

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

Financial Statements and Auditor's Reports

Year Ended September 30, 2020

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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Merle Pearce

OFFICE MANAGER

Nancy Parry

**Bryan County Rural Water, Sewer and
Solid Waste Management District No. 2
Mead, Oklahoma
September 30, 2020**

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INDEPENDENT AUDITOR'S REPORT

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

Report on Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Bryan County Rural Water, Sewer and Solid Waste Management District No. 2 (the District), Mead, Oklahoma, as of and for the year ended September 30, 2020 and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the District as of September 30, 2020, 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 February 12, 2021 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting or on compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Bledsoe, Hewett & Gullekson

Bledsoe, Hewett & Gullekson
Certified Public Accountants, PLLLP

February 12, 2021

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

SEPTEMBER 30, 2020

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, 2020. 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 \$179,987. Overall, the District's cash and cash equivalents increased by \$485,260 in the current fiscal year.
- The District earned a total of \$13,400 in interest in 2019-20, on bank accounts and certificates of deposit.
- Membership numbers increased in 2019-20, with total users reaching over 4,200 at year-end.
- In 2019-20, the District received forgiveness on a \$70,236 loan from OWRB and received a \$250,000 grant from the Choctaw Nation for drinking water improvements. The District also received a \$120,800 PPP loan that was forgiven. These funds were used to maintain operations during the Covid-19 pandemic.

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 2019-20, increasing from \$6,739,012 to \$7,351,019. 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>2019-20</u>	<u>2018-19</u>	<u>Variances</u>
Current and other assets	\$ 3,721,487	3,178,802	542,685
Capital assets, net	6,663,709	6,714,657	(50,948)
Total Assets	<u>\$ 10,385,196</u>	<u>9,893,459</u>	<u>491,737</u>
Current liabilities	\$ 360,088	279,668	(80,420)
Long-term liabilities	2,674,089	2,874,779	200,690
Total Liabilities	<u>\$ 3,034,177</u>	<u>3,154,447</u>	<u>120,270</u>
Invest. In capital assets, net of related debt	\$ 3,788,933	3,652,161	136,772
Restricted	76,764	76,764	-
Unrestricted	3,485,322	3,010,087	475,235
Total Net Position	<u>\$ 7,351,019</u>	<u>6,739,012</u>	<u>612,007</u>

Net Position of the District increased by 9.08 percent (\$7,351,019 compared to \$6,739,012). 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 \$3,010,087 to \$3,485,322.

Table 2 – Changes in Net Position:

	<u>2019-20</u>	<u>2018-19</u>	<u>Variances</u>
Revenues:			
Charges for services	\$ 2,135,513	1,895,409	240,104
Other revenue	212,084	198,715	13,369
Memberships	172,225	23,700	148,525
Grant proceeds	310,618	-	310,618
Interest	13,400	20,059	(6,659)
Total Revenues	<u>\$ 2,843,840</u>	<u>2,137,883</u>	<u>705,957</u>
Expenses:			
Salaries, taxes and benefits	\$ 795,368	720,392	(74,976)
Maintenance and repairs	655,593	543,747	(111,846)
Other expenses	333,134	308,226	(24,908)
Depreciation	367,887	396,767	28,880
Interest on debt	79,851	71,669	(8,182)
Total Expenses	<u>\$ 2,231,833</u>	<u>2,040,801</u>	<u>(191,032)</u>
Changes in Net Position	612,007	97,082	514,925
Net Position, Beginning	<u>6,739,012</u>	<u>6,641,930</u>	<u>97,082</u>
Net Position, Ending	<u>\$ 7,351,019</u>	<u>6,739,012</u>	<u>612,007</u>

The District's total revenues increased by 33.02 percent (\$705,957). The total cost of expenses increased by 9.36 percent (\$191,032).

Capital Assets

At September 30, 2020, the District had \$6,663,709 invested in capital assets, net of depreciation, including land, buildings, the water system, vehicles and equipment. The District made some drinking water system improvements and replacements in 2019-20 increasing total capital assets by \$316,939. A summary of capital assets can be found on page 19.

Long-Term Debt

The District is indebted to Oklahoma Water Resources Board on three notes obtained for extensive water and sewer system extensions, and two notes from Rural Development. The outstanding principal balance owed on the notes decreased from \$3,062,496 to \$2,874,776 during the 2019-20 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 1, 2021.

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 2020-21 will remain much like previous years budgets.

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

Contacting the District's Management

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



BLED SOE, HEWETT & GULLEKSON
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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, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 12, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting in order to determine our auditing procedures that are appropriate for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

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

Bledsoe, Hewett & Gullekson

Bledsoe, Hewett & Gullekson
Certified Public Accountants, PLLLP

February 12, 2021

**BRYAN COUNTY RURAL WATER, SEWER AND
SOLID WASTE MANAGEMENT DISTRICT NO. 2
Disposition of Prior Year's Significant Deficiencies
September 30, 2020**

There were no prior year significant deficiencies.

