

**CHOCTAW COUNTY RURAL WATER
AND SEWER DISTRICT NO. 1**

GRANT, OKLAHOMA

FINANCIAL STATEMENTS AND AUDITOR'S REPORT

YEAR ENDED OCTOBER 31, 2020

Audited by

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

BROKEN ARROW, OK

CHOCTAW COUNTY RURAL WATER AND SEWER DISTRICT NO. 1
BOARD OF DIRECTORS
OCTOBER 31, 2020

BOARD OF DIRECTORS

Chairperson	Susan Brewer
Vice-Chairperson	Candy Tollett
Secretary/Treasurer	Odis Brewer
Member	Glenn Clark
Member	Todd Beason

MANAGER

Charles W. Motes

Bookkeeper

Traci Dickieson

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BLEDSON, HEWETT & GULLEKSON
CERTIFIED PUBLIC ACCOUNTANTS, PLLLP

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Choctaw County Rural Water and Sewer District No. 1
Grant, Oklahoma

We have audited the accompanying financial statements of the business-type activities of the Choctaw County Rural Water and Sewer District No. 1 (the District), Grant, Oklahoma, as of and for the year ended October 31, 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 opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the District as of October 31, 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 supplementary information on page 20 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 November 25, 2020 on our consideration of the Authority'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.

Bledsoe, Hewett & Gullekson

Bledsoe, Hewett & Gullekson
Certified Public Accountants, PLLLP

November 25, 2020

RURAL WATER AND SEWER DIST#1, CHOCTAW COUNTY
MANAGEMENT’S DISCUSSION AND ANALYSIS

OCTOBER 31, 2020

Our discussion and analysis of the Rural Water & Sewer Dist#1, Choctaw County’s financial performance provides an overview of the District’s financial activities for the fiscal year ended October 31, 2020. Please read it in conjunction with the District’s financial statements that begin on page 12.

FINANCIAL HIGHLIGHTS

- The District has over 900 users on its system.
- The District’s Net position increased \$49,299 for the current fiscal year.
- The District’s operating revenues exceeded operating expenses by \$71,200. During the 2019-20 fiscal year, the District actually brought in \$859,470 and spent \$788,270, plus \$135,445 in capital asset additions.

Using This Report

This annual 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 Statement

One of the most important questions asked about the District’s finances is, “Is the District as a whole better 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 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 position. Over time, increases in the District’s net position are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial 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 Districts Net Position was higher in 2019-20, increasing from \$1,564,318 to \$1,613,617. Our analysis below focuses on the Net Position (Table1) and in Net position (Table 2) of the District’s business-type activities.

Table 1- Net Position:

	2019-20	2018-19	Variances
Current and other assets	\$ 596,223	462,084	134,139
Capital assets, net	2,766,092	2,764,696	1,396
Total Assets	<u>\$ 3,362,315</u>	<u>3,226,780</u>	<u>135,535</u>
Current liabilities	\$ 147,166	87,462	(59,704)
Long-term liabilities	1,601,532	1,575,000	(26,532)
Total Liabilities	<u>\$ 1,748,698</u>	<u>1,662,462</u>	<u>(86,236)</u>
Invest. In capital assets, net of related debt	\$ 1,026,039	1,114,696	(88,657)
Restricted	198,579	136,140	62,439
Unrestricted	388,999	313,482	75,517
Total Net Position	<u>\$ 1,613,617</u>	<u>1,564,318</u>	<u>49,299</u>

Net Position of the District increased by 3.15% (\$1,613,617 compared to \$1,564,318). 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 \$313,482 to \$388,999.

