

**FINANCIAL STATEMENTS AND REPORTS OF  
INDEPENDENT CERTIFIED PUBLIC ACCOUNTANT  
RURAL WATER DISTRICT NO. 4  
MAYES COUNTY, OKLAHOMA  
AUGUST 31, 2014**

**LANGLEY-LITTLEFIELD-OBER  
CERTIFIED PUBLIC ACCOUNTANTS, PLLC  
124 S. MAIN  
MIAMI, OK 74354  
(918) 542-4401**

**Rural Water District No. 4  
Mayes County, Oklahoma  
Water District Officials  
August 31, 2014**

**Board of Directors**

Terry Fink	Chairman
Jim Chronister	Vice-Chairman
Billy Scott	Secretary/Treasurer
Gerald Ritter	Member
Wesley Abbott	Member
Charles Dryden	Member
Curtis Collins	Member
Vacant	Member
Vacant	Member

**Rural Water District No. 4**  
**Mayes County, Oklahoma**  
**Table of Contents**

Independent Auditor's Report	1
Report Required by <i>Government Auditing Standards</i> :	
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>	2-3
Basic Financial Statements:	
Statement of Net Position	4
Statement of Revenues, Expenses and Changes in Net Position	5
Statement of Cash Flows	6-7
Notes to the Financial Statements	8-12

**LANGLEY-LITTLEFIELD-OBER**

*CERTIFIED PUBLIC ACCOUNTANTS, PLLC*

124 S. MAIN, MIAMI, OK 74354

918-542-4401 OFFICE

**INDEPENDENT AUDITOR'S REPORT**

Honorable Chairman and Board of Directors  
Mayes County Rural Water District No. 4  
Mayes County, Oklahoma

We have audited the statement of net position, statement of revenues, expenses and changes in net position and statement of cash flows, which collectively comprise the basic financial statements of the Mayes County Rural Water District No. 4 as of August 31, 2014. These financial statements are the responsibility of the Mayes County Rural Water District No. 4's management. Our responsibility is to express an opinion on these financial statements based on our audit.

***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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain 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 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 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 respective financial position of the statement of net position, statement of revenues, expenses and changes in net position and statement of cash flows, which collectively comprise the basic financial statements of the Mayes County Rural Water District No. 4 as of August 31, 2014, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***OTHER MATTERS***

Management has not presented the management's discussion and analysis that governmental 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.

Sincerely,



**LANGLEY-LITTLEFIELD-OBER**

*CERTIFIED PUBLIC ACCOUNTANTS, PLLC*

**MIAMI, OKLAHOMA**

**JANUARY 19, 2015**

**LANGLEY-LITTLEFIELD-OBER**

*CERTIFIED PUBLIC ACCOUNTANTS, PLLC*

124 S. MAIN, MIAMI, OK 74354

918-542-4401 OFFICE

**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***

Honorable Chairman and Board of Directors  
Mayes County Rural Water District No. 4  
Disney, Ok 74340

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 statement of net position, statement of revenues, expenses and changes in net position and statement of cash flows, which collectively comprise the basic financial statements of the Mayes County Rural Water District No. 4, as of August 31, 2014, and have issued our report thereon dated January 19, 2014.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performed our audit, we considered Mayes County Rural Water District No. 4's internal control over financial reporting to determine the audit procedures that are appropriate in 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 Mayes County Rural Water District No. 4's internal control. Accordingly, we do not express an opinion on the effectiveness of Mayes County Rural Water District No. 4'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 Mayes County Rural Water District No. 4'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*.

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.

A handwritten signature in cursive script that reads "Langley Littlefield Ober".

**LANGLEY-LITTLEFIELD-OBER**  
*CERTIFIED PUBLIC ACCOUNTANTS, PLLC*  
**MIAMI, OKLAHOMA**

JANUARY 19, 2015

**Rural Water District No. 4**  
**Mayes County, Oklahoma**  
**Statement of Net Position**  
**August 31, 2014**

	2014	(Memo Only) 2013
<b>ASSETS</b>		
Current Assets		
Cash and Cash Equivalents	\$ 584,118.14	\$ 438,145.48
Investments	402,173.46	400,197.19
Accounts Receivable	68,714.06	55,301.90
Prepaid Insurance	12,873.88	8,854.00
Total Current Assets	1,067,879.54	902,498.57
Noncurrent Assets		
Capital Assets, net	1,459,646.67	1,564,754.58
Construction in Progress	71,115.60	71,115.60
Total Noncurrent Assets	1,530,762.27	1,635,870.18
Total Assets	2,598,641.81	2,538,368.75
<b>LIABILITIES</b>		
Current Liabilities		
Accounts Payable	45,179.87	31,723.93
Accrued Payables	3,102.45	4,772.74
Total Liabilities	48,282.32	36,496.67
<b>NET POSITION</b>		
Net investment in Capital Assets	1,530,762.27	1,635,870.18
Restricted	-	-
Unrestricted	1,019,597.22	866,001.90
Total Net Position	\$ 2,550,359.49	\$ 2,501,872.08

The accompanying Notes to the Financial Statements are an integral part of this statement.

