

Bryan County Rural Water & Sewer District #5

Independent Auditors Report

**As of and for the Years Ended
August 31, 2021 and 2020**

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Independent Auditors Report

To the Board of Directors
Bryan County Rural Water & Sewer District #5
Durant, Oklahoma

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Bryan County Rural Water & Sewer District #5, as of and for the years ended August 31, 2021 and 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 in accordance with accounting principles generally accepted in the United States of America; this includes 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 from 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 entity'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 entity'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 audit 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 Bryan County Rural Water & Sewer District #5, as of August 31, 2021 and 2020, and the respective changes in financial position, and, where applicable, cash flows thereof for the years then ending in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted the management's discussion and analysis and budgetary comparison information that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated August 17, 2023, on our consideration of the Bryan County Rural Water & Sewer District #5'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 and 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 Bryan County Rural Water & Sewer District #5's internal control over financial reporting and compliance.

Russell + William CPAs, P.C.

Oklahoma City, Oklahoma
August 17, 2023

Bryan Co. Rural Water & Sewer Dist. #5
Statement of Net Position
August 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
ASSETS		
Cash in bank	\$ 2,368,688.54	\$ 2,137,081.96
Certificate of Deposits	360,283.79	359,781.88
Accounts receivable, net	252,097.31	252,172.41
Prepaid Insurance	<u>22,395.67</u>	<u>21,011.10</u>
Total current assets	3,003,465.31	2,770,047.35
Capital assets, net	<u>8,439,515.64</u>	<u>8,799,215.17</u>
 TOTAL ASSETS	 <u><u>\$ 11,442,980.95</u></u>	 <u><u>\$ 11,569,262.52</u></u>
 LIABILITIES AND NET ASSETS		
Accounts Payable	\$ 270,797.72	\$ 290,813.21
Accrued Compensated Absences	9,599.46	9,433.80
Refundable Meter Deposits	<u>55,100.00</u>	<u>78,200.00</u>
Total current liabilities	335,497.18	378,447.01
Notes Payable USDA	<u>6,781,529.87</u>	<u>6,933,054.10</u>
Total Liabilities	<u>7,117,027.05</u>	<u>7,311,501.11</u>
 NET POSITION		
Net Investment in capital assets	1,657,985.77	1,866,161.07
Restricted for debt service and maintenance	333,384.01	333,095.15
Unrestricted	<u>2,334,584.12</u>	<u>2,058,505.19</u>
Total Net Position	<u>4,325,953.90</u>	<u>4,257,761.41</u>
 TOTAL LIABILITIES AND NET POSITION	 <u><u>\$ 11,442,980.95</u></u>	 <u><u>\$ 11,569,262.52</u></u>

The accompanying notes are an integral part of these financial statements.

Bryan Co. Rural Water & Sewer Dist. #5
Statement of Revenues Over Expenses and Changes in Net Position
For the Year Ended August 31, 2021 and 2020

	2021	2020
OPERATING REVENUES		
Water sales	\$ 2,673,117.23	\$ 2,373,460.79
Installation and Tap Fees	136,745.48	186,638.00
Sewer and Trash Collection Fees	22,839.00	19,566.98
TOTAL OPERATING REVENUES	2,832,701.71	2,579,665.77
OPERATING EXPENSES		
Audit	10,100.00	10,000.00
Bank Fees	8,325.92	6,182.71
Computer Software and Maintenance	9,421.45	14,038.90
Depreciation	465,776.28	453,919.91
Dues and Fees	7,278.66	15,765.20
Employee Benefits - Health Insurance	68,079.52	41,093.28
Flowers and Gifts	1,022.74	98.97
Food and Meeting Expense	2,187.77	1,738.65
Insurance and Bonds	35,072.00	33,146.26
Interest	154,439.77	157,807.86
Legal and Professional	98,999.64	176,696.08
Medical and Safety Supplies	125.85	72.80
Mileage	1,078.14	1,141.70
Miscellaneous	125.00	658.69
Office Supplies and Expense	38,794.24	30,186.93
Payroll Taxes	32,088.15	29,552.75
Pension Plan Expense	17,386.88	15,864.96
Postage	13,306.68	13,207.01
Purchase of Water	1,234,902.04	1,284,790.43
Repairs and Maintenance	151,590.32	148,071.72
Salaries and Wages	418,143.74	367,296.56
Travel and Education	62.00	-
Truck and Tractor Expense	50,492.94	30,428.08
Uncollectible Accounts	9,506.36	46,589.19
Uniforms and Laundry	3,259.67	2,638.67
Utilities and Telephone	55,401.73	51,319.28
Water Tests and Lab Fees	7,948.40	6,356.51
TOTAL OPERATING EXPENSES	2,894,915.89	2,938,663.10
OPERATING INCOME (LOSS)	(62,214.18)	(358,997.33)
NON-OPERATING REVENUES (EXPENSES)		
Interest Income	1,485.94	3,353.10
Other Income	119,920.73	331,213.82
Memberships	9,000.00	19,125.00
TOTAL NON-OPERATING REVENUES (EXPENSES)	130,406.67	353,691.92
NET INCOME	68,192.49	(5,305.41)
Beginning Net Position	4,257,761.41	4,263,066.82
Ending Net Position	<u>\$ 4,325,953.90</u>	<u>\$ 4,257,761.41</u>

The accompanying notes are an integral part of these financial statements.

