

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

GRANT, OKLAHOMA

FINANCIAL STATEMENTS AND AUDITOR'S REPORT

YEAR ENDED OCTOBER 31, 2019

Audited by

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

BROKEN ARROW, OK

CHOCTAW COUNTY RURAL WATER AND SEWER DISTRICT NO. 1  
BOARD OF DIRECTORS  
OCTOBER 31, 2019

BOARD OF DIRECTORS

Chairperson	Susan Brewer
Vice-Chairperson	Candy Tollett
Secretary/Treasurer	Odis Brewer
Member	Glenn Clark
Member	James Minson

MANAGER

Charles W. Motes

Bookkeeper

Traci Dickieson

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# SANDERS, BLEDSOE & HEWETT

## CERTIFIED PUBLIC ACCOUNTANTS, LLP

P.O. BOX 1310 • 101 N. MAIN ST. • BROKEN ARROW, OK 74013 • (918)449-9991 • (800)522-3831 • FAX (918) 449-9779

### **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, 2019, 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, 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 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 20, 2019 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.



Sanders, Bledsoe & Hewett  
Certified Public Accountants, LLP

November 20, 2019

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

**OCTOBER 31, 2019**

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, 2019. Please read it in conjunction with the District's financial statements that begin on page 12

**FINANCIAL HIGHLIGHTS**

- The District has over 850 users on its system.
- The District's Net position decreased \$742 for the current fiscal year.
- The District's operating revenues exceeded operating expenses by \$55,026. During the 2018-19 fiscal year, the District actually brought in \$808,561 and spent \$753,535, plus \$133,170 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

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 lower in 2018-19, decreasing from \$1,565,060 to \$1,564,318. 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:**

	2018-19	2017-18	Variances
Current and other assets	\$ 462,084	535,124	(73,040)
Capital assets, net	2,764,696	2,764,930	(234)
Total Assets	<u>\$ 3,226,780</u>	<u>3,300,054</u>	<u>(73,274)</u>
Current liabilities	\$ 87,462	84,994	(2,468)
Long-term liabilities	1,575,000	1,650,000	75,000
Total Liabilities	<u>\$ 1,662,462</u>	<u>1,734,994</u>	<u>72,532</u>
Invest. In capital assets, net of related debt	\$ 1,114,696	1,039,930	74,766
Restricted	136,140	136,140	-
Unrestricted	313,482	388,990	(75,508)
Total Net Position	<u>\$ 1,564,318</u>	<u>1,565,060</u>	<u>(742)</u>

Net Position of the District decreased by 0.04% (\$1,564,318 compared to \$1,565,060). 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-decreased from \$388,990 to \$313,482.

**Table 2- Changes in Net position:**

	<u>2018-19</u>	<u>2017-18</u>	<u>Variances</u>
Revenues:			
Charges for services	\$ 794,997	729,979	65,018
Other revenue	1,500	2,800	(1,300)
Benefits units and installation	15,814	15,910	(96)
Interest	4,382	3,435	947
Total Revenues	<u>\$ 816,693</u>	<u>752,124</u>	<u>64,569</u>
Expenses:			
Salaries, taxes and benefits	\$ 335,607	238,588	(97,019)
Maintenance and repairs	153,012	302,282	149,270
Other expenses	128,454	172,923	44,469
Depreciation / Amortization	136,462	127,697	(8,765)
Interest on debt	63,900	66,504	2,604
Total Expenses	<u>\$ 817,435</u>	<u>907,994</u>	<u>90,559</u>
Changes in Net Position	(742)	(155,870)	155,128
Net Position, Beginning	<u>1,565,060</u>	<u>1,720,930</u>	<u>(155,870)</u>
Net Position, Ending	<u><u>\$ 1,564,318</u></u>	<u><u>1,565,060</u></u>	<u><u>(742)</u></u>

The District's total revenue increased by 8.6 percent (\$64,569). The total cost of all expenses decreased by 9.9 percent (\$90,559).

### **Capital Assets**

At October 31, 2019, the District had \$2,764,696 invested in fixed assets, net of depreciation, including land, the water system, treatment plant, vehicles and equipment. In 2018-19, the District added \$133,170 in additions to fixed assets, including pumps, meters, a ditch witch and a truck. The District considers any item purchased in excess of \$1000, and a useful life of over three years, to be classified as a fixed 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, 2019, the District had outstanding long-term debt of \$1,650,000. The balances of these bonds 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, 2020, 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



# SANDERS, BLEDSOE & HEWETT

## CERTIFIED PUBLIC ACCOUNTANTS, LLP

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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  
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, 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 November 20, 2019.

