

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

Financial Statements and Auditor's Reports

Year Ended September 30, 2022

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**

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**Vice-Chair**

Mark Smith

**Secretary**

John Hoefer

**Treasurer**

Linda Henderson

**Members**

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Regina Clinton

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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, 2022**

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

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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 the Audit of the Financial Statements***

We have audited the accompanying combined fund type and account group financial statements-regulatory basis of the Bryan County Rural Water, Sewer and Solid Waste Management District No. 2, Mead, Oklahoma (the District), as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District as of September 30, 2022 and the respective changes in financial position and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

***Basis for Opinion***

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. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, and 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### ***Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 6 - 9 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 supplementary information on page 25 are presented for the purposes of additional analysis and are 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 2, 2023 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 solely 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 the effectiveness of the District's 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 2, 2023

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**SEPTEMBER 30, 2022**

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, 2022. Please read it in conjunction with the District's financial statements that begin on page 14.

**FINANCIAL HIGHLIGHTS**

- The District's total operating revenues exceeded total operating expenses by \$1,005,260. Overall, the District's cash and cash equivalents increased by 384,516 in the current fiscal year.
- The District earned a total of \$8,354 in interest in 2021-22 on bank accounts and certificates of deposit - a decrease from prior years due to falling interest rates.
- Membership numbers increased in 2021-22 with total users reaching over 4,600 at year-end.
- The District began using the approved \$299,999 of CDBG funds to upgrade aging water lines. In 2021-22, the District utilized \$79,863 of these grant funds and expended over \$540,000 of local funds on this project.

**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 2021-22 increasing from \$7,643,953 to \$8,837,793. 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:**

	2021-22	2020-21	Variances
Current and other assets	\$ 4,482,758	\$ 3,903,243	579,515
Capital assets, net	6,935,103	6,583,817	351,286
Total Assets	<u>\$ 11,417,861</u>	<u>\$ 10,487,060</u>	<u>930,801</u>
Current liabilities	\$ 317,515	\$ 373,737	56,222
Long-term liabilities	2,262,553	2,469,370	206,817
Total Liabilities	<u>\$ 2,580,068</u>	<u>\$ 2,843,107</u>	<u>263,039</u>
Invest. In capital assets, net of related debt	\$ 4,465,733	\$ 3,909,734	555,999
Restricted	76,764	76,764	-
Unrestricted	4,295,296	3,657,455	637,841
Total Net Position	<u>\$ 8,837,793</u>	<u>\$ 7,643,953</u>	<u>1,193,840</u>

Net Position of the District increased by 15.62 percent (\$8,837,793 compared to \$7,643,953). 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 \$3,657,455 to \$4,295,296.



**Table 2 – Changes in Net Position:**

	<u>2021-22</u>	<u>2020-21</u>	<u>Variances</u>
<b>Revenues:</b>			
Charges for services	\$ 2,984,708	\$ 2,281,564	703,144
Other revenue	519,353	290,935	228,418
Memberships	74,385	63,375	11,010
Interest	8,354	6,243	2,111
Total Revenues	<u>3,586,800</u>	<u>2,642,117</u>	<u>944,683</u>
<b>Expenses:</b>			
Salaries, taxes and benefits	963,773	860,475	(103,298)
Maintenance and repairs	529,872	611,765	81,893
Other expenses	220,030	223,386	3,356
Utilities	176,973	149,485	(27,488)
Depreciation	423,628	420,963	(2,665)
Interest on debt	78,684	83,109	4,425
Total Expenses	<u>2,392,960</u>	<u>2,349,183</u>	<u>(43,777)</u>
Changes in Net Position	1,193,840	292,934	900,906
Net Position, Beginning	<u>7,643,953</u>	<u>7,351,019</u>	<u>292,934</u>
Net Position, Ending	<u>\$ 8,837,793</u>	<u>\$ 7,643,953</u>	<u>1,193,840</u>

The District's total revenues increased by 35.75 percent (\$944,683). The total cost of expenses increased by 1.86 percent (\$43,777). These numbers are skewed for 2021-22 due to grant funds received and additions to capital assets and inventory, which decreased expense totals.

### **Capital Assets**

At September 30, 2022 the District had \$6,935,103 invested in capital assets, net of depreciation, including land, buildings, the water system, vehicles and equipment. The District made some water system improvements and replacements in 2021-22 increasing total capital assets by \$816,644. A summary of capital assets can be found on page 20.