Table 2- Changes in Net position:

	<u>2019-20</u>	<u>2018-19</u>	<u>Variances</u>
Revenues:			
Charges for services	\$ 842,353	794,997	47,356
Other revenue	35,770	1,500	34,270
Benefits units and installation	16,947	15,814	1,133
Interest	3,249	4,382	(1,133)
Total Revenues	<u>\$ 898,319</u>	<u>816,693</u>	<u>81,626</u>
Expenses:			
Salaries, taxes and benefits	\$ 325,543	335,607	10,064
Maintenance and repairs	157,155	153,012	(4,143)
Other expenses	168,465	128,454	(40,011)
Depreciation / Amortization	137,107	136,462	(645)
Interest on debt	60,750	63,900	3,150
Total Expenses	<u>\$ 849,020</u>	<u>817,435</u>	<u>(31,585)</u>
Changes in Net Position	49,299	(742)	50,041
Net Position, Beginning	<u>1,564,318</u>	<u>1,565,060</u>	<u>(742)</u>
Net Position, Ending	<u><u>\$ 1,613,617</u></u>	<u><u>1,564,318</u></u>	<u><u>49,299</u></u>

The District's total revenue increased by 10.0 percent (\$81,626). The total cost of all expenses increased by 3.86 percent (\$31,585).

Capital Assets

At October 31, 2020, the District had \$2,766,092 invested in capital assets, net of depreciation, including land, the water system, treatment plant, vehicles and equipment. In 2019-20, the District added \$135,445 in additions to capital assets, including pumps, meters, and a backhoe. The District considers any item purchased in excess of \$1000, and a useful life of over three years, to be classified as a capital asset.

Long-Term Debt

The District has outstanding Revenue Bonds with Okla Water Resources Board. These bonds were incurred to pay off prior debt, and make various improvements and expansions over the years. On October 31, 2020, the District had outstanding long-term debt of \$1,575,000. In 2019-20, the District also added lease-purchase financing for a backhoe, and obtained a PPP loan in the amount of \$64,017 to assist them with payroll during the Covid-19 pandemic. The balances of these debts are shown in detail in the notes section of this audit report on page 17.

Economic Factors and Next Year's Budget and Rates

For the upcoming fiscal year ending October 31, 2021, the District's operating budget is fairly consistent with prior years. Further water and sewer rates and service increases could be necessary due to economic factors.

Contacting the District's Financial Management

This financial report is designed to provide our customers and creditors with a general overview of the District's finances and to show 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 63, Grant, OK or call (580) 326-7777



**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
Choctaw County Rural Water and Sewer District No. 1
Grant, 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 Choctaw County Rural Water and Sewer District No. 1 (the District), Grant, Oklahoma, as of and for the year ended October 31, 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 November 25, 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.

Bledsoe, Hewett & Gullekson

Bledsoe, Hewett & Gullekson
Certified Public Accountants, PLLLP

November 25, 2020

CHOCTAW COUNTY RURAL WATER AND SEWER DISTRICT NO.1
DISPOSITION OF PRIOR YEAR'S SIGNIFICANT DEFICIENCIES
OCTOBER 31, 2020

There were no prior year significant deficiencies.

CHOCTAW COUNTY RURAL WATER AND SEWER DISTRICT NO. 1
SCHEDULE OF AUDIT RESULTS, FINDINGS AND QUESTIONED COSTS
OCTOBER 31, 2020

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

CHOCTAW COUNTY RURAL WATER AND SEWER DISTRICT NO. 1
STATEMENT OF NET POSITION
OCTOBER 31, 2020

	October 31,	
<u>ASSETS-</u>	2020	(Memo Only) 2019
Current Assets:		
Cash on hand	\$ 100	100
Cash in bank	230,548	107,289
Investments	187,440	184,313
Accounts receivable	70,996	70,260
Supplies Inventory	24,318	25,598
Prepaid insurance	10,348	9,670
Total current assets	523,750	397,230
Non-Current Assets:		
Bond trustee accounts	22,651	11,974
Bond issuance costs	49,822	52,880
Total non-current assets	72,473	64,854
Capital Assets:		
Office furniture and fixtures	45,364	45,364
Equipment and tools	346,159	245,123
Transportation equipment	203,942	203,942
Water and sewer system	4,548,888	4,514,479
Buildings	85,941	85,941
Land and water rights	96,745	96,745
Total capital assets	5,327,039	5,191,594
Less accumulated depreciation	(2,560,947)	(2,426,898)
Total capital assets (net)	2,766,092	2,764,696
TOTAL ASSETS	\$ 3,362,315	3,226,780
<u>LIABILITIES-</u>		
Current Liabilities:		
Accounts payable	\$ 8,645	12,462
Current portion of debt due within one year	138,521	75,000
Total current liabilities	147,166	87,462
Non-Current Liabilities:		
Long-term debt	1,601,532	1,575,000
Total Liabilities	1,748,698	1,662,462
<u>NET POSITION-</u>		
Net investment in capital assets	1,026,039	1,114,696
Restricted for debt service	198,579	136,140
Unrestricted	388,999	313,482
Total Net Position	1,613,617	1,564,318
TOTAL LIABILITIES & NET POSITION	\$ 3,362,315	3,226,780

