

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

Financial Statements and Auditor's Reports

Year Ended September 30, 2019

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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Jerry Lewis

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Mark Smith

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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, 2019**

TABLE OF CONTENTS

	<u>Page</u>
Board of Directors	1
Table of Contents	2
Independent Auditor's Report	3
Management's Discussion and Analysis	5
Independent Auditor's Report on Internal Control and on Compliance Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	9
Disposition of Prior Year's Reportable Conditions	11
Schedule of Audit Results	12
<u>COMBINED FINANCIAL STATEMENTS:</u>	
Statement of Net Position	13
Statement of Revenues, Expenses and Changes in Net Position	14
Statement of Cash Flows	15
Notes to Financial Statements	16
<u>OTHER SUPPLEMENTARY INFORMATION:</u>	
Schedule of Water Rates and Customers (unaudited)	24

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, 2019, 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 10, 2020 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting 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

January 10, 2020

**RURAL WATER, SEWER & SOLID WASTE MANAGEMENT
DISTRICT NO. 2, BRYAN COUNTY, OKLAHOMA
MANAGEMENT’S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2019**

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, 2019. 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 \$28,466. Overall, the District’s cash and cash equivalents increased by \$117,406 in the current fiscal year.
- The District earned a total of \$20,059 in interest in 2018-19, on bank accounts and certificates of deposit.
- Membership numbers increased in 2018-19, with total users reaching over 4,000 at year-end.
- The District continued paying on their outstanding notes, and paid one off in 2019.

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>2018-19</u>	<u>2017-18</u>	<u>Variances</u>
Current and other assets	\$ 3,178,802	3,046,871	131,931
Capital assets, net	<u>6,714,657</u>	<u>6,976,482</u>	<u>(261,825)</u>
Total Assets	<u>\$ 9,893,459</u>	<u>10,023,353</u>	<u>(129,894)</u>
Current liabilities	\$ 279,668	308,655	28,987
Long-term liabilities	<u>2,874,779</u>	<u>3,072,768</u>	<u>197,989</u>
Total Liabilities	<u>\$ 3,154,447</u>	<u>3,381,423</u>	<u>226,976</u>
Invest. In capital assets, net of related debt	\$ 3,652,161	3,704,860	(52,699)
Restricted	76,764	76,764	-
Unrestricted	<u>3,010,087</u>	<u>2,860,306</u>	<u>149,781</u>
Total Net Position	<u>\$ 6,739,012</u>	<u>6,641,930</u>	<u>97,082</u>

Net Position of the District increased by 1.46 percent (\$6,739,012 compared to \$6,641,930). 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 \$2,860,306 to \$3,010,087.

Table 2 – Changes in Net Position:

	<u>2018-19</u>	<u>2017-18</u>	<u>Variances</u>
Revenues:			
Charges for services	\$ 1,895,409	1,957,012	(61,603)
Other revenue	198,715	176,576	22,139
Memberships	23,700	73,550	(49,850)
Interest	20,059	21,170	(1,111)
Total Revenues	<u>\$ 2,137,883</u>	<u>2,228,308</u>	<u>(90,425)</u>
Expenses:			
Salaries, taxes and benefits	\$ 720,392	696,975	(23,417)
Maintenance and repairs	543,747	469,810	(73,937)
Other expenses	308,226	246,920	(61,306)
Depreciation	396,767	413,310	16,543
Interest on debt	71,669	89,554	17,885
Total Expenses	<u>\$ 2,040,801</u>	<u>1,916,569</u>	<u>(124,232)</u>
Changes in Net Position	97,082	311,739	(214,657)
Net Position, Beginning	<u>6,641,930</u>	<u>6,330,191</u>	<u>311,739</u>
Net Position, Ending	<u>\$ 6,739,012</u>	<u>6,641,930</u>	<u>97,082</u>

The District's total revenues decreased by 4.06 percent (-\$90,425). The total cost of all services increased by 6.48 percent (\$124,232).

Capital Assets

At September 30, 2019, the District had \$6,714,657 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 2018-19 increasing total capital assets by \$134,942. A summary of capital 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. One of the OWRB notes were paid off in 2018-19. The outstanding principal balance owed on the notes decreased from \$3,271,622 to \$3,062,496 during the 2018-19 fiscal year. Debt information can be found on pages 20-22.

Economic Factors and Next Year's Budget and Rates

A water rate increase was approved, effective January 2, 2020.

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 2019-20 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.



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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, 2019, 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 10, 2020.

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

January 10, 2020

**BRYAN COUNTY RURAL WATER, SEWER AND
SOLID WASTE MANAGEMENT DISTRICT NO. 2
Disposition of Prior Year's Significant Deficiencies
September 30, 2019**

There were no prior year significant deficiencies.

