants, LLP

November 30, 2018

**RURAL WATER, SEWER & SOLID WASTE MANAGEMENT
DISTRICT NO. 2, BRYAN COUNTY, OKLAHOMA
MANAGEMENT’S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2018**

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, 2018. 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 \$316,773. Overall, the District’s cash and cash equivalents increased by \$377,393 in the current fiscal year.
- The District earned a total of \$21,170 in interest in 2017-18, on bank accounts and certificates of deposit.
- Membership numbers increased in 2017-18, with total users reaching around 3,968 at year-end.
- The District continued paying on their six outstanding notes, and received the last of the loan proceeds from the 2016 OWRB note in 2017-18.

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 2017-18, increasing from \$6,330,191 to \$6,654,530. 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>2017-18</u>	<u>2016-17</u>	<u>Variances</u>
Current and other assets	\$ 3,046,871	2,591,743	455,128
Capital assets, net	<u>6,976,482</u>	<u>7,034,725</u>	<u>(58,243)</u>
Total Assets	<u>\$ 10,023,353</u>	<u>9,626,468</u>	<u>396,885</u>
Current liabilities	\$ 296,055	265,174	(30,881)
Long-term liabilities	<u>3,072,768</u>	<u>3,031,103</u>	<u>(41,665)</u>
Total Liabilities	<u>\$ 3,368,823</u>	<u>3,296,277</u>	<u>(72,546)</u>
Invest. In capital assets, net			
of related debt	\$ 3,704,860	3,808,760	(103,900)
Restricted	76,764	76,764	-
Unrestricted	<u>2,872,906</u>	<u>2,444,667</u>	<u>428,239</u>
Total Net Position	<u>\$ 6,654,530</u>	<u>6,330,191</u>	<u>324,339</u>

Net Position of the District increased by 5.12 percent (\$6,654,530 compared to \$6,330,191). 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 \$2,444,667 to \$2,872,906.

Table 2 – Changes in Net Position:

	<u>2017-18</u>	<u>2016-17</u>	<u>Variances</u>
Revenues:			
Charges for services	\$ 1,957,012	1,847,093	109,919
Other revenue	176,576	75,943	100,633
Memberships	73,550	40,450	33,100
Interest	21,170	11,843	9,327
Total Revenues	<u>\$ 2,228,308</u>	<u>1,975,329</u>	<u>252,979</u>
Expenses:			
Salaries, taxes and benefits	\$ 696,975	678,798	(18,177)
Maintenance and repairs	457,210	504,347	47,137
Other expenses	246,920	243,449	(3,471)
Depreciation	413,310	405,131	(8,179)
Interest on debt	89,554	74,898	(14,656)
Total Expenses	<u>\$ 1,903,969</u>	<u>1,906,623</u>	<u>2,654</u>
Changes in Net Position	324,339	68,706	255,633
Net Position, Beginning	<u>6,330,191</u>	<u>6,261,485</u>	<u>68,706</u>
Net Position, Ending	<u>\$ 6,654,530</u>	<u>6,330,191</u>	<u>324,339</u>

The District's total revenues increased by 12.8 percent (\$252,979). The total cost of all services increased by 0.14 percent (\$2,654).

Fixed Assets

At September 30, 2018, the District had \$6,976,482 invested in fixed assets, net of depreciation, including land, buildings, the water system, vehicles and equipment. The District made some water system improvements and replacements in 2017-18 increasing total fixed assets by \$355,067. A summary of fixed assets can be found on page 19.

Long-Term Debt

The District is indebted to Oklahoma Water Resources Board on four notes obtained for extensive water and sewer system extensions, and two notes from Rural Development. ORWB loan proceeds from the 2016 issue were received in 2017-18, in the amount of \$242,525. The outstanding principal balance owed on the notes increased from \$3,225,965 to \$3,271,622 during the 2017-18 fiscal year. Debt information can be found on pages 20-22.

Economic Factors and Next Year's Budget and Rates

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 2018-19 will remain much like previous years budgets.

The District will continue to consider rate increases to allow for needed improvements to existing infrastructure and the replacement of fixed 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.



SANDERS, BLEDSOE & HEWETT
CERTIFIED PUBLIC ACCOUNTANTS, LLP

**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, 2018, 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 30, 2018.