**BRYAN COUNTY RURAL, SEWER AND
SOLID WASTE MANAGEMENT DISTRICT NO. 2
Schedule of Audit Results
September 30, 2020**

Section 1 – Summary of Auditor’s Results:

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

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

NONE

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

Statement of Net Position
September 30, 2020

	September 30,	
	2020	(memo only) 2019
<u>ASSETS:</u>		
Current Assets:		
Cash and cash equivalents	\$ 2,992,526	2,507,266
Accounts receivable	145,273	164,298
Inventory on hand	436,336	343,819
Prepaid assets	70,588	86,655
Total current assets	3,644,723	3,102,038
Restricted Assets:		
Reserve account	76,764	76,764
Capital Assets:		
Land	54,129	54,129
Plant and equipment	14,267,551	13,950,612
Less: Accumulated Depreciation	(7,657,971)	(7,290,084)
Total capital assets	6,663,709	6,714,657
TOTAL ASSETS	\$ 10,385,196	9,893,459
<u>LIABILITIES:</u>		
Current Liabilities:		
Accounts payable	\$ 139,916	73,825
Pasture deposits	15,000	14,250
Accrued interest	4,485	3,876
Current portion of long-term debt	200,687	187,717
Total current liabilities	360,088	279,668
Noncurrent Liabilities:		
Long-term debt, less current maturities	2,674,089	2,874,779
Total Liabilities	3,034,177	3,154,447
<u>NET POSITION:</u>		
Net investment in capital assets	3,788,933	3,652,161
Restricted for debt service	76,764	76,764
Unrestricted assets	3,485,322	3,010,087
Total Net Position	7,351,019	6,739,012
TOTAL LIABILITIES & NET POSITION	\$ 10,385,196	9,893,459

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, 2020

	<u>2019-20</u>	<u>(memo only) 2018-19</u>
Operating Revenues:		
Water and sewer revenue	\$ 2,135,513	1,895,409
Installation revenue	193,985	87,850
Service income	2,471	14,339
Total revenue from operations	<u>2,331,969</u>	<u>1,997,598</u>
Operating Expenses:		
Salaries and payroll expenses	664,289	605,960
Employee benefits	131,079	114,432
Insurance	58,583	70,047
Licenses and dues	11,852	7,150
Water purchased	36,403	36,403
Office and postage expenses	98,659	85,715
Bad debt expense	4,305	4,307
Electricity	101,724	82,977
Telephone	5,698	8,567
Professional fees	15,910	13,060
Testing	29,752	23,518
Building and grounds	24,392	22,021
Operating and maintenance expenses	601,449	498,208
Depreciation	367,887	396,767
Total expenses from operations	<u>2,151,982</u>	<u>1,969,132</u>
Operating Income (Loss)	179,987	28,466
Non-Operating Revenues (Expenses):		
Interest income	13,400	20,059
Development fees	15,628	96,526
Capital contributions-		
Memberships	172,225	23,700
Grant proceeds	310,618	0
Interest paid on long-term debt	(79,851)	(71,669)
Total Non-Operating Revenues (Expenses)	<u>432,020</u>	<u>68,616</u>
Change in Net Position	612,007	97,082
Total Net Position, beginning of period	<u>6,739,012</u>	<u>6,641,930</u>
Total Net Position, end of period	<u>\$ 7,351,019</u>	<u>6,739,012</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, 2020

	<u>2019-20</u>	<u>(memo only) 2018-19</u>
Cash Flows from Operating Activities:		
Receipts from customers	\$ 2,321,439	1,977,815
Payments to employees	(664,289)	(605,960)
Payments to vendors	<u>(1,099,860)</u>	<u>(979,496)</u>
Net Cash Provided by Operating Activities	<u>557,290</u>	<u>392,359</u>
Cash Flows from Capital and Related Financing Activities:		
Sale (purchase) of capital assets	(316,939)	(134,942)
Grant proceeds	310,618	0
Principal paid on long-term debt	(187,721)	(209,126)
Interest paid on long-term debt	<u>(79,241)</u>	<u>(71,170)</u>
Net Cash Provided by (used in) Capital and Related Financing Activities	<u>(273,283)</u>	<u>(415,238)</u>
Cash Flows from Investing Activities:		
Capital contributions - Memberships	172,225	23,700
Development and other non-operating sources	15,628	96,526
Interest earned on investments	<u>13,400</u>	<u>20,059</u>
Net Cash Provided by (used in) Investing Activities	<u>201,253</u>	<u>140,285</u>
Net Increase (Decrease) in Cash	485,260	117,406
Cash and cash equivalents, beginning of period	<u>2,584,030</u>	<u>2,466,624</u>
Cash and cash equivalents, end of period	<u>\$ 3,069,290</u>	<u>2,584,030</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:		
Operating Income	\$ 179,987	28,466
Adjustments to reconcile net income to net cash provided (used) by operating activities:		
Depreciation Expense	367,887	396,767
Change in assets and liabilities:		
(Increase) decrease in accounts receivable	19,025	(25,795)
(Increase) decrease in inventory	(92,517)	7,408
(Increase) decrease in prepaid assets	16,067	3,865
Increase (decrease) in accounts payable	66,091	(18,852)
Increase (decrease) in pasture deposits	<u>750</u>	<u>500</u>
Net cash provided by operating activities	<u>\$ 557,290</u>	<u>392,359</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, 2020

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 4,200 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, 2020, the District held deposits of approximately \$3,060,110 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, 2020

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, 2020 are as follows:

	Wtd. Avg Maturity	Credit Rating	Market	Cost
Money market/checking	N/A	AAAm	\$ 3,002,067	3,002,067
Certificates of deposit	1.0 Yr	N/A	58,043	58,043
Total Deposits			<u>\$ 3,060,110</u>	<u>3,060,110</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 (\$58,043) and 98% in Money Market/Checking funds (\$3,002,067).

