

**PAWNEE COUNTY RURAL WATER DISTRICT NO. 1  
CLEVELAND, OKLAHOMA**

**FINANCIAL STATEMENTS AND AUDITOR'S REPORT**

**YEAR ENDED DECEMBER 31, 2016**

**PAWNEE COUNTY RURAL WATER DISTRICT NO. 1  
BOARD OF DIRECTORS  
DECEMBER 31, 2016**

**BOARD OF DIRECTORS**

**President**

David Smith

**Vice-President**

Jim Dickson

**Secretary**

Todd Weldon

**Treasurer**

Bob Boyd

**Member**

Bobby Brown

**Member**

James Cannon

**GENERAL MANAGER**

Rick Rogers

**BOOKKEEPER**

Michelle Welch

PAWNEE COUNTY RURAL WATER DISTRICT NO. 1  
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## **INDEPENDENT AUDITOR'S REPORT**

Board of Directors  
Pawnee County Rural Water District No. 1  
Cleveland, Oklahoma 74020

### **Report on the Financial Statements**

We have audited the accompanying financial statements of **Pawnee County Rural Water District No. 1**, Cleveland, Oklahoma, which comprise the statements of net position as of December 31, 2016 and 2015, and the related statements of revenues, expenses, and changes in net position, and cash flows for the years then ended, 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 an opinion on these financial statements based on our audits. We conducted our audits 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 opinion.

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **Pawnee County Rural Water District No. 1** as of December 31, 2016 and 2015, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis 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 supplementary 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 basic 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.

## **Other Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements. The schedule of Directors, Officers, and Manager is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of Directors, Officers, and Manager has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

## **Report Issued in Accordance with Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued a report dated June 16, 2017 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, 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 the internal control over financial reporting or on compliance. Those reports are 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.

Russell Cunningham, CPA  
July 11, 2017

PAWNEE COUNTY RURAL WATER DISTRICT NO. 1  
MANAGEMENT DISCUSSION ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2016

For the **Pawnee County Rural Water District No. 1**, this is a presentation of Management's Discussion and Analysis (MD&A). This analysis serves as an introduction to the financial statements for users to facilitate whether our overall financial health has improved or deteriorated as a result of the past year's operations. A required component of MD&A is to briefly describe the reasons for changes in our asset, liability, revenue and expenditure balances to the previous (2015) year.

Business-type-Activities:

In this review, revenue accounts decreased by \$ 23,290 from 2015. This decrease is due primarily because of construction reimbursements of \$ 33,408 and an insurance settlement of \$ 20,663 last year.

As of December 31, 2016, the District will report a loss of \$ 55,214. This loss includes a reported current depreciation expense amount of \$ 33,916.

For the year ended December 31, 2016, total assets exceeded liabilities by \$ 591,249. The District has no notes payable at this time, and five (5) certificates of deposit totaling \$ 146,508.

Fixed Assets

At December 31, 2016, the District had \$ 449,299 invested in fixed assets, net of depreciation, including land, the water system, vehicles and equipment.

Future Activities

The District needs to make a concerted effort to replace some sections of line within the District.

Additionally, increases in the amount of chemical cost used in the water treatment process is continuing. Our EPA mandated water testing is ongoing and there appears to be no end in sight.

Overall Outlook

The future for the District remains bright. Our water quality remains excellent and we are working to improve the distribution system. The District is financially strong and we are able to improve the system and comply with EPA standards with a minimum of impact on our financial statements.

**Russell Cunningham, CPA**

Certified Public Accountant  
2121 S Columbia, Suite 210  
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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

**Pawnee County Rural Water District No. 1**

Cleveland, Oklahoma 74020

We have audited the financial statements of **Pawnee County Rural Water District No. 1**, as of and for the years ended December 31, 2016 and 2015, and have issued our report thereon dated June 16, 2017. 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.

Internal Control Over Financial Reporting

In planning and performing the audit of the financial statements, we considered **Pawnee County Rural Water District No. 1's** internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the entity'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 a limited purpose 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. Certain deficiencies in internal control over financial reporting were identified that we consider to be material weaknesses and significant deficiencies.

*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. We consider the deficiencies 11-1 and 11-2 described in the accompanying schedule of findings to be material weaknesses.

*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. We consider the deficiency 11-3 described in the accompany schedule of findings to be a significant deficiency.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether **Pawnee County Rural Water District No. 1's**, financial statements are free of 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*.

**Pawnee County Rural Water District Number 1's** responses to the findings identified in our audit are disclosed in the accompanying schedule of findings and responses. We did not audit **Pawnee County Rural Water District Number 1's** response and accordingly, we express no opinion on it.