**BRYAN COUNTY RURAL, SEWER AND
SOLID WASTE MANAGEMENT DISTRICT NO. 2
Schedule of Audit Results
September 30, 2019**

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, 2019

	<u>September 30,</u>	
	<u>2019</u>	<u>(memo only) 2018</u>
<u>ASSETS:</u>		
Current Assets:		
Cash and cash equivalents	\$ 2,507,266	2,389,860
Current portion of receivables	164,298	138,503
Inventory on hand	343,819	351,224
Prepaid assets	86,655	90,520
Total current assets	<u>3,102,038</u>	<u>2,970,107</u>
Noncurrent Assets:		
Reserve account	<u>76,764</u>	<u>76,764</u>
Capital Assets:		
Land	54,129	54,129
Plant and equipment	13,950,612	13,815,670
Less: Accumulated Depreciation	<u>(7,290,084)</u>	<u>(6,893,317)</u>
Total capital assets	<u>6,714,657</u>	<u>6,976,482</u>
TOTAL ASSETS	<u>\$ 9,893,459</u>	<u>10,023,353</u>
<u>LIABILITIES:</u>		
Current Liabilities:		
Accounts payable	\$ 73,825	92,677
Pasture deposits	14,250	13,750
Accrued interest	3,876	3,374
Current portion of long-term debt	<u>187,717</u>	<u>198,854</u>
Total current liabilities	<u>279,668</u>	<u>308,655</u>
Noncurrent Liabilities:		
Long-term debt, less current maturities	<u>2,874,779</u>	<u>3,072,768</u>
Total Liabilities	<u>3,154,447</u>	<u>3,381,423</u>
<u>NET POSITION:</u>		
Net investment in capital assets	3,652,161	3,704,860
Restricted for debt service	76,764	76,764
Unrestricted assets	<u>3,010,087</u>	<u>2,860,306</u>
Total Net Position	<u>6,739,012</u>	<u>6,641,930</u>
TOTAL LIABILITIES & NET POSITION	<u>\$ 9,893,459</u>	<u>10,023,353</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 Revenues, Expenses and Changes in Net Position
For The Year Ended September 30, 2019

	<u>2018-19</u>	<u>(memo only) 2017-18</u>
Operating Revenues:		
Water and sewer revenue	\$ 1,895,409	1,957,012
Installation revenue	87,850	174,176
Service income	<u>14,339</u>	<u>2,400</u>
Total revenue from operations	<u>1,997,598</u>	<u>2,133,588</u>
Operating Expenses:		
Salaries and payroll expenses	605,960	583,994
Employee benefits	114,432	112,981
Insurance	70,047	44,440
Licenses and dues	7,150	6,006
Water purchased	36,403	36,403
Office and postage expenses	85,715	73,184
Bad debt expense	4,307	5,273
Electricity	82,977	61,150
Telephone	8,567	6,001
Professional fees	13,060	14,463
Testing	23,518	18,951
Building and grounds	22,021	23,220
Operating and maintenance expenses	498,208	427,639
Depreciation	<u>396,767</u>	<u>413,310</u>
Total expenses from operations	<u>1,969,132</u>	<u>1,827,015</u>
Operating Income (Loss)	28,466	306,573
Non-Operating Revenues (Expenses):		
Interest income	20,059	21,170
Development fees	96,526	0
Capital contributions-		
Memberships	23,700	73,550
Interest paid on long-term debt	<u>(71,669)</u>	<u>(89,554)</u>
Total Non-Operating Revenues (Expenses)	<u>68,616</u>	<u>5,166</u>
Change in Net Position	97,082	311,739
Total Net Position, beginning of period	<u>6,641,930</u>	<u>6,330,191</u>
Total Net Position, end of period	<u>\$ 6,739,012</u>	<u>6,641,930</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, 2019

	<u>2018-19</u>	<u>(memo only) 2017-18</u>
Cash Flows from Operating Activities:		
Receipts from customers	\$ 1,977,815	2,103,012
Payments to employees	(605,960)	(583,994)
Payments to vendors	<u>(979,496)</u>	<u>(836,414)</u>
Net Cash Provided by Operating Activities	<u>392,359</u>	<u>682,604</u>
Cash Flows from Capital and Related Financing Activities:		
Sale (purchase) of fixed assets	(134,942)	(355,067)
Loan proceeds	0	242,525
Principal paid on long-term debt	(209,126)	(196,868)
Interest paid on long-term debt	<u>(71,170)</u>	<u>(90,521)</u>
Net Cash Provided by (used in) Capital and Related Financing Activities	<u>(415,238)</u>	<u>(399,931)</u>
Cash Flows from Investing Activities:		
Capital contributions - Memberships	23,700	73,550
Development and other non-operating sources	96,526	0
Interest earned on investments	<u>20,059</u>	<u>21,170</u>
Net Cash Provided by (used in) Investing Activities	<u>140,285</u>	<u>94,720</u>
Net Increase (Decrease) in Cash	117,406	377,393
Cash and cash equivalents, beginning of period	<u>2,466,624</u>	<u>2,089,231</u>
Cash and cash equivalents, end of period	<u>\$ 2,584,030</u>	<u>2,466,624</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:		
Operating Income	\$ 28,466	306,573
Adjustments to reconcile net income to net cash provided (used) by operating activities:		
Depreciation Expense	396,767	413,310
Change in assets and liabilities:		
(Increase) decrease in accounts receivable	(25,795)	(26,808)
(Increase) decrease in inventory	7,408	(13,661)
(Increase) decrease in prepaid assets	3,865	(37,266)
Increase (decrease) in accounts payable	(18,852)	38,956
Increase (decrease) in pasture deposits	<u>500</u>	<u>1,500</u>
Net cash provided by operating activities	<u>\$ 392,359</u>	<u>682,604</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, 2019