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

Notes to the Financial Statements

September 30, 2020

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, 2020 were \$145,273, 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, 2020

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:

	9/30/2019			9/30/2020
	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	30	-	3,328,142
Upgrades & new lines	188,291	-	-	188,291
Upgrades & new lines RD	1,589,514	-	-	1,589,514
Vehicles	285,389	-	-	285,389
Buildings	116,131	-	-	116,131
Furniture & equipment	301,251	6,291	-	307,542
Completed projects	4,175,145	2,031,890	-	6,207,035
Const. in progress	1,721,272	(1,721,272)	-	-
Total Capital Assets	14,004,741	316,939	-	14,321,680
Less: Accumulated Depreciation	(7,290,084)	(367,887)	-	(7,657,971)
Total	\$ 6,714,657	(50,948)	-	6,663,709

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

Notes to the Financial Statements

September 30, 2020

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

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

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

Notes to the Financial Statements

September 30, 2020

Note C – Notes Payable – cont'd

	September 30,	
	2020	2019
Oklahoma Water Resources Board note payable, dated 2006, issued for \$1,800,000, at 0% interest, due in semi-annual installments, until paid;	\$ 469,313	590,520
Rural Development note payable, dated 2008, issued for \$1,055,500, at 4.5% interest, due in monthly installments, until paid;	887,034	903,711
Rural Development note payable, dated 2009, issued for \$416,750, at 3.625% interest, due in monthly installments, until paid;	347,227	354,266
Oklahoma Water Resources Board note payable, dated 2010, issued for \$382,000, at 3.21% interest, due in semi-annual installments, until paid;	140,399	154,196
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>1,030,803</u>	<u>1,059,803</u>
Long-Term Debt Outstanding	2,874,776	3,062,496
Less: Current maturities of long-term debt	<u>(200,687)</u>	<u>(187,717)</u>
Total Long-Term Debt, Net	<u><u>\$ 2,674,089</u></u>	<u><u>2,874,779</u></u>

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

Notes to the Financial Statements

September 30, 2020

Note C – Notes Payable – cont'd

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

Year	Total	ORWB 04	ORWB 09	OWRB 16	RD 91-10	RD 91-11
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
2025	214,359	-	16,052	169,000	20,873	8,434
2026-30	904,306	-	64,774	672,803	119,659	47,070
2031-35	206,197	-	-	-	149,789	56,408
2036-40	255,104	-	-	-	187,505	67,599
2041+	471,365	-	-	-	334,492	136,873
Total	<u>\$ 2,874,776</u>	<u>469,313</u>	<u>140,399</u>	<u>1,030,803</u>	<u>887,034</u>	<u>347,227</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, 2020, 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, 2020, 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, 2020

Note D – Commitments/Contingencies – cont'd

Loan Forgiveness

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

Paycheck Protection Program (PPP) Loan

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

Grant Proceeds

In 2019-20, the District received \$250,000 in grant proceeds from the Choctaw Nation for drinking water system improvements.

Subsequent Events

The District did not have any material subsequent events through February 12, 2021, 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, 2020.

**BRYAN COUNTY RURAL WATER, SEWER AND SOLID WASTE
MANAGEMENT DISTRICT NO. 2
Schedule of Water Rates and Customers
-Unaudited Information-
September 30, 2020**

Water Rates:

Residential Water Rates

5/8" meter	=	\$ 19.00 minimum for 1,000 gallons
1" meter	=	\$ 26.25 minimum for 1,000 gallons
2" meter	=	\$30.00 minimum for 1,000 gallons

Commercial Water Rates

5/8" meter	=	\$ 26.25 minimum for 1,000 gallons
1" meter	=	\$ 38.25 minimum for 1,000 gallons
2" meter	=	\$51.25 minimum for 1,000 gallons

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

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

Note – a water rate increase was approved, effective January 1, 2021

Water Loss:

	<u>2019-20</u>	<u>2018-19</u>
Total gallons produced	326,986,000	287,094,000
Total gallons purchased	9,290,000	4,518,900
Total gallons sold to District customers	<u>(293,985,500)</u>	<u>(255,158,800)</u>
Net Water loss	42,290,500	36,454,100
Less: water used for maintenance	<u>(33,560,626)</u>	<u>(28,208,503)</u>
Total unaccounted water loss	<u>8,729,874</u>	<u>8,245,597</u>
Water loss percentage	<u>2.6%</u>	<u>2.8%</u>

Customers:

The District had 4,238 active accounts at the close of the fiscal year.

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