### 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 Cunningham, CPA  
July 11, 2017



**PAWNEE COUNTY RURAL WATER DISTRICT NO. 1**  
**STATEMENT OF NET ASSETS**  
**DECEMBER 31, 2016 AND 2015**

<b>ASSETS</b>	<b><u>2016</u></b>	<b><u>2015</u></b>
Current Assets		
Cash on hand	\$ 450	\$ 601
Cash in bank	35,370	58,647
Investments	146,508	182,778
Accounts receivable	34,715	29,847
Prepaid Insurance	<u>11,332</u>	<u>11,419</u>
Total Current Assets	<u>228,375</u>	<u>283,292</u>
Fixed Assets		
Water distribution system	1,058,378	1,058,378
Buildings	137,704	137,704
Office Equipment	25,633	25,633
Vehicles	103,722	90,575
Equipment	117,174	117,174
Water treatment system	<u>20,420</u>	<u>20,420</u>
Total Fixed Assets	1,463,031	1,449,884
Less: accumulated depreciation	<u>(1,013,732)</u>	<u>(1,004,757)</u>
Total Fixed Assets (net of depreciation)	<u>449,299</u>	<u>445,127</u>
Total Assets	<u>\$ 677,674</u>	<u>\$ 728,419</u>
 <b>LIABILITIES AND NET ASSETS</b>		
Current Liabilities		
Accounts Payable	\$ 17,325	\$ 13,487
Payroll taxes payable	0	5,169
Customer Deposits	<u>69,100</u>	<u>63,300</u>
Total Current Liabilities	<u>86,425</u>	<u>81,956</u>
Long-Term Liabilities		
Notes Payable	<u>0</u>	<u>0</u>
Total Long-Term Liabilities	<u>0</u>	<u>0</u>
Total Liabilities	<u>86,425</u>	<u>81,956</u>
Net Assets		
Memberships	102,600	102,600
Contributed capital	20,097	20,097
Unrestricted Net Assets	<u>468,552</u>	<u>523,766</u>

Total Net Assets	591,249	646,463
Total Liabilities and Net Assets	<u>\$ 677,674</u>	<u>\$ 728,419</u>

*See Accompanying Independent Auditor's Report and Notes to Financial Statements*

**PAWNEE COUNTY RURAL WATER DISTRICT NO. 1**  
**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**  
**DECEMBER 31, 2016 AND 2015**

	<u><b>2016</b></u>	<u><b>2015</b></u>
Revenue from operations		
Water revenue	\$ 468,445	\$ 428,621
Late charges	8,462	8,410
Transfer fees	2,750	3,150
Miscellaneous Income	4,117	51,158
New taps	4,150	20,152
Collection fees	7,297	6,818
Interest income	<u>734</u>	<u>936</u>
Total revenue from operations	<u>495,955</u>	<u>519,245</u>
Expenses from operations		
Accounting Fees	6,400	6,000
Auto & Truck	8,369	9,026
Bank Charges	5,083	4,574
Depreciation	33,916	36,215
Dues & Publications	477	209
Donations	150	200
Education	722	795
Employee Benefits	40,963	39,989
Insurance	22,395	21,918
Interest Expense	0	845
Laundry	2,936	3,286
Legal Expense	254	253
License & Permits	3,742	4,398
Meals and Entertainment	1,743	1,965
Office Expense	8,453	9,048
Outside Services	8,610	8,368
Postage	4,521	4,313
Repairs and Maintenance	7,884	7,581
Supplies	28,043	12,910
Taxes – Payroll	17,608	16,979
Telephone	2,422	2,351
Tools	154	654
Travel	2,561	1,568
Utilities	21,410	22,693
Wages	230,171	221,950
Water lease	42,223	43,055
Water Treatment	<u>49,959</u>	<u>51,209</u>
Total expenses from operations	<u>551,169</u>	<u>532,352</u>
Change in Net Assets	( 55,214)	( 13,107)
Net Assets, beginning of period	<u>523,766</u>	<u>536,873</u>

Net Assets, end of period	<u>\$ 468,552</u>	<u>\$ 523,766</u>
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*See Accompanying Independent Auditor's Report and Notes to Financial Statements*