Bryan Co. Rural Water & Sewer Dist. #5
Statement of Cash Flows
For the Year Ending August 31, 2021 and 2020

	2021	2020
Cash Flows From Operating Activities		
Receipts from customers	\$ 2,832,776.81	\$ 2,587,165.33
Payments to suppliers	(1,783,501.61)	(1,638,371.55)
Payments to employees	(535,532.63)	(463,271.77)
Interest Paid	(154,439.77)	(157,807.86)
Net Cash Provided by Operating Activities	359,302.80	327,714.15
Cash Flows From Investing Activities		
Interest Received	1,485.94	3,353.10
Capital Asset Purchases	(106,076.75)	(237,316.52)
Net Cash Provided by Investing Activities	(104,590.81)	(233,963.42)
Cash Flows From Capital and Related Financing Activities		
Recovery of Bad Debts	-	-
Other Income	119,920.73	331,213.82
Membership Income	9,000.00	19,125.00
New Loan Proceeds	-	432,947.94
Principal paid on long term debt	(151,524.23)	(581,104.08)
Net Cash Flows From Capital and Related Financing Activities	(22,603.50)	202,182.68
Net Increase (Decrease) in Cash	232,108.49	295,933.41
Cash, Beginning of the Year	2,496,863.84	2,200,930.43
Cash, End of the Year	<u>\$ 2,728,972.33</u>	<u>\$ 2,496,863.84</u>
Cash and Equivalents - Unrestricted	2,395,588.32	2,163,768.69
Cash and Equivalents - Restricted	333,384.01	333,095.15
Total Cash and Equivalents	<u>\$ 2,728,972.33</u>	<u>\$ 2,496,863.84</u>
<i>Reconciliation of change in net position to net cash provided by operations</i>		
Change in Net Position	(62,214.18)	(358,997.33)
Adjustments to reconcile change in net position to net cash provided (used) by operating activities:		
Depreciation	465,776.28	453,919.91
Changes in Assets and Liabilities:		
(Increase) Decrease in Accounts Receivable	(519.59)	7,499.56
Increase (Decrease) in Doubtful Accounts	594.69	-
(Increase) Decrease in Prepaid Expenses	(1,384.57)	(771.43)
Increase (Decrease) in Accounts Payable	(20,015.49)	225,177.66
Increase (Decrease) in Payroll Taxes Payable	-	(11,601.95)
Increase (Decrease) in Accrued Compensated Absences	165.66	2,137.73
Increase (Decrease) in Refundable Meter Deposits	(23,100.00)	10,350.00
Net cash provided by operating activities	<u>\$ 359,302.80</u>	<u>\$ 327,714.15</u>

The accompanying notes are an integral part of these financial statements.

RURAL WATER AND SEWER DISTRICT NO. 5
Notes to Basic Financial Statements
August 31, 2021 and 2020

The District is exposed to various risks of loss related to theft of and damage to assets, errors and omissions, injuries to employees, and natural disasters. The District purchases commercial insurance to cover these possible liabilities.

Commitments and Contingencies

The District participates in state and federally assisted loan and grant programs. These programs are subject to program compliance audits by grantors or their representatives. Accordingly, the District's compliance with applicable loan and grant requirements will be established at some future date. The amount, if any, of expenses which may be disallowed by the granting agencies cannot be determined at this time although the District expects such amounts, if any, to be immaterial.

Note 3: Detail Notes On Transaction Classes and Accounts

The following notes present detail information to support the amounts reported in the basic financial statements for its various assets, liabilities, equity, revenues, and expenditures/expenses.

Cash and Equivalents

For the purpose of the Statement of Net Assets, "cash" includes all demand, savings accounts, and certificates of deposits of the District. For the purpose of the proprietary fund Statement of Cash Flows, "cash and equivalents" includes all demand and savings accounts, and certificates of deposit with an original maturity of three months or less.

Deposits are classified into the following three categories: (1) Insurance or collateralized with securities held by the entity or by its agent or in the entity's name (Category 1); (2) Collateralized with securities held by the pledging financial institutions trust department or agent In the entity's name (Category 2); and (3) Uncollateralized, including any bank balance that is collateralized with securities held by the pledging institution, or by its trust department or agent but not in the entity's name (Category 3).

All of the District's cash accounts are considered Category 1. The accounts are covered by FDIC insurance up to \$250,000. The accounts are further collateralized by \$2,500,000 in letters of credit from the Federal Home Loan Bank of Topeka, KS. At August 31, 2021 all accounts were covered by either the federal depository insurance or other collateral.

Accounts Receivable

Accounts receivables consist of all revenues earned at year-end and not yet received. Allowances for doubtful accounts are based on 5% of the accounts receivable balance at the end of the accounting year.