### Internal Control Over Financial Reporting

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified no deficiencies in the internal controls that we considered to be material weaknesses.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material*

*weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

### Compliance

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

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



Sanders, Bledsoe & Hewett  
Certified Public Accountants, LLP

November 20, 2019

CHOCTAW COUNTY RURAL WATER AND SEWER DISTRICT NO.1  
DISPOSITION OF PRIOR YEAR'S SIGNIFICANT DEFICIENCIES  
OCTOBER 31, 2019

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, 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

**CHOCTAW COUNTY RURAL WATER AND SEWER DISTRICT NO. 1**  
**STATEMENT OF NET POSITION**  
**OCTOBER 31, 2019**

	October 31,	
<u>ASSETS-</u>	2019	(Memo Only) 2018
Current Assets:		
Cash on hand	\$ 100	100
Cash in bank	107,289	172,059
Investments	184,313	181,158
Accounts receivable	70,260	74,298
Supplies Inventory	25,598	29,649
Prepaid insurance	9,670	9,082
Total current assets	397,230	466,346
Non-Current Assets:		
Bond trustee accounts	11,974	12,840
Bond issuance costs	52,880	55,938
Total non-current assets	64,854	68,778
Capital Assets:		
Office furniture and fixtures	45,364	38,585
Equipment and tools	245,123	214,718
Transportation equipment	203,942	171,942
Water and sewer system	4,514,479	4,450,493
Buildings	85,941	85,941
Land and water rights	96,745	96,745
Total capital assets	5,191,594	5,058,424
Less accumulated depreciation	(2,426,898)	(2,293,494)
Total capital assets (net)	2,764,696	2,764,930
<b>TOTAL ASSETS</b>	<b>\$ 3,226,780</b>	<b>3,300,054</b>
 <u>LIABILITIES-</u>		
Current Liabilities:		
Accounts payable	\$ 12,462	9,994
Current portion due within one year	75,000	75,000
Total current liabilities	87,462	84,994
Non-Current Liabilities:		
Revenue bonds payable	1,575,000	1,650,000
Total Liabilities	1,662,462	1,734,994
 <u>NET POSITION-</u>		
Net investment in capital assets	1,114,696	1,039,930
Restricted for debt service	136,140	136,140
Unrestricted	313,482	388,990
Total Net Position	1,564,318	1,565,060
<b>TOTAL LIABILITIES &amp; NET POSITION</b>	<b>\$ 3,226,780</b>	<b>3,300,054</b>

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, 2019**

	<u>2018-19</u>	<u>(Memo Only)</u> <u>2017-18</u>
Revenue from Operations:		
Water sales	\$ 755,191	685,021
Sewer sales	31,544	37,737
Installation	7,375	4,850
Reconnect fees	4,689	6,560
Late charges	8,262	7,221
Deposits	<u>1,500</u>	<u>2,800</u>
Total revenue from operations	<u>808,561</u>	<u>744,189</u>
Expenses from Operations:		
Salaries	304,878	210,961
Taxes	30,729	17,858
Professional fees	4,563	4,986
Contract labor (engineering)	20,422	9,769
Utilities	39,159	31,123
Insurance	56,593	54,372
Repairs and maintenance	106,040	302,282
Gas and oil	17,730	15,282
Membership fees, dues and permits	6,349	40,655
Telephone	4,306	4,877
Office materials and supplies	11,862	7,729
Water purchases	1,121	1,044
Depreciation	133,404	124,639
Amortization	3,058	3,058
Vehicle maintenance	2,306	2,310
Postage	4,746	3,940
Miscellaneous	0	1,214
Uniforms	<u>6,269</u>	<u>5,391</u>
Total expenses from operations	<u>753,535</u>	<u>841,490</u>
Net Income (Loss) from Operations	55,026	(97,301)
Non-Operating Income/Expense:		
Interest revenue	4,382	3,435
Memberships	3,750	4,500
Interest expense on debt payments	<u>(63,900)</u>	<u>(66,504)</u>
Total non-operating income/expense	<u>(55,768)</u>	<u>(58,569)</u>
Change in net position - net income (loss)	(742)	(155,870)
Net Position - beginning of year	<u>1,565,060</u>	<u>1,720,930</u>
Net Position - end of year	<u>\$ 1,564,318</u>	<u>1,565,060</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, 2019**

