

Canadian County Rural Water, Sewer, and

Solid Waste Management District #1

Canadian County, Oklahoma

Financial Statements

December 31, 2014

Canadian County Rural Water, Sewer, and

Solid Waste Management District #1

Table of Contents

Independent Auditor's Report	1 - 2
Balance Sheet	3
Statement of Income and Expenses	4
Statement of Member's Equity	5
Statement of Cash Flows	6
Notes to Financial Statements	7 – 8
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 <i>Government Auditing Standards</i>	9 - 10
Findings and Questioned Cost	11

MICHAEL L METTRY CPA

2525 NW EXPRESSWAY STE 200

OKLAHOMA CITY, OK 73112

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Canadian County Rural Water, Sewer, and Solid Waste Management District #1
Calumet, Oklahoma 73014-8704

We have audited the accompanying financial statements of Canadian County Rural Water, Sewer, and Solid Waste Management District #1, which comprise the balance sheet and the statements of income and expenses, member's equity, and cash flows as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the Canadian County Rural Water, Sewer, and Solid Waste Management District #1'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

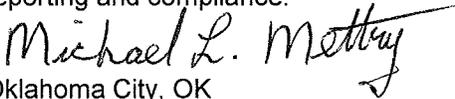
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Canadian County Rural Water, Sewer, and Solid Waste Management District #1 as of December 31, 2014, and the results of operations and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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. Management has omitted the Management's Discussion and Analysis. Our opinion is not affected by the missing information.

Report Issued in Accordance with Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated July 22, 2015 on our consideration of Canadian County Rural Water, Sewer, and Solid Waste Management District #1'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. That report is 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.



Oklahoma City, OK
July 22, 2015

Canadian County Rural Water, Sewer, and
Solid Waste Management District #1
Canadian County, Oklahoma
Balance Sheet
December 31, 2014

Assets

Cash		\$	318,921
Accounts Receivable			21,429
Less Allowance for Doubtful Accounts			(1,300)
Total Current Assets			339,050
Water Wells			11,792
Accumulated Depreciation			(11,792)
Buildings			666,100
Accumulated Depreciation			(478,198)
Machinery and Equipment			247,852
Accumulated Depreciation			(116,783)
Distribution System			485,731
Accumulated Depreciation			(456,491)
Easements			5,000
Right of Way			1,000
Accumulated Amortization			(928)
Net Property, Plant, and Equipment			353,283
Total Assets		\$	692,333

Liabilities and Member's Equity

Current Portion Long Term Debt		\$	23,222
Loan Payable			132,756
Accounts Payable			10,533
Meter Deposits			38,250
Accrued payroll taxes			2,048
Interest payable			326
Total Current Liabilities			207,135
Long Term Debt			47,785
Total Liabilities			254,920
Member's Contributed Equity			74,545
Retained Earnings			362,868
Total Member's Equity			437,413
Total Liabilities and Member's Equity		\$	692,333

See independent accountant's report and notes

Canadian County Rural Water, Sewer, and
Solid Waste Management District #1
Canadian County, Oklahoma
Statement of Income and Expenses
for the year ended December 31, 2014

Operating Income	
Gross Water Sales	\$ 242,493
Repair and Local Income	2,322
Interest Income	<u>821</u>
Total Operating Income	<u>245,635</u>
Operating Expenses	
Personnel	21,980
Depreciation and amortization	49,697
Utilities	28,516
Installations, repair, & maintenance	110,907
Cost of water	7,850
Office supplies	2,785
Miscellaneous	10,440
Accounting	1,750
Interest expense	5,027
Insurance	<u>5,770</u>
Total Operating Expenses	<u>244,721</u>
Net Operating Income (Loss)	<u>914</u>
Other Income (Expenses)	
Other Expenses	<u>-</u>
Net Other Income (Loss)	<u>-</u>
Net Income (Loss)	<u><u>\$ 914</u></u>

See independent auditor's report and notes

Canadian County Rural Water, Sewer, and
Solid Waste Management District #1
Canadian County, Oklahoma
Statement of Member's Equity
for the year ended December 31, 2014

	Member's Invested Equity	Retained Earnings (Deficit)
Balance, December 31, 2013	\$ 74,545	\$ 362,104
Prior Period Adjustment		(150)
Net Income (Loss)		914
Balance, December 31, 2014	\$ 74,545	\$ 362,868

See independent auditor's report and notes

Canadian County Rural Water, Sewer, and
Solid Waste Management District #1
Canadian County, Oklahoma
Statement of Cash Flows
for the year ended December 31, 2014