**PAWNEE COUNTY RURAL WATER DISTRICT NO. 1**

**STATEMENTS OF CASH FLOWS**

**DECEMBER 31, 2016 AND 2015**

	<u>2016</u>	<u>2015</u>
Operating Activities:		
Operating Cash Receipts from Customers	\$ 496,153	\$ 534,079
Cash Payments to Vendors for Goods and Services	<u>518,497</u>	<u>481,893</u>
Net Cash from Operating Activities	<u>( 22,344)</u>	<u>52,186</u>
Financing Activities:		
Payment of Principle on Note	<u>0</u>	<u>( 9,260)</u>
Net Cash from Financing Activities	<u>0</u>	<u>( 9,260)</u>
Investing Activities		
Interest Income	734	936
Purchase of Fixed Assets	( 38,088)	(22,647)
Sales of Fixed Assets	<u>0</u>	<u>11,472</u>
Net Cash from Investing Activities	<u>(37,354)</u>	<u>( 10,239)</u>
Net Change in Cash and Cash Equivalents	<u>(59,698)</u>	<u>32,687</u>
Cash & Cash Equivalents at Beginning of Year	<u>242,026</u>	<u>209,339</u>
Cash & Cash Equivalents at End of Year	<u>\$ 182,328</u>	<u>\$ 242,026</u>
Reconciliation of Change in Net Assets to Net Cash Provided by Operating Activities		
Change in Net Assets	\$ ( 55,214)	\$ ( 13,107)
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities		
Depreciation	33,916	36,215
Changes in Certain Assets and Liabilities:		
Prepaid Expenses	87	( 386)
Accounts Receivable	( 4,868)	6,270
Accounts Payable	3,838	9,461
Payroll Taxes Payable	( 5,169)	5,169
Customer Deposits	5,800	9,500
Interest Income	<u>( 734)</u>	<u>( 936)</u>
Net Cash Provided by Operating Activities	<u>\$ ( 22,344)</u>	<u>\$ 52,186</u>

*See Accompanying Independent Auditor's Report and Notes to Financial Statements*

**PAWNEE COUNTY RURAL WATER DISTRICT NO. 1**  
**STATEMENTS OF CASH FLOWS**  
**DECEMBER 31, 2016 AND 2015**

	<b><u>2016</u></b>	<b><u>2015</u></b>
Supplemental Disclosures:		
Cash Consists of:		
Cash On Hand	\$ 450	\$ 601
Cash in Bank	35,370	58,647
Savings in Bank	<u>146,508</u>	<u>182,778</u>
Cash at End of Year	\$ <u>182,328</u>	\$ <u>242,026</u>
Interest Paid During the Year	\$ 0	\$ 845
Income Tax Paid During the Year	0	0

*See Accompanying Independent Auditor's Report and Notes to Financial Statements*

**PAWNEE COUNTY RURAL WATER DISTRICT NO. 1  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016**

**Note A – Nature of Operations and Summary of Significant Accounting Policies**

**Pawnee County Rural Water District No. 1** is a political subdivision of the State of Oklahoma with its office located in Cleveland, Oklahoma. The District was formed May 31, 1966 to furnish water service to the residents of the district by constructing and maintaining a water system.

**Pawnee County Rural Water District No. 1's** financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB).

For financial purposes, a reporting entity's financial statements should include all component units over which another component unit (oversight unit) exercises financial accountability. Financial accountability includes such aspects as appointment of governing body members, designation of management, the ability to significantly influence operations and accountability for fiscal matters.

Based upon the above criteria, there are no component units to be included within the District as a reporting entity.

**Basis of Accounting**

The accrual basis of accounting is utilized in reporting financial information in accordance with U.S. generally accepted accounting principles. The accrual basis of accounting records revenues in the period in which earned rather than when received and records expenses in the period incurred rather than when paid.

**Cash**

The District's checking and savings accounts at December 31 are detailed as follows:

	<u><b>2016</b></u>	<u><b>2015</b></u>
Bank of Oklahoma, Sand Springs, Oklahoma		
Operating Account	\$ 47,712	\$ 61,806
Less: Outstanding checks	<u>12,342</u>	<u>3,159</u>
Total	<u>\$ 35,370</u>	<u>\$ 58,647</u>

### Investments

The District's investments at December 31 are as follows:

	<u>2016</u>	<u>2015</u>
Certificate of Deposits:		
Central Bank of Oklahoma (1)	\$ 16,029	\$ 52,867
Stillwater National Bank		
Stillwater, Oklahoma (4)	<u>130,479</u>	<u>129,911</u>
Total	<u>\$ 146,508</u>	<u>\$ 182,778</u>

### Statement of Cash Flows

For the 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.

### Fixed Assets

Fixed assets are valued at cost, and depreciation is computed by use of the straight line method. The estimated useful lives of these assets are detailed as follows:

Water distribution system	50 years
Office building	39 years
Office equipment	7 years
Vehicles	5 years
Water treatment system	7-10 years

### Income Tax

As a political subdivision of the State of Oklahoma, the District is exempt from income taxes.

### Credit Risk

The District's receivables consist primarily of uncollateralized customer obligations for water consumed. If these customers were to leave the District prior to paying off their account, collectability could be difficult.

### Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that effect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

## **Note B – Cash and Investments**

The District's investment policies are governed by state statute. Permissible investments include direct obligations of the United States Government and agencies; certificates of deposit of savings and loan associations, banks and trust companies; savings accounts or savings certificates of savings and loan associations, banks and trust companies; and warrants, bonds or judgments of the district.

The District's cash deposits at December 31, 2016 are categorized to give an indication of the level of risk assumed by the District at year-end.