	2018-19	(Memo Only) 2017-18
<b>Cash Flows from Operating Activities:</b>		
Cash received from customers	\$ 814,849	749,119
Cash payments to employees	(304,878)	(218,985)
Cash payments to suppliers for goods and contractors and other services	(308,514)	(459,491)
Net Cash Provided by Operating Activities	201,457	70,643
<b>Cash Flows from Investing Activities:</b>		
Capital assets purchased	(133,170)	(135,059)
Membership units	1,500	4,500
Interest and dividends	4,382	3,435
Net Cash Provided by Investing Activities	(127,288)	(127,124)
<b>Cash Flows from Capital and Related Financing Activities:</b>		
Bond trustee accounts liquidated	3,116	108,635
Interest payments on debt	(63,900)	(66,504)
Principal payments on debt	(75,000)	(70,000)
Net Cash Provided by Capital and Related Financing Activities	(135,784)	(27,869)
Net increase (decrease) in cash and cash equivalents	(61,615)	(84,350)
Cash & cash equivalents, beginning of period	353,317	437,667
Cash & cash equivalents, end of period	\$ 291,702	353,317
 <b>Reconciliation of operating income (loss) to net cash provided by operating activities:</b>		
Operating income (loss)	\$ 55,026	(97,301)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation and amortization expense	136,462	127,697
(Increase) decrease in accounts receivable	4,038	4,930
(Increase) decrease in prepaid expenses	(588)	195
(Increase) decrease in supplies inventory	4,051	43,146
(Decrease) increase in accounts payable	2,468	(8,024)
Net cash provided by operating activities	\$ 201,457	70,643

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, 2019**

**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 accounts are with Bancfirst in Hugo, Oklahoma, and, at October 31, 2019, are detailed as follows:

Savings account (included in "investments")	\$ 978
Water and Sewer account	158,724
Less: outstanding checks	<u>(51,435)</u>
Total	<u><u>\$ 108,267</u></u>

Investments

All investments are recorded at cost. Investments at October 31, 2019, are detailed as follows:

Bancfirst, Hugo, Oklahoma Certificate of Deposit No. 45463, dated 9-23-19, due 9-23-20, @ 1.70%	<u><u>\$ 183,335</u></u>
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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, 2019**

**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:

	11/1/2018 Amount	Additions	Deletions	10/31/2019 Amount
Office furn. & fixt.	\$ 38,585	6,779	-	45,364
Equipment & tools	214,718	30,405	-	245,123
Transportation equip.	171,942	32,000	-	203,942
Water & sewer sys.	4,450,493	63,986	-	4,514,479
Buildings	85,941	-	-	85,941
Land & water rights	96,745	-	-	96,745
<b>Total Fixed Assets</b>	<b>5,058,424</b>	<b>133,170</b>	<b>-</b>	<b>5,191,594</b>
Less: Accumulated Depreciation	<u>(2,293,494)</u>	<u>(133,404)</u>	<u>-</u>	<u>(2,426,898)</u>
<b>Total</b>	<b><u>\$ 2,764,930</u></b>	<b><u>(234)</u></b>	<b><u>-</u></b>	<b><u>2,764,696</u></b>

Federal Income Tax

The District is exempt from federal and state income taxes.

**CHOCTAW COUNTY RURAL WATER AND SEWER DISTRICT NO. 1**  
**NOTES TO FINANCIAL STATEMENTS**  
**OCTOBER 31, 2019**

**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, 2019, the District held deposits of approximately \$343,037 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, 2019, 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, 2019**

**Note D – Long-Term Debt**

Long-term debt at October 31, 2019, 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 \$ 1,650,000

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
2020	\$ 75,000	60,750	135,750
2021	80,000	57,600	137,600
2022	85,000	55,040	140,040
2023	85,000	51,470	136,470
2024	90,000	48,750	138,750
2025-29	500,000	193,050	693,050
2030-34	600,000	84,200	684,200
2035	135,000	4,320	139,320
Total	\$ 1,650,000	555,180	2,205,180

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, 2019 were \$11,974 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	\$ 55,026
Add:	
Depreciation and amortization	136,462
Membership fees	3,750
Interest income	4,382
Income available for debt service	\$ 199,620
Debt service	
Interest expense	\$ 63,900
Principal payments	75,000
Total debt service requirements	\$ 138,900
Debt service coverage ratio	1.437

**CHOCTAW COUNTY RURAL WATER AND SEWER DISTRICT NO. 1**  
**NOTES TO FINANCIAL STATEMENTS**  
**OCTOBER 31, 2019**

**Note F – Subsequent Events**

Management has evaluated subsequent events through November 20, 2019, 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, 2019**

**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

**Customers**

The District had 887 water customers and 96 sewer customers at the close of the fiscal year.

**Costs**

Current benefit unit cost is \$100  
Membership fee only is \$100  
Reconnect fee is \$75