### **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 \$2,674,083 to \$2,469,370 during the 2021-22 fiscal year. Debt information can be found on pages 20-23.

### **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 2022-23 will remain much like previous years budgets. Water system improvements and upgrades will continue and the District will continue to search for additional sources of grant revenue.

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 modified cash basis financial statements of the Bryan County Rural Water, Sewer and Solid Waste Management District No. 2, Mead, Oklahoma (the District), as of and for the year ended October 31, 2022, 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 2, 2023.

**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 (internal control) as a basis for designing 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 District's internal control. Accordingly, we do not express an opinion on the effectiveness of District'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 were not identified.

## **Compliance and Other Matters**

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 grant agreements, non-compliance with which could have a direct and material effect on the financial statements. 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.

*Bledsoe, Hewett & Gullekson*

Bledsoe, Hewett & Gullekson  
Certified Public Accountants, PLLLP

January 2, 2023

**BRYAN COUNTY RURAL WATER, SEWER AND  
SOLID WASTE MANAGEMENT DISTRICT NO. 2  
Disposition of Prior Year's Significant Deficiencies  
September 30, 2022**

There were no prior year significant deficiencies.

**BRYAN COUNTY RURAL, SEWER AND  
SOLID WASTE MANAGEMENT DISTRICT NO. 2  
Schedule of Audit Results  
September 30, 2022**

**Section 1** – Summary of Auditor's Results:

1. An unmodified opinion was issued on the financial statements.
2. The audit did not report any material weaknesses and did not report any significant deficiencies not considered to be material weaknesses 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, 2022

	<u>September 30,</u>	
	<u>2022</u>	<u>(memo only) 2021</u>
<b><u>ASSETS:</u></b>		
Current Assets:		
Cash and cash equivalents	\$ 3,399,334	\$ 3,014,818
Accounts receivable	236,461	197,055
Inventory on hand	724,899	569,308
Prepaid assets	45,300	45,298
Total current assets	<u>4,405,994</u>	<u>3,826,479</u>
Restricted Assets:		
Reserve account	<u>76,764</u>	<u>76,764</u>
Capital Assets:		
Land	54,129	54,129
Plant and equipment	15,383,536	14,608,622
Less: Accumulated Depreciation	<u>(8,502,562)</u>	<u>(8,078,934)</u>
Total capital assets	<u>6,935,103</u>	<u>6,583,817</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 11,417,861</u></b>	<b><u>\$ 10,487,060</u></b>
<b><u>LIABILITIES:</u></b>		
Current Liabilities:		
Accounts payable	\$ 91,545	\$ 149,099
Pasture deposits	15,500	15,750
Accrued interest	3,653	4,175
Current portion of long-term debt	<u>206,817</u>	<u>204,713</u>
Total current liabilities	<u>317,515</u>	<u>373,737</u>
Noncurrent Liabilities:		
Long-term debt, less current maturities	<u>2,262,553</u>	<u>2,469,370</u>
Total Liabilities	<u>2,580,068</u>	<u>2,843,107</u>
<b><u>NET POSITION:</u></b>		
Net investment in capital assets	4,465,733	3,909,734
Restricted for debt service	76,764	76,764
Unrestricted assets	<u>4,295,296</u>	<u>3,657,455</u>
Total Net Position	<u>8,837,793</u>	<u>7,643,953</u>
<b>TOTAL LIABILITIES &amp; NET POSITION</b>	<b><u>\$ 11,417,861</u></b>	<b><u>\$ 10,487,060</u></b>