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 4,100 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, 2019, the District held deposits of approximately \$2,596,487 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, 2019

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, 2019 are as follows:

	Wtd. Avg Maturity	Credit Rating	Market	Cost
Money market/checking	N/A	AAAm	\$ 2,538,878	2,538,878
Certificates of deposit	1.0 Yr	N/A	57,609	57,609
Total Deposits			\$ 2,596,487	2,596,487

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 (\$57,609) and 98% in Money Market/Checking funds (\$2,538,878).

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

Notes to the Financial Statements

September 30, 2019

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, 2019 were \$164,298, 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.

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

Notes to the Financial Statements

September 30, 2019

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

The capital asset information for the District is shown below:

	9/30/2018			9/30/2019
	Amount	Additions	Deletions	Amount
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	258,384	27,005	-	285,389
Buildings	116,131	-	-	116,131
Furniture & equipment	272,031	29,220	-	301,251
Completed projects	4,175,145	-	-	4,175,145
Const. in progress	1,642,555	78,717	-	1,721,272
Total Fixed Assets	13,869,799	134,942	-	14,004,741
Less: Accumulated Depreciation	(6,893,317)	(396,767)	-	(7,290,084)
Total	\$ 6,976,482	(261,825)	-	6,714,657

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

Notes to the Financial Statements

September 30, 2019

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. This note was paid off in 2018-19.
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, 2019

Note C – Notes Payable – cont'd

	September 30,	
	2019	2018
Oklahoma Water Resources Board note payable, dated 2000, issued for \$576,675, at 0% interest, due in semi-annual installments, until paid;	\$ -	50,254
Oklahoma Water Resources Board note payable, dated 2006, issued for \$1,800,000, at 0% interest, due in semi-annual installments, until paid;	590,520	711,253
Rural Development note payable, dated 2008, issued for \$1,055,500, at 4.5% interest, due in monthly installments, until paid;	903,711	919,656
Rural Development note payable, dated 2009, issued for \$416,750, at 3.625% interest, due in monthly installments, until paid;	354,266	361,054
Oklahoma Water Resources Board note payable, dated 2010, issued for \$382,000, at 3.21% interest, due in semi-annual installments, until paid;	154,196	167,602
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;	1,059,803	1,061,803
Long-Term Debt Outstanding	3,062,496	3,271,622
Less: Current maturities of long-term debt	(187,717)	(198,854)
Total Long-Term Debt, Net	\$ 2,874,779	3,072,768

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

Notes to the Financial Statements

September 30, 2019

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>
2020	\$ 187,717	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	206,816	122,780	15,112	42,000	19,079	7,845
2024	211,230	102,574	15,565	65,000	19,956	8,135
2024-29	1,082,428	-	80,825	841,803	114,403	45,397
2029-34	197,611	-	-	-	143,208	54,403
2034-39	244,464	-	-	-	179,268	65,196
2039+	526,831	-	-	-	375,442	151,389
Total	\$ 3,062,496	590,520	154,196	1,059,803	903,711	354,266

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, 2019, 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, 2019, 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, 2019

Note D – Commitments/Contingencies – cont'd

Subsequent Events

The District did not have any material subsequent events through January 10, 2020, 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, 2019.

**BRYAN COUNTY RURAL WATER, SEWER AND SOLID WASTE
MANAGEMENT DISTRICT NO. 2
Schedule of Water Rates and Customers
-Unaudited Information-
September 30, 2019**

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

Note – a water rate increase was approved, effective January 2, 2020

Water Loss:

	<u>2018-19</u>	<u>2017-18</u>
Total gallons produced	287,094,000	316,259,000
Total gallons purchased	4,518,900	7,985,000
Total gallons sold to District customers	<u>(255,158,800)</u>	<u>(278,441,339)</u>
Net Water loss	36,454,100	45,802,661
Less: water used for maintenance	<u>(28,208,503)</u>	<u>(30,190,530)</u>
Total unaccounted water loss	<u>8,245,597</u>	<u>15,612,131</u>
Water loss percentage	<u>2.83%</u>	<u>4.81%</u>

Customers:

The District had 4,072 active accounts at the close of the fiscal year.

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