Internal Control Over Financial Reporting

Management of the District is responsible for establishing and maintaining effective 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.

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. We identified no deficiencies in the internal controls that we considered to be material weaknesses.

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.

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.



Sanders, Bledsoe & Hewett
Certified Public Accountants, LLP

November 30, 2018

**BRYAN COUNTY RURAL WATER, SEWER AND
SOLID WASTE MANAGEMENT DISTRICT NO. 2
Disposition of Prior Year's Significant Deficiencies
September 30, 2018**

There were no prior year significant deficiencies.

**BRYAN COUNTY RURAL, SEWER AND
SOLID WASTE MANAGEMENT DISTRICT NO. 2
Schedule of Audit Results
September 30, 2018**

Section 1 – Summary of Auditor’s Results:

1. An unmodified opinion was issued on the financial statements.
2. The audit disclosed no significant deficiencies in the internal controls.
3. The audit disclosed no instances of noncompliance.

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, 2018

	September 30,	
	2018	(memo only) 2017
<u>ASSETS:</u>		
Current Assets:		
Cash and cash equivalents	\$ 2,389,860	2,012,467
Current portion of receivables	138,503	111,695
Inventory on hand	351,224	337,563
Prepaid assets	90,520	53,254
Total current assets	2,970,107	2,514,979
Noncurrent Assets:		
Reserve account	76,764	76,764
Capital Assets:		
Land	54,129	54,129
Plant and equipment	13,815,670	13,460,603
Less: Accumulated Depreciation	(6,893,317)	(6,480,007)
Total capital assets	6,976,482	7,034,725
TOTAL ASSETS	\$ 10,023,353	9,626,468
<u>LIABILITIES:</u>		
Current Liabilities:		
Accounts payable	\$ 80,077	53,721
Pasture deposits	13,750	12,250
Accrued interest	3,374	4,341
Current portion of long-term debt	198,854	194,862
Total current liabilities	296,055	265,174
Noncurrent Liabilities:		
Long-term debt, less current maturities	3,072,768	3,031,103
Total Liabilities	3,368,823	3,296,277
<u>NET POSITION:</u>		
Invested in capital assets, net of related debt	3,704,860	3,808,760
Restricted for debt service	76,764	76,764
Unrestricted assets	2,872,906	2,444,667
Total Net Position	6,654,530	6,330,191
TOTAL LIABILITIES & NET POSITION	\$ 10,023,353	9,626,468

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, 2018

	2017-18	(memo only) 2016-17
Operating Revenues:		
Water and sewer revenue	\$ 1,957,012	1,847,093
Installation revenue	174,176	71,743
Total revenue from operations	2,131,188	1,918,836
Operating Expenses:		
Salaries and payroll expenses	583,994	577,681
Employee benefits	112,981	101,117
Insurance	44,440	47,025
Licenses and dues	6,006	12,612
Water purchased	36,403	36,909
Office and postage expenses	73,184	66,227
Bad debt expense	5,273	6,737
Electricity	61,150	58,753
Telephone	6,001	5,130
Professional fees	14,463	6,060
Testing	18,951	16,068
Operating and maintenance expenses	438,259	488,279
Depreciation	413,310	405,131
Total expenses from operations	1,814,415	1,827,729
Operating Income (Loss)	316,773	91,107
Non-Operating Revenues (Expenses):		
Interest income	21,170	11,843
Rental income	2,400	2,400
Sale of equipment	0	1,800
Capital contributions-		
Memberships	73,550	40,450
Interest paid on long-term debt	(89,554)	(74,898)
Total Non-Operating Revenues (Expenses)	7,566	(18,405)
Change in Net Position	324,339	72,702
Total Net Position, beginning of period	6,330,191	6,261,485
Total Net Position, prior period adjustment	0	(3,996)
Total Net Position, end of period	\$ 6,654,530	6,330,191