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, 2022

	<u>2021-22</u>	<u>(memo only) 2020-21</u>
<b>Operating Revenues:</b>		
Water and sewer revenue	\$ 2,984,708	\$ 2,281,564
Installation revenue	332,344	249,524
Service income	2,484	2,425
Total revenue from operations	<u>3,319,536</u>	<u>2,533,513</u>
<b>Operating Expenses:</b>		
Salaries and payroll expenses	814,080	719,920
Employee benefits	149,693	140,555
Insurance	69,829	85,406
Licenses and dues	16,322	16,663
Office and postage expenses	122,747	109,582
Bad debt expense	2,276	1,713
Utilities	176,973	149,485
Professional fees	8,856	10,022
Testing	22,756	26,460
Building and grounds	31,065	15,696
Operating and maintenance expenses	476,051	569,609
Depreciation	423,628	420,963
Total expenses from operations	<u>2,314,276</u>	<u>2,266,074</u>
Operating Income (Loss)	1,005,260	267,439
<b>Non-Operating Revenues (Expenses):</b>		
Interest income	8,354	6,243
Development fees	92,912	38,986
Grant Proceeds	79,863	0
Sale of capital assets	11,750	0
Capital contributions-		
Memberships	74,385	63,375
Interest paid on long-term debt	(78,684)	(83,109)
Total Non-Operating Revenues (Expenses)	<u>188,580</u>	<u>25,495</u>
Change in Net Position	1,193,840	292,934
Total Net Position, beginning of period	<u>7,643,953</u>	<u>7,351,019</u>
Total Net Position, end of period	<u><u>\$ 8,837,793</u></u>	<u><u>\$ 7,643,953</u></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, 2022

	<u>2021-22</u>	<u>(memo only) 2020-21</u>
<b>Cash Flows from Operating Activities:</b>		
Receipts from customers	\$ 3,292,232	\$ 2,528,308
Payments to employees	(814,081)	(719,920)
Payments to vendors	<u>(1,302,066)</u>	<u>(1,269,517)</u>
Net Cash Provided by Operating Activities	<u>1,176,085</u>	<u>538,871</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>		
Sale (purchase) of capital assets	(763,164)	(341,071)
CDBG grant proceeds	79,863	0
Principal paid on long-term debt	(204,713)	(200,693)
Interest paid on long-term debt	<u>(79,206)</u>	<u>(83,419)</u>
Net Cash Provided by (used in) Capital and Related Financing Activities	<u>(967,220)</u>	<u>(625,183)</u>
<b>Cash Flows from Investing Activities:</b>		
Capital contributions - Memberships	74,385	63,375
Development and other non-operating sources	92,912	38,986
Interest earned on investments	<u>8,354</u>	<u>6,243</u>
Net Cash Provided by (used in) Investing Activities	<u>175,651</u>	<u>108,604</u>
Net Increase (Decrease) in Cash	384,516	22,292
Cash and cash equivalents, beginning of period	<u>3,091,582</u>	<u>3,069,290</u>
Cash and cash equivalents, end of period	<u><u>\$ 3,476,098</u></u>	<u><u>\$ 3,091,582</u></u>
<b>Reconciliation of operating income (loss) to net cash provided by operating activities:</b>		
Operating Income	\$ 1,005,260	\$ 267,439
Adjustments to reconcile net income to net cash provided (used) by operating activities:		
Depreciation Expense	423,628	420,963
Change in assets and liabilities:		
(Increase) decrease in accounts receivable	(39,406)	(51,782)
(Increase) decrease in inventory	(155,591)	(132,972)
(Increase) decrease in prepaid assets	(2)	25,290
Increase (decrease) in accounts payable	(57,554)	9,183
Increase (decrease) in pasture deposits	<u>(250)</u>	<u>750</u>
Net cash provided by operating activities	<u><u>\$ 1,176,085</u></u>	<u><u>\$ 538,871</u></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, 2022

**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 4,600 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, 2022, the District held deposits of approximately \$3,476,098 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, 2022

**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, 2022

**Note A – Significant Accounting Policies – cont'd**

Accounts Receivable

Billings for accounts receivable at September 30, 2022 were \$236,461 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, 2022

**Note B – Capital Assets – cont'd**

The capital asset information for the District is shown below:

	9/30/2021 Amount	Additions	Deletions	9/30/2022 Amount
Land	\$ 54,129	-	-	54,129
Water system	8,005,680	60,154	-	8,065,834
Sewer system	666,238	6,396	-	672,634
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	80,026	(41,730)	323,685
Buildings	116,131	-	-	116,131
Furniture & equipment	307,542	9,454	-	316,996
Const. in progress	-	660,614	-	660,614
Total Capital Assets	14,662,751	816,644	(41,730)	15,437,665
Less: Accumulated Depreciation	(8,078,934)	(423,628)	-	(8,502,562)
Total	<u>\$ 6,583,817</u>	<u>393,016</u>	<u>(41,730)</u>	<u>6,935,103</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, 2022

**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.

**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, 2022, 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, 2022