The accompanying notes are an integral part of the financial statements

CHOCTAW COUNTY RURAL WATER AND SEWER DISTRICT NO. 1
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED OCTOBER 31, 2020

	<u>2019-20</u>	<u>(Memo Only)</u> <u>2018-19</u>
Revenue from Operations:		
Water sales	\$ 806,105	755,191
Sewer sales	27,408	31,544
Installation	8,200	7,375
Reconnect fees	4,747	4,689
Late charges	8,840	8,262
Other	<u>4,170</u>	<u>1,500</u>
Total revenue from operations	<u>859,470</u>	<u>808,561</u>
Expenses from Operations:		
Salaries	296,308	304,878
Taxes	29,235	30,729
Professional fees	4,542	4,563
Contract labor	9,136	20,422
Utilities	30,659	39,159
Insurance	61,043	56,593
Repairs and maintenance	91,881	50,485
Supplies and materials	65,274	61,824
Vehicles (gas and oil)	19,055	20,036
Membership fees, dues and permits	4,884	5,878
Telephone	4,502	4,306
Office materials and supplies	10,859	11,862
Water purchases	10,654	1,121
Depreciation	134,049	133,404
Amortization	3,058	3,058
Postage	6,666	4,746
Retirement	<u>6,465</u>	<u>471</u>
Total expenses from operations	<u>788,270</u>	<u>753,535</u>
Net Income (Loss) from Operations	71,200	55,026
Non-Operating Income/Expense:		
Interest revenue	3,249	4,382
Insurance proceeds	31,600	0
Memberships	4,000	3,750
Interest expense on debt payments	<u>(60,750)</u>	<u>(63,900)</u>
Total non-operating income/expense	<u>(21,901)</u>	<u>(55,768)</u>
Change in net position - net income (loss)	49,299	(742)
Net Position - beginning of year	<u>1,564,318</u>	<u>1,565,060</u>
Net Position - end of year	<u>\$ 1,613,617</u>	<u>1,564,318</u>

The accompanying notes are an integral part of the financial statements

CHOCTAW COUNTY RURAL WATER AND SEWER DISTRICT NO. 1
STATEMENT OF CASH FLOWS
FOR YEAR ENDED OCTOBER 31, 2020

	2019-20	(Memo Only) 2018-19
Cash Flows from Operating Activities:		
Cash received from customers	\$ 858,734	814,849
Cash payments to employees	(296,308)	(304,878)
Cash payments to suppliers for goods and contractors and other services	(257,034)	(308,514)
Net Cash Provided by Operating Activities	204,356	201,457
Cash Flows from Investing Activities:		
Capital assets sold (purchased)	(135,445)	(133,170)
Membership units	4,000	1,500
Interest and dividends	3,249	4,382
Net Cash Provided by Investing Activities	(128,196)	(127,288)
Cash Flows from Capital and Related Financing Activities:		
Bond trustee accounts liquidated (added)	(10,677)	3,116
Loan proceeds (PPP and lease-purchase)	165,053	0
Insurance reimbursements	31,600	0
Interest payments on debt	(60,750)	(63,900)
Principal payments on debt	(75,000)	(75,000)
Net Cash Provided by Capital and Related Financing Activities	50,226	(135,784)
Net increase (decrease) in cash and cash equivalents	126,386	(61,615)
Cash & cash equivalents, beginning of period	291,702	353,317
Cash & cash equivalents, end of period	\$ 418,088	291,702
 Reconciliation of operating income (loss) to net cash provided by operating activities:		
Operating income (loss)	\$ 71,200	55,026
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation and amortization expense	137,107	136,462
(Increase) decrease in accounts receivable	(736)	4,038
(Increase) decrease in prepaid expenses	(678)	(588)
(Increase) decrease in supplies inventory	1,280	4,051
(Decrease) increase in accounts payable	(3,817)	2,468
Net cash provided by operating activities	\$ 204,356	201,457