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, 2018

	2017-18	(memo only) 2016-17
Cash Flows from Operating Activities:		
Receipts from customers	\$ 2,100,612	1,926,106
Payments to employees	(583,994)	(577,681)
Payments to vendors	(836,414)	(950,876)
Net Cash Provided by Operating Activities	680,204	397,549
Cash Flows from Financing Activities:		
Sale (purchase) of fixed assets	(355,067)	(969,084)
Loan proceeds	242,525	821,278
Loan costs and other admin fees	0	(22,031)
Principal paid on long-term debt	(196,868)	(192,953)
Interest paid on long-term debt	(90,521)	(70,535)
Net Cash Provided by (used in) Financing Activities	(399,931)	(433,325)
Cash Flows from Investing Activities:		
Capital contributions - Memberships	73,550	40,450
Rental and other non-operating sources	2,400	4,200
Interest earned on investments	21,170	11,863
Net Cash Provided by (used in) Investing Activities	97,120	56,513
Net Increase (Decrease) in Cash	377,393	20,737
Cash and cash equivalents, beginning of period	2,089,231	2,068,494
Cash and cash equivalents, end of period	\$ 2,466,624	2,089,231
Reconciliation of operating income (loss) to net cash provided by operating activities:		
Operating Income	\$ 316,773	91,107
Adjustments to reconcile net income to net cash provided (used) by operating activities:		
Depreciation Expense	413,310	405,131
Change in assets and liabilities:		
(Increase) decrease in accounts receivable	(26,808)	(12,103)
(Increase) decrease in prepaid assets	(37,266)	(25,571)
(Increase) decrease in inventory	(13,661)	(44,862)
Increase (decrease) in accounts payable	26,356	(17,083)
Increase (decrease) in accruals	1,500	930
Net cash provided by operating activities	\$ 680,204	397,549

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, 2018

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 3,900 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, 2018, the District held deposits of approximately \$2,614,374 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, 2018

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).

The investments held at September 30, 2018 are as follows:

	Wtd. Avg Maturity	Credit Rating	Market	Cost
Money market/checking	N/A	AAAm	\$ 2,557,146	2,557,146
Certificates of deposit	1.0Yr	N/A	<u>57,228</u>	<u>57,228</u>
Total Deposits			<u>\$ 2,614,374</u>	<u>2,614,374</u>

Concentration of Investment Credit Risk – The District places no limit on the amount it may invest in any one issuer. The District has the following of credit risk: 2% in Certificates of Deposit (\$57,228) and 98% in Money Market funds (\$2,557,146).

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

Notes to the Financial Statements

September 30, 2018

Note A – Significant Accounting Policies – cont’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.

Accounts Receivable

Billings for accounts receivable at September 30, 2018 were \$138,503, and includes utility billings and customer service receivables. An allowance for doubtful accounts was not considered material to the financial statements.

Memorandum Totals

Prior year “memorandum only” financial statement information is shown for comparative purposes only.

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.

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

Notes to the Financial Statements

September 30, 2018

Note B – Fixed Assets

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

Fixed 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

The fixed asset information for the District is shown below:

	9/30/2017			9/30/2018
	<u>Amount</u>	<u>Additions</u>	<u>Deletions</u>	<u>Amount</u>
Land	\$ 54,129	-	-	54,129
Water system	1,457,574	-	-	1,457,574
Sewer system	666,238	-	-	666,238
Installations	121,695	-	-	121,695
Treatment plant	3,328,112	-	-	3,328,112
Upgrades & new lines	188,291	-	-	188,291
Upgrades & new lines RD	1,589,514	-	-	1,589,514
Vehicles	211,422	46,962	-	258,384
Buildings	116,131	-	-	116,131
Furniture & equipment	265,065	6,966	-	272,031
Completed projects	4,175,145	-	-	4,175,145
Const. in progress	<u>1,341,416</u>	<u>301,139</u>	-	<u>1,642,555</u>
Total Fixed Assets	13,514,732	355,067	-	13,869,799
Less: Accumulated Depreciation	<u>(6,480,007)</u>	<u>(413,310)</u>	-	<u>(6,893,317)</u>
Total	<u>\$ 7,034,725</u>	<u>(58,243)</u>	-	<u>6,976,482</u>

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

Notes to the Financial Statements

September 30, 2018

Note C – Notes Payable

Long-Term Debt consists of six notes:

1. OWRB ORF-97-0007-DW - The District has a 2000 promissory note in the amount of \$576,675 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 was 3.059%, but was reduced to 0% in 2013. The water plant and future water revenues are used as security for this note.
2. 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.
3. 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.
4. 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.
5. 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.
6. 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.