RURAL WATER AND SEWER DISTRICT NO. 5
Notes to Basic Financial Statements
August 31, 2021 and 2020

Capital Assets

Capital assets used in the District's operations are stated at cost less accumulated depreciation. Depreciation is provided on the straight-line method at various rates based on the estimated useful lives of the assets. Generally, estimated useful lives of five years for trucks and tractors, ten years for furniture, fixtures and equipment, and thirty years for the building and water system are used. Maintenance and repairs as well as renewals and betterments of small amounts are charged against Income as incurred whereas major renewals or betterments which extend the life or increase the value of property are capitalized.

Capital asset activity for the year ended August 31, 2021 is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Water System	13,135,026	67,948	-	13,202,974
Land	36,575	-	-	36,575
Trucks & Tractors	541,849	38,129	(21,827)	558,151
Office Building	664,431	-	-	664,431
Office Furniture & Equipment	91,320	-	-	91,320
Total	14,469,201	106,077	(21,827)	14,553,451
Less: Accumulated Depreciation	(5,669,984)	(443,949)		(6,113,933)
Net Capital Assets	<u>\$ 8,799,217</u>			<u>\$ 8,439,517</u>

Capital asset activity for the year ended August 31, 2020 is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Water System	12,954,031	180,995	-	13,135,026
Land	36,575	-	-	36,575
Trucks & Tractors	506,106	56,322	(20,579)	541,849
Office Building	664,431	-	-	664,431
Office Furniture & Equipment	91,320	-	-	91,320
Total	14,252,463	237,317	(20,579)	14,469,200
Less: Accumulated Depreciation	(5,236,644)	(453,920)	20,579	(5,669,984)
Net Capital Assets	<u>\$ 9,015,819</u>			<u>\$ 8,799,216</u>

Debt

During the year ending August 31, 2021, the District entered into a new loan agreement with Rural Development. The total amount of the new loan with Rural Development was \$8,043,100. This loan carries an interest rate of 2.25% and requires monthly payments of \$25,497. The balance of this loan as of yearend was \$6,781,530. Principal paid during the year was \$148,156. Principal and Interest until maturity is as follows:

RURAL WATER AND SEWER DISTRICT NO. 5
Notes to Basic Financial Statements
August 31, 2021 and 2020

Year	Principal	Interest		
2022	155,257.03	150,706.97	Balance, Beginning of Year	6,933,054.10
2023	158,786.59	147,177.41	Loan Advances during Year	-
2024	162,396.33	143,567.67	Principal Paid	(151,524.23)
2025	166,088.17	139,875.83	Balance, End of Year	<u>\$ 6,781,529.87</u>
2026	169,863.93	136,100.07		
2026-2031	909,029.60	620,790.40		
2031-2036	1,017,162.64	512,657.36		
2036-2041	1,138,158.63	391,661.37		
2041-2046	1,273,547.60	256,272.40		
2046-2051	1,425,041.67	104,778.33		
2051-2052	206,197.68	1,548.59		
	<u>\$ 6,781,529.87</u>	<u>\$ 2,605,136.40</u>		

Retirement Plan

On January 10, 1997 the water district adopted the National Association of Counties Deferred Compensation Program for its full-time employees through a joint contributory defined contribution plan. The water district's total payroll for the year was \$418,144 and the covered payroll was \$136,623. The water district's contributions for the year were \$6,875 and the employee's contributions were \$8,786. There were no related party transactions in the plan during the year. Employer contributions to the plan vest at the time contributions are made. The employee may elect the time at which distributions under the Plan are to commence by designating the month and year during which the first distribution is to be made. The earliest distribution commencement date that may be elected by the employee shall be the earlier of (a) the date on which the employee separates from services; or (b) the date on which the employee attains age 70 1/2 or terminates deferrals under this plan, whichever is later.

Restricted Assets

The USDA Rural Development required an amount equal to the note payments for one year be set aside and controlled by them. The District has continued to hold these accounts as restricted until the new loan is fully funded and the new loan requirements have been met.

Subsequent Events

Subsequent events have been evaluated through August 17, 2023 which is the date the financial statements were issued.

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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

To the Board of Directors
Bryan County Rural Water & Sewer District #5
Durant, Oklahoma

We have audited, in accordance with the 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 business-type activities of the Bryan County Rural Water & Sewer District #5, as of and for the year ended August 31, 2021, and the related notes to the financial statements, which collectively comprise the Bryan County Rural Water & Sewer District #5's basic financial statements, and have issued our report thereon dated August 17, 2023.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Bryan County Rural Water & Sewer District #5's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Bryan County Rural Water & Sewer District #5's internal control. Accordingly, we do not express an opinion on the effectiveness of the Bryan County Rural Water & Sewer District #5's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Bryan County Rural Water & Sewer District #5's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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 or other matters that are required to be reported under Government Auditing Standards.

Purpose of this Report

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

Russell + Williams CPAs, P.C.

Oklahoma City, Oklahoma
August 17, 2023