The accompanying notes are an integral part of the financial statements

CHOCTAW COUNTY RURAL WATER AND SEWER DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2020

Note A – Significant Accounting Policies

Nature of Organization

The Choctaw County Rural Water and Sewer District No. 1 (the District) was created under the provisions of Title 82 of Oklahoma Statutes, Section 1324.1 – 1324.35 and the Laws of the State of Oklahoma. The purpose of this District is to provide water and sewer services to users.

Basis of Accounting

The accrual basis of accounting is followed for all accounts. Revenues are recorded when earned and accrued liabilities are recognized when incurred. This policy is in accordance with generally accepted accounting principles.

Cash

The District’s operating accounts are with Bancfirst in Hugo, Oklahoma, and, at October 31, 2020, are detailed as follows:

Savings account (included in "investments")	\$ 979
Water and Sewer account	207,885
Less: outstanding checks	<u>(31,810)</u>
Total	<u><u>\$ 177,054</u></u>

The District maintained a bank account at Security National Bank, Hugo, Oklahoma, for their Paycheck Protection Program (PPP) loan proceeds. This account was classified as “cash in bank” in the financial statements. At October 31, 2020, this bank account had a balance of \$54,473.

Investments

All investments are recorded at cost. Investments at October 31, 2020, are detailed as follows:

Bancfirst, Hugo, Oklahoma	
Certificate of Deposit No. 45463, dated 9-23-20,	
due 9-23-21, @ .35%	<u>\$ 186,461</u>

CHOCTAW COUNTY RURAL WATER AND SEWER DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2020

Note A – Significant Accounting Policies – cont’d

Accounts Receivable

Billings for accounts receivable (water and sewer) at October 31, 2018 were \$70,260. An allowance for doubtful accounts was not computed on this balance. The direct write-off method is used by the District for bad accounts, which is not materially different from computing an allowance.

Inventory

Supplies inventory is valued at the lower of cost or market, using the FIFO method (first in, first out).

Capital Assets

Capital (“fixed”) assets are valued at cost; depreciation is computed by use of the straight-line method. The activity for capital assets (any item over \$1,000) are as follows:

	11/1/2019 Amount	Additions	Deletions	10/31/2020 Amount
Office furn. & fixt.	\$ 45,364	-	-	45,364
Equipment & tools	245,123	101,036	-	346,159
Transportation equip.	203,942	-	-	203,942
Water & sewer sys.	4,514,479	34,409	-	4,548,888
Buildings	85,941	-	-	85,941
Land & water rights	96,745	-	-	96,745
Total Fixed Assets	5,191,594	135,445	-	5,327,039
Less: Accumulated Depreciation	<u>(2,426,898)</u>	<u>(134,049)</u>	<u>-</u>	<u>(2,560,947)</u>
Total	<u>\$ 2,764,696</u>	<u>1,396</u>	<u>-</u>	<u>2,766,092</u>

Federal Income Tax

The District is exempt from federal and state income taxes.

Statement of Cash Flows

For purposes of the statement of cash flows, the District considers all highly liquid investments, such as certificates of deposit and savings accounts, as cash equivalents.

CHOCTAW COUNTY RURAL WATER AND SEWER DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2020

Note B – Cash 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 October 31, 2020, the District held deposits of approximately \$449,798 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.

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).