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

Notes to the Financial Statements

September 30, 2018

Note C – Notes Payable – cont'd

	<u>September 30,</u>	
	<u>2018</u>	<u>2017</u>
Oklahoma Water Resources Board note payable, dated 2000, issued for \$576,675, at 0% interest, due in semi-annual installments, until paid;	\$ 50,254	90,053
Oklahoma Water Resources Board note payable, dated 2006, issued for \$1,800,000, at 0% interest, due in semi-annual installments, until paid;	711,253	831,517
Rural Development note payable, dated 2008, issued for \$1,055,500, at 4.5% interest, due in monthly installments, until paid;	919,656	934,901
Rural Development note payable, dated 2009, issued for \$416,750, at 3.625% interest, due in monthly installments, until paid;	361,054	367,602
Oklahoma Water Resources Board note payable, dated 2010, issued for \$382,000, at 3.21% interest, due in semi-annual installments, until paid;	167,602	180,614
Oklahoma Water Resources Board note payable, dated 2016, issued for \$1,114,000, at 2.38% interest, payments on principal will begin once construction is completed. Interest only payments made thus far. Payments will be due in semi-annual installments, until paid;	<u>1,061,803</u>	<u>821,278</u>
Long-Term Debt Outstanding	3,271,622	3,225,965
Less: Current maturities of long-term debt	<u>(198,854)</u>	<u>(194,862)</u>
Total Long-Term Debt, Net	<u>\$ 3,072,768</u>	<u>3,031,103</u>

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

Notes to the Financial Statements

September 30, 2018

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 97</u>	<u>ORWB 04</u>	<u>ORWB 09</u>	<u>OWRB 16</u>	<u>RD 91-10</u>	<u>RD 91-11</u>
2019	\$ 198,854	39,987	120,732	13,406	2,000	15,941	6,788
2020	197,984	10,267	121,207	13,798	29,000	16,674	7,038
2021	200,687	-	121,719	14,231	40,000	17,440	7,297
2022	204,712	-	122,240	14,665	42,000	18,241	7,566
2023	206,817	-	122,781	15,112	42,000	19,079	7,845
2023-28	1,108,486	-	102,574	82,755	770,000	109,375	43,782
2028-33	339,823	-	-	13,635	136,803	136,917	52,468
2033-38	234,269	-	-	-	-	171,391	62,878
2038+	579,990	-	-	-	-	414,598	165,392
Total	<u>\$ 3,271,622</u>	<u>50,254</u>	<u>711,253</u>	<u>167,602</u>	<u>1,061,803</u>	<u>919,656</u>	<u>361,054</u>

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, 2018, the required balance for the reserve account was \$76,764, which was the same as the amount shown as the account balance.

Note D – Commitments/Contingencies

Pending Litigation

As of September 30, 2018, 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.

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

Notes to the Financial Statements

September 30, 2018

Note D – Commitments/Contingencies – cont'd

Subsequent Events

The District did not have any material subsequent events through November 30, 2018, 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, 2018.

**BRYAN COUNTY RURAL WATER, SEWER AND SOLID WASTE
MANAGEMENT DISTRICT NO. 2
Schedule of Water Rates and Customers
-Unaudited Information-
September 30, 2018**

Water Rates:

Residential Water Rates

5/8" meter	=	\$ 18.00 minimum for 1,000 gallons
1' meter	=	\$ 25.25 minimum for 1,000 gallons
2' meter	=	\$29.00 minimum for 1,000 gallons

Commercial Water Rates

5/8" meter	=	\$ 25.25 minimum for 1,000 gallons
1' meter	=	\$ 37.25 minimum for 1,000 gallons
2' meter	=	\$50.25 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

Water Loss:

Total gallons purchased and produced	316,259,000
Total gallons purchased	7,985,000
Total gallons sold to District customers	<u>(278,441,339)</u>
Net Water loss	45,802,661
Less: water used for maintenance	<u>(30,190,530)</u>
Total unaccounted water loss	<u>15,612,131</u>
Percentage of water loss	<u>4.81%</u>

Customers:

The District had 3,968 active accounts at the close of the fiscal year.

Water membership fee is \$350. Installation of 5/8" meter is \$1,500