Operating Activities	
Water sales	\$ 243,164
Repairs and local income	2,322
Interest income	821
Suppliers and Employees	(191,551)
Interest expense	<u>(5,027)</u>
Net Cash from Operating Activities	<u>49,729</u>
Investing Activities	
Cash received for equipment	-
Other expenses	-
Purchases of property plant and equipment	<u>(138,305)</u>
Net Cash from (used for) Investing Activities	<u>(138,305)</u>
Financing Activities	
Meter deposits	8,450
Net increase (decrease) in Short Term Debt	132,756
Principal Payments on Long Term Debt	<u>(37,110)</u>
Net Cash from (used by) Financing Activities	<u>104,096</u>
Net Change in Cash and Cash Equivalents	15,519
Cash and Cash Equivalents, Beginning	<u>303,403</u>
Cash and Cash Equivalents, Ending	<u>\$ 318,921</u>

Reconciliation of Cash Flow from Operations
to Net Income from Operations

Operating Activity Reconciliation	
Operating income	\$ 914
Adjustments to reconcile operating income to net cash from operating activities	
Depreciation expense	49,697
Cash received for equipment	-
Other expenses	-
(increase) decrease in accounts receivable	672
increase (decrease) in accounts payable	(1,544)
increase (decrease) in accrued payroll taxes	(9)
increase (decrease) in accrued interest expense	-
Net Cash from Operating Activities	<u>\$ 49,729</u>

See independent auditor's report and notes

Canadian County Rural Water, Sewer, and
Solid Waste Management District #1
Canadian County, Oklahoma
Notes to Financial Statements
For the year ended December 31, 2014

1. Organization and Nature of Operations and Summary of Significant Accounting Policies

Canadian County Rural Water, Sewer, and Solid Waste Management District #1, Canadian County, Oklahoma (District) was organized February 1, 1974 to serve the water and waste management needs of the residents of its southwest Canadian County service area. The District currently provides rural water service. It does not provide a waste management service.

The financial statements are prepared on the accrual basis of accounting, which recognizes revenue when earned and expense when incurred. Revenue earned but not received is shown as a receivable. Expense incurred but not paid is shown as a payable.

Property, plant, and equipment are recorded at cost and depreciated. Depreciation is computed straight line over the estimated useful lives. Assets lives are estimated to be between five and forty years.

Management has evaluated subsequent events through July 22, 2015, which is the date the financial statements were available to be issued and has determined that no additional information needs to be added to the financial statements.

2. Cash

For the purposes of the statement of cash flows, the Organization considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. Deposits are insured by the Federal Deposit Insurance Corporation. The following details the cash balances as of December 31,

	2014	2013
Petty cash	\$ 50	\$ 50
Operating	185,826	174,417
Reserved	133,045	128,936
Total cash	\$ 318,921	\$ 303,403

Canadian County Rural Water, Sewer, and
Solid Waste Management District #1
Canadian County, Oklahoma
Notes to Financial Statements
For the year ended December 31, 2014

3. Long Term Debt

The following schedules the long term debt:

	December 31,	
	2014	2013
Farmers Home Administration Note, due in monthly installments of \$2,480 including interest at 5%. Final payment due December, 2016. Secured by assets of the District	\$ 14,021	\$ 42,310
Farmers Home Administration Note, due in monthly installments of \$992 including interest at 5%. Note dated June 7, 1983. Final payment due forty years from inception. Secured by assets of the District.	56,986	65,807
Total long term debt	71,007	108,117
Less current portion	(23,222)	(36,045)
Non-current portion	\$ 47,785	\$ 72,072
Principle maturities for the next five years		
2015	\$ 23,222	
2016	9,516	
2017	10,002	
2018	10,514	
2019	11,051	
thereafter	6,702	
Total long term debt	\$ 71,007	

4. Short Term Debt

The Organization has a construction loan payable to Bank of Commerce for \$132,755 at 4.50% interest secured by receivables and equipment. The loan was renewed for six months, and is due December 6, 2015.

MICHAEL L METTRY CPA
2525 NW EXPRESSWAY STE 200
OKLAHOMA CITY, OK 73112

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

Canadian County Rural Water, Sewer, and Solid Waste Management District #1

15323 West Elm Street
Calumet , OK 73014-8704

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 financial statements of Canadian County Rural Water, Sewer, and Solid Waste Management District #1 as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise Canadian County Rural Water, Sewer, and Solid Waste Management District #1's basic financial statements, and have issued our report thereon dated July 22, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Canadian County Rural Water, Sewer, and Solid Waste Management District #1'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Canadian County Rural Water, Sewer, and Solid Waste Management District #1's internal control. Accordingly, we do not express an opinion on the effectiveness of Canadian County Rural Water, Sewer, and Solid Waste Management District #1'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.

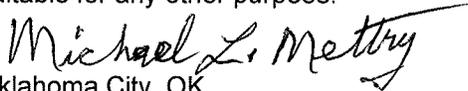
Compliance and Other Matters

As part of obtaining reasonable assurance about whether Canadian County Rural Water, Sewer, and Solid Waste Management District #1'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.



Oklahoma City, OK
July 22, 2015

Canadian County Rural Water, Sewer, and
Solid Waste Management District #1
Canadian County, Oklahoma
Findings and Questioned Cost
December 31, 2014

FINDINGS AND QUESTIONED COST

There were no findings or questioned cost.