Note C – Accumulated Unpaid Vacation and Sick Pay

At October 31, 2020, no determination of the aggregate dollar value of vacation or sick pay had been made.

CHOCTAW COUNTY RURAL WATER AND SEWER DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2020

Note D – Long-Term Debt

Long-term debt at October 31, 2020, is summarized as follows:

Series 2017 Promissory Note to Oklahoma Water Resources Board, dated June 6, 2017, totaling \$1,815,000 variable interest rates, payable in semi-annual principal and interest installments, final payment due Sept. 15, 2035	\$ 1,575,000
Lease-Purchase agreement for a backhoe with SNB Bank, dated Sept. 23, 2020, totaling \$101,036, 2.15% interest rate, payable in monthly principal and interest installments of \$1,497, final payment due Sept. 23, 2026	101,036
Paycheck Protection Program (PPP) Loan for payroll with Security First National Bank, dated April 15, 2020, totaling \$64,017, 1.0% interest rate, payable in monthly principal and interest Installments of \$3,603, final payment due April 15, 2022	<u>64,017</u>
Total long-term debt	<u>\$ 1,740,053</u>

The estimated maturities for long-term debt mortgages for the next five (5) years, and in total thereafter, are detailed as follows:

Year Ending October 31,	Principal	Interest	Total
2021	\$ 138,521	60,058	198,579
2022	122,740	56,772	179,512
2023	101,648	52,785	154,433
2024	107,009	49,229	156,238
2025	107,379	46,454	153,833
2026-30	537,756	173,157	710,913
2031-35	625,000	62,750	687,750
Total	\$ 1,740,053	501,205	2,241,258

Paycheck Protection Program (PPP) Loan

This loan, administered through the Small Business Association, was enacted in 2020 by the federal government (CFDA No. 59.073) 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 October 31, 2020, the District has used \$9,544 of these loan proceeds, all for payroll expenditures. There is a chance this loan could be forgiven by the federal government. Because of this qualification, this PPP loan is not included in the debt coverage ratio calculation.

CHOCTAW COUNTY RURAL WATER AND SEWER DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2020

Restricted Assets

Under the terms of the 2017 loan agreement, the District must maintain restricted funds. The loan agreement requires the District to maintain trustee accounts in the form of a debt service fund and a construction fund. The funds are held at The Bank of Oklahoma. The balances of these accounts as of October 31, 2020 were \$22,651 in the debt service fund, and \$0 in the construction fund. A debt service reserve fund is not required as long as the District maintains a debt coverage ratio of 1.40 times (instead of the usual 1.25 times). If the District does not maintain a debt coverage ratio of 1.40 times or higher, they would have to fund a debt service reserve account within 24 months.

Debt Service Coverage Calculation:

Income from operations	\$	71,200
Add:		
Depreciation and amortization		137,107
Membership fees		4,000
Interest income		3,249
Income available for debt service	\$	215,556
Debt service:		
Interest expense	\$	59,613
Principal payments		95,950
Total debt service requirements	\$	155,563
Debt service coverage ratio		1.4

Note F – Subsequent Events

Management has evaluated subsequent events through November 25, 2020, which is the date the financial statements were available to be issued and have determined that no additional information needs to be added to the financial statements.

CHOCTAW COUNTY RURAL DISTRICT NO. 1
Schedule of Water Rates and Customers
-Unaudited Information-
October 31, 2020

Water Rates

0 – 1,000 gallons	=	\$34.50
2,000 gallons	=	\$37.25
3,000 gallons	=	\$44.75
4,000 – 8,000 gallons	=	\$51.55 + \$6.80 per 1,000 gallons over 4,000
9,000+ gallons	=	\$85.65 + \$6.90 per 1,000 gallons over 9,000

Sewer Rates

0 – 1,000 gallons	=	\$18.04
1,000+ gallons	=	\$18.04 + .63 per 1,000 gallons

Customers

The District had 906 water customers and 92 sewer customers at the close of the fiscal year.

Costs

Benefit unit cost is \$1,000 residential and \$1,400 commercial
Membership fee only is \$100
Reconnect fee is \$75