### Deposit Categories of Credit Risk

(A) Insured by Federal Deposit Insurance.

(B) Collateralized with securities held by the pledging financial institution's trust department or agent in the District's name.

(C) Uncollateralized.

	Category			Bank	Carrying
	(A)	(B)	(C)	Balance	Amount
Cash	\$ 47,712			\$ 47,712	\$ 35,370
Investments	<u>146,508</u>			<u>146,508</u>	<u>146,508</u>
Total	<u>\$ 194,220</u>	<u>0</u>	<u>0</u>	<u>\$ 194,220</u>	<u>\$ 181,878</u>

## **Note C – Accounts Receivable**

Accounts receivable consist of amounts billed to residents within the District's area of operation for water used, but not yet paid. No allowance for doubtful accounts was established because it does not have a material effect on the balance sheet.

## **Note D – Unclaimed Debenture Payments**

Upon creation of the District, individual patrons contributed funds to assist in the start-up and operation of the water distribution system. These funds were subsequently invested to provide additional return for the District. Since inception, the District has attempted to refund this contribution to as many individuals as possible. Some contributors cannot be located, and there is no determination as to when these payments will be made in future years, if at all. As of December 31, 2016, all unclaimed debenture payments were written off due to inability to accurately identify the contributors and amount owed to each person.

**Note E – Insurance**

It appears the District has current insurance coverage for all major perils.

**Note F – Contingent Liabilities**

Per the District's legal counsel, there were no known contingent liabilities at December 31, 2016, which would have material effect on the financial statements.

**Note G – Employee Theft**

In April 2013, an office employee admitted to stealing money from **Pawnee County Rural Water District No. 1**. The amount of theft was estimated to be \$ 98,625. The District received \$ 2,300 in 2016 in restitution payments from the ex-employee. It is probable that some or all of the remaining monies will be recovered through restitution in future years.

**Note H – Current Liabilities**

Accounts payable consists of amounts payable to vendors for supplies related to operations in the amount of \$ 17,325.

**Note I – Fair Value**

The carrying amount reported in the balance sheet for cash and cash equivalents approximates its fair value.

**Note J – Subsequent Events**

Subsequent events have been evaluated through the financial statement release date of June 16, 2017, with no items noted for reporting.



**PAWNEE COUNTY RURAL WATER DISTRICT NO. 1**  
**SCHEDULE OF FINDINGS**  
**DECEMBER 31, 2016**

Control Deficiencies

*Material Weakness*

11-1. Segregation of Duties

*Condition:* The District has a limited number of office personnel and, accordingly, does not have adequate internal accounting controls in certain areas because of a lack of segregation of duties.

*Criteria:* A good system of internal accounting control contemplates an adequate segregation of duties so that no one individual handles a transaction from its inception to its completion.

*Effect:* Inadequate segregation of duties could adversely affect the District's ability to detect misstatements in amounts that would be material in relation to the financial statements in a timely period by employees in the normal course of performing their assigned functions.

*Recommendation:* While we recognize that your office staff may not be large enough to permit an adequate segregation of duties in all respects for an effective system of internal control, it is important that you be aware of this condition. In situations like this, management's close supervision and review of accounting information is the best means of preventing and detecting errors and irregularities.

*Response:* At the present time, the District has segregated the duties in the most efficient manner possible, given its limited staff. Due to cost constraints, there will be no further administrative employees added.

11-2. Significant Journal Entries

*Condition:* During the course of our engagement, we proposed material audit adjustments that would not have been identified as a result of the Districts existing internal controls, and therefore could have resulted in a material misstatement of the District's financial statements.

*Criteria:* A good system of internal accounting control contemplates an adequate system for recording and processing entries material to the financial statements.

*Effect:* Inadequate controls could adversely affect the District's ability to detect misstatements in amounts that would be material in relation to the financial statements.

*Recommendation:* While we recognize that your office staff is limited, it is important that you be aware of this condition. In situations like this, management's close supervision and review of accounting information is the best means of preventing and detecting errors and irregularities.

*Response:* Due to the limited office staff, the District is aware of the deficiency in internal control. The District accepts the risk and due to cost constraints, there will be no further administrative employees added.

*Significant Deficiency*

11-3 Preparation of Financial Statements

*Condition:* The Organization does not have an internal control system designed to provide for the preparation of the financial statements being audited. As auditors, we were requested to draft the financial statements and accompanying notes to the financial statements.

*Criteria:* A good system of internal accounting control contemplates an adequate system for recording and processing entries material to the financial statements.

*Effect:* This control deficiency could result in a misstatement to the financial statements that would not be prevented or detected.

*Recommendation:* This circumstance is not unusual in an organization of your size. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other consideration.

*Response:* The District is aware of the deficiency in internal control. The District accepts the risk and will not add additional administrative employees due to cost constraints.