

STEPHENS CO. RURAL WATER AND SEWER DISTRICT NO. 1

FINANCIAL STATEMENTS

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED

IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Year Ended October 31, 2019



Steve Beebe, CPA\PFS, Inc.

A PROFESSIONAL CORPORATION

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Stephens County Rural Water and Sewer District No. 1
Velma, OK 73491

We have audited the financial statements of Stephens County Water Rural District No. 1, as of and for the year ended October 31, 2019, and the related notes which collectively comprise the financial statements of Stephens County Rural Water District No. 1 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 the 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 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 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

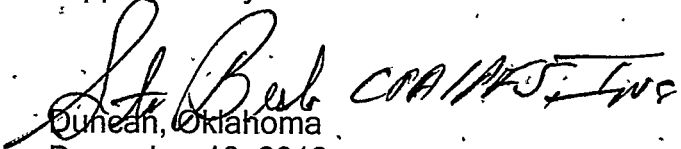
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Stephens County Water Rural District No. 1, as of October 31, 2019, and the changes in financial position and cash flows thereof for the year ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by Government Auditing Standards

In accordance with *Governmental Auditing Standards*, we have also issued our report dated December 10, 2019, on our consideration of Stephens County Rural Water and Sewer District No. 1 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Emphasis of Matter

The District has adopted the new financial reporting model required by GASB No. 34. Management's Discussion and Analysis as required by accounting principles generally accepted in the United States of America are not included as supplementary information.


St. Barb
December 10, 2019

STEPHENS CO. RURAL WATER AND SEWER DISTRICT NO. 1

Statement of Fund Net Position

October 31, 2019

ASSETS

CURRENT ASSETS

Cash	\$ 114,490
Investments	452,197
Accounts receivable - Net	28,312
Prepaid insurance	6,371
Total Current Assets	<u>601,370</u>

PROPERTY, PLANT AND EQUIPMENT

Equipment	1,698,400
Land and Buildings	37,788
Less: Accumulated Depreciation	<u>(1,347,474)</u>
Total Property, Plant and Equip.	<u>388,714</u>

OTHER ASSETS

Deposits	599
Restricted investments	24,608
Total Other Assets	<u>25,207</u>

TOTAL ASSETS	<u>1,015,291</u>
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LIABILITIES AND NET POSITION

CURRENT LIABILITIES

Customer's meter deposits	24,608
Trade accounts payable	3,380
Total Current Liabilities	<u>27,988</u>

NET POSITION

Net position - invested in capital assets	388,714
Net position - unallocated	598,589
TOTAL NET POSITION	<u>\$ 987,303</u>

See accompanying notes to financial statements.

STEPHENS CO. RURAL WATER AND SEWER DISTRICT NO. 1

Statements of Revenues, Expense and
Changes in Net Position Compared to Budget
For the year ended October 31, 2019

	ACTUAL	BUDGET
REVENUE		
Water revenue	\$ 278,977	\$ 282,000
Other operating income	1,000	1,030
	<hr/>	<hr/>
Total Revenue	279,977	283,030
	<hr/>	<hr/>
OPERATING EXPENSES		
Personnel costs	130,799	
Depreciation	46,166	
Utilities purchased	32,113	
Other operating costs	31,254	
Insurance purchased	29,899	
Office expense and supplies	19,016	
Professional services	5,200	
Combined costs		258,000
	<hr/>	<hr/>
Total Expenses	294,447	258,000
	<hr/>	<hr/>
Income From Operations	(14,470)	25,030
	<hr/>	<hr/>
OTHER INCOME AND EXPENSE		
Interest income	10,656	5,000
Rent income	3,600	3,600
	<hr/>	<hr/>
Total Other Income and Expense	14,256	8,600
	<hr/>	<hr/>
NET INCOME (LOSS)	(214)	33,630
	<hr/>	<hr/>
BEGINNING NET POSITION	987,517	987,517
	<hr/>	<hr/>
ENDING NET POSITION	\$ 987,303	\$ 1,021,147
	<hr/>	<hr/>

See accompanying notes to financial statements.

STEPHENS CO. RURAL WATER AND SEWER DISTRICT NO.1

Statement of Cash Flows
October 31, 2019

Cash flow from operating activities:		
Cash received from customers	\$	278,780
Other operating receipts		1,000
Cash paid to employees		(130,799)
Cash payments to suppliers		(117,335)
Rent income received		3,600
Net cash provided (used) by operating activities		<u>35,246</u>
Cash flow from investing activities:		
Cash payments for the purchase of property		(12,147)
Interest income received		(10,656)
Net cash provided (used) by investing activities		<u>(22,803)</u>
Cash flow from non-cash transfer activities:		
Net cash provided (used) by non-cash transfer activities		<u>0</u>
Net increase (decrease) in cash and equivalents		<u>12,443</u>
Cash and equivalents, beginning of year		<u>532,930</u>
Cash and equivalents, end of year	\$	<u><u>545,373</u></u>

See accompanying notes to financial statements

STEPHENS CO. RURAL WATER AND SEWER DISTRICT NO.1

Statement of Cash Flows
October 31, 2019

Reconciliation of net income to net cash
provided by operating activities

Net Income	\$	<u>(212)</u>
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization		46,166
(Increase) decrease in accounts receivable		(197)
(Increase) decrease in prepaid expenses		131
Increase (decrease) in accounts payable		16
Nonoperating interest		<u>(10,658)</u>
Total adjustments		<u>35,458</u>
Net cash provided (used) by operating activities	\$	<u><u>35,246</u></u>

See accompanying notes to financial statements

STEPHENS CO. RURAL WATER AND SEWER DISTRICT NO. 1

Notes to Financial Statements
October 31, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business Activity

The District provides water and sewer services to rural customers in the Stephens County area.

Property and Equipment

Property and equipment are valued at historical cost. For financial reporting purposes, depreciation of property and equipment is calculated using the straight-line method. The estimated useful lives of property and equipment range from 5 to 50 years.

Basis of Accounting

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

These financial statements are reported using the current financial resources measurement focus and the accrual basis of accounting in accordance with generally accepted accounting principles. Their revenues are recognized when earned. All major revenues are susceptible to accrual. Expenses are recognized when they are incurred.

Income Taxes

The District is organized under the Rural Water, Sewer, Gas and Solid Waste Management Districts Act of Oklahoma and is considered a political subdivision of the State of Oklahoma. Therefore, no provision for income taxes has been made and the District files no tax returns.

Cash Equivalents

For purposes of the statement of cash flows, the District No. 1 considers any cash equivalents to be cash held in checking accounts and certificates of deposit but does not include investments restricted for meter deposits.

Pronouncements of the FASB

Applicable pronouncements of the FASB and GASB have been applied when applicable.

Operating Revenue

Operating revenue consists of revenue received from sale of sewer and water services and all items related to these sales such as benefit units and. Other revenue, such as interest and rentals