**Note C – Notes Payable – cont'd**

	September 30,	
	2022	2021
Oklahoma Water Resources Board note payable, dated 2006, issued for \$1,800,000, at 0% interest, due in semi-annual installments, until paid;	\$ 225,354	347,594
Rural Development note payable, dated 2008, issued for \$1,055,500, at 4.5% interest, due in monthly installments, until paid;	851,349	869,591
Rural Development note payable, dated 2009, issued for \$416,750, at 3.625% interest, due in monthly installments, until paid;	332,362	339,928
Oklahoma Water Resources Board note payable, dated 2010, issued for \$382,000, at 3.21% interest, due in semi-annual installments, until paid;	111,502	126,167
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>948,803</u>	<u>990,803</u>
Long-Term Debt Outstanding	2,469,370	2,674,083
Less: Current maturities of long-term debt	<u>(206,817)</u>	<u>(204,713)</u>
Total Long-Term Debt, Net	<u>\$ 2,262,553</u>	<u>2,469,370</u>

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

Notes to the Financial Statements

September 30, 2022

**Note C – Notes Payable – cont'd**

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

Year	Total	ORWB 04	ORWB 09	OWRB 16	RD 91-10	RD 91-11
2023	\$ 206,817	122,780	15,112	42,000	19,080	7,845
2024	211,229	102,574	15,565	65,000	19,956	8,134
2025	214,359	-	16,052	169,000	20,873	8,434
2026	221,122	-	16,545	174,000	21,832	8,745
2027	227,956	-	17,054	179,000	22,835	9,067
2028-32	532,487	-	31,174	319,803	130,907	50,603
2033-37	224,512	-	-	-	163,869	60,643
2037-42	277,805	-	-	-	205,131	72,674
2042-47	333,958	-	-	-	246,866	87,092
2047+	19,125	-	-	-	-	19,125
Total	<u>\$ 2,469,370</u>	<u>225,354</u>	<u>111,502</u>	<u>948,803</u>	<u>851,349</u>	<u>332,362</u>

**Note D – Commitments/Contingencies**

Pending Litigation

As of September 30, 2022, 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 2021-22, the District paid \$16,986.

Federal Grant Funds

In 2021-22 the District was awarded a Community Development Block Grant (CFDA Number 14.228) from The U.S. Department of Housing and Urban Development, administered through The Oklahoma Department of Commerce in the amount of \$299,999 for waterline replacements, with matching local funds of \$727,111. These funds are sent directly to the contractors from Bryan County once it is approved by the District. A total of \$79,863 was drawn down in the 2021-22 fiscal year.



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

Notes to the Financial Statements

September 30, 2022

**Note D – Commitments/Contingencies – cont'd**

**Subsequent Events**

The District did not have any material subsequent events through January 2, 2023, 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, 2022.

**BRYAN COUNTY RURAL WATER, SEWER AND SOLID WASTE  
MANAGEMENT DISTRICT NO. 2  
Schedule of Water Rates and Customers  
-Unaudited Information-  
September 30, 2022**

**Water Rates:**

**Residential Water Rates**

5/8" meter	=	\$22.00 base rate, first 3,000 gallons = \$35.50
1" meter	=	\$30.00 base rate, first 3,000 gallons = \$43.50
2" meter	=	\$34.00 base rate, first 3,000 gallons = \$47.50

**Commercial Water Rates**

5/8" meter	=	\$30.00 base rate, first 3,000 gallons = \$43.50
1" meter	=	\$43.00 base rate, first 3,000 gallons = \$56.50
2" meter	=	\$57.00 base rate, first 3,000 gallons = \$70.50

**Rates for Residential and Commercial**

1st 1,000 gallons	=	\$4.00
2nd 1,000 gallons	=	\$4.50
Over 2,000 gallons	=	\$5.00 per thousand

**Water Loss:**

	<u>2021-22</u>	<u>2020-21</u>
Total gallons produced/purchased	375,567,600	338,071,800
Total gallons sold to District customers	<u>(343,562,127)</u>	<u>(302,034,099)</u>
Net Water loss	32,005,473	36,037,701
Less: water used for maintenance	<u>(12,505,024)</u>	<u>(23,778,083)</u>
Total unaccounted water loss	<u>19,500,449</u>	<u>12,259,618</u>
Water loss percentage	<u>5.2%</u>	<u>3.6%</u>

Source – OWRB monthly operating statements

**Customers:**

The District had 4,617 active accounts at the close of the fiscal year.

Water membership fee, with installation of 5/8" meter is \$1,850.