

Canadian County Rural Water, Sewer, and

Solid Waste Management District #1

Canadian County, Oklahoma

Financial Statements

December 31, 2013

Canadian County Rural Water, Sewer, and

Solid Waste Management District #1

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**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  
15323 West Elm Street  
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, 2013, 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**

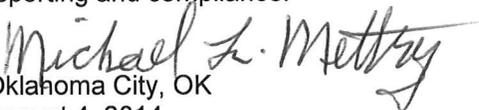
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Canadian County Rural Water, Sewer, and Solid Waste Management District #1 as of December 31, 2013, and the results of operations and cash flows for the year then ended in 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 August 4, 2014 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  
August 4, 2014

Canadian County Rural Water, Sewer, and  
Solid Waste Management District #1  
Canadian County, Oklahoma  
Balance Sheet  
December 31, 2013

Assets

Cash	\$	303,403
Accounts Receivable		22,100
Less Allowance for Doubtful Accounts		(1,300)
Total Current Assets		324,203
Water Wells		11,792
Accumulated Depreciation		(11,792)
Buildings		532,795
Accumulated Depreciation		(464,403)
Machinery and Equipment		247,852
Accumulated Depreciation		(112,959)
Distribution System		485,731
Accumulated Depreciation		(424,442)
Right of Way		1,000
Accumulated Amortization		(899)
Net Property, Plant, and Equipment		264,675
Total Assets	\$	588,878

Liabilities and Member's Equity

Current Portion Long Term Debt	\$	36,045
Accounts Payable		12,078
Meter Deposits		29,650
Accrued payroll taxes		2,058
Interest payable		326
Total Current Liabilities		80,156
Long Term Debt		72,073
Total Liabilities		152,229
Member's Contributed Equity		74,545
Retained Earnings		362,104
Total Member's Equity		436,649
Total Liabilities and Member's Equity	\$	588,878

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, 2013

Operating Income	
Gross Water Sales	\$ 236,012
Repair and Local Income	4,106
Interest Income	<u>999</u>
Total Operating Income	<u>241,117</u>
Operating Expenses	
Personnel	21,442
Depreciation and amortization	48,903
Utilities	29,342
Installations, repair, & maintenance	105,643
Cost of water	7,516
Office supplies	2,529
Miscellaneous	4,411
Accounting	1,750
Interest expense	6,264
Insurance	<u>5,529</u>
Total Operating Expenses	<u>233,328</u>
Net Operating Income (Loss)	<u>7,788</u>
Other Income (Expenses)	
Other Expenses	<u>(7,000)</u>
Net Other Income (Loss)	<u>(7,000)</u>
Net Income (Loss)	<u><u>\$ 788</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, 2013

	Member's Invested Equity	Retained Earnings (Deficit)
Balance, December 31, 2012	\$ 74,545	\$ 361,316
Net Income (Loss) for the year ending December 31, 2013		788
Balance, December 31, 2013	\$ 74,545	\$ 362,104

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, 2013

Operating Activities	
Water sales	\$ 237,241
Repairs and local income	4,106
Interest income	999
Suppliers and Employees	(175,172)
Interest expense	<u>(6,351)</u>
Net Cash from Operating Activities	<u>60,822</u>
Investing Activities	
Cash received for equipment	-
Other expenses	(7,000)
Purchases of property plant and equipment	<u>(37,798)</u>
Net Cash from (used for) Investing Activities	<u>(44,798)</u>
Financing Activities	
Meter deposits	14,400
Principal Payments on Long Term Debt	<u>(35,313)</u>
Net Cash from (used by) Financing Activities	<u>(20,913)</u>
Net Change in Cash and Cash Equivalents	(4,889)
Cash and Cash Equivalents, Beginning	<u>308,292</u>
Cash and Cash Equivalents, Ending	<u>\$ 303,403</u>

Reconciliation of Cash Flow from Operations  
to Net Income from Operations

Operating Activity Reconciliation	
Operating income	\$ 788
Adjustments to reconcile operating income to net cash from operating activities	
Depreciation expense	48,903
Cash received for equipment	-
Other expenses	7,000
(increase) decrease in accounts receivable	1,228
increase (decrease) in accounts payable	1,503
increase (decrease) in accrued payroll taxes	1,485
increase (decrease) in accrued interest expense	<u>(87)</u>
Net Cash from Operating Activities	<u>\$ 60,821</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, 2013

**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 August 4, 2014, 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,

	2013	2012
Petty cash	\$ 50	\$ 50
Operating	174,417	183,401
Reserved	128,936	124,841
<b>Total cash</b>	<b>\$ 303,403</b>	<b>\$ 308,292</b>

Canadian County Rural Water, Sewer, and  
Solid Waste Management District #1  
Canadian County, Oklahoma  
Notes to Financial Statements  
For the year ended December 31, 2013

**3. Long Term Debt**

The following schedules the long term debt:

		December 31,	
		2013	2012
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		\$ 42,310	\$ 69,228
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.		65,807	74,202
<b>Total long term debt</b>		<b>108,117</b>	<b>143,430</b>
Less current portion		(36,045)	(35,295)
<b>Non-current portion</b>		<b>\$ 72,072</b>	<b>\$ 108,135</b>
<b>Principle maturities for the next five years</b>			
	2014	\$ 36,045	
	2015	21,525	
	2016	8,220	
	2017	8,646	
	2018	9,083	
	thereafter	24,598	
<b>Total long term debt</b>		<b>\$ 108,117</b>	

**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, 2013, 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 August 4, 2014.

**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.

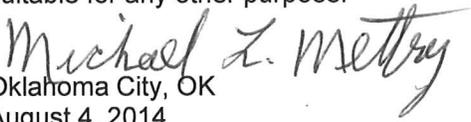
**Compliance and Other Matters**

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  
August 4, 2014

Canadian County Rural Water, Sewer, and  
Solid Waste Management District #1  
Canadian County, Oklahoma  
Findings and Questioned Cost  
December 31, 2013

FINDINGS AND QUESTIONED COST

There were no findings or questioned cost.