**Rural Water District No. 4**  
**Mayes County, Oklahoma**  
**Statement of Revenues, Expenses and Changes in Net Position**  
**For the Year Ended August 31, 2014**

	2014	(Memo Only) 2013
<b>Operating Revenues</b>		
Water Revenues	\$ 718,110.21	\$ 720,293.00
Penalties	18,663.56	22,899.29
Miscellaneous Operating Revenue	7,847.58	6,074.00
Total Operating Revenues	<u>744,621.35</u>	<u>749,266.29</u>
<b>Operating Expenses</b>		
Water Purchased	338,093.14	305,673.45
Contract Meter Reading	34,344.40	28,393.60
Depreciation	105,107.91	101,331.56
Director's Per Diem	3,200.00	3,240.00
Engineering Fees	-	8,585.39
Insurance	15,173.80	16,283.18
Miscellaneous	14,610.18	14,714.62
Office Expense	14,889.85	13,855.75
Payroll Taxes	9,253.52	9,238.08
Professional Fees	9,292.00	4,914.42
Repairs and Maintenance	38,534.60	33,418.30
Salaries	129,224.20	125,041.35
Telephone	3,465.30	3,631.37
Travel and Conference	1,579.29	1,784.09
Utilities	26,907.51	21,584.89
Vehicle Maintenance	7,025.12	18,020.99
Total Operating Expenses	<u>750,700.82</u>	<u>709,711.04</u>
Operating Income (Loss)	<u>(6,079.47)</u>	<u>39,555.25</u>
<b>Non-Operating Revenues (Expenses)</b>		
Interest Income	3,897.38	4,258.80
Gain on Disposal of Asset	8,669.50	-
Total Non-Operating Revenues (Expenses)	<u>12,566.88</u>	<u>4,258.80</u>
<b>Capital Contributions</b>		
Meter Taps	<u>42,000.00</u>	<u>29,000.00</u>
Change in Net Position	48,487.41	72,814.05
Net Position, Beginning of Year	2,501,872.08	2,429,058.03
Net Position, End of Year	<u>\$ 2,550,359.49</u>	<u>\$ 2,501,872.08</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.



**Rural Water District No. 4**  
**Mayes County, Oklahoma**  
**Statement of Cash Flows**  
**For the Year Ended August 31, 2014**

	2014	(Memo Only) 2013
<b>Cash Flows from Operating Activities</b>		
Cash Inflows:		
Payments Received from Customers	\$ 731,209.19	\$ 780,330.42
Cash Outflows:		
Payments for Salaries and Benefits	(140,148.01)	(132,720.33)
Payments for Goods and Services	(497,679.13)	(490,618.42)
Total Cash Used	(637,827.14)	(623,338.75)
Net Cash Provided (Used) by Operating Activities	93,382.05	156,991.67
<b>Cash Flows from Noncapital Financing Activities</b>		
Purchase of Capital Assets	-	(213,642.37)
Disposal of Capital Asset	8,669.50	-
Construction in Progress	-	(39,745.81)
Meter Taps	42,000.00	29,000.00
Net Cash Provided (Used) for Capital and Related Financing Activities	50,669.50	(224,388.18)
<b>Cash Flows from Investing Activities</b>		
Interest Received from Investments	1,921.11	1,955.74
<b>Net Cash Inflow (Outflow) from All Activities</b>	145,972.66	(65,440.77)
Cash and Cash Equivalents at Beginning of Year	438,145.48	503,586.25
<b>Cash and Cash Equivalents at End of Year</b>	\$ 584,118.14	\$ 438,145.48

The accompanying Notes to the Financial Statements are an integral part of this statement.

**Rural Water District No. 4**  
**Mayes County, Oklahoma**  
**Statement of Cash Flows (Continued)**  
**For the Year Ended August 31, 2014**

	2014	(Memo Only) 2013
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:</b>		
Operating Income (Loss)	\$ (6,079.47)	\$ 39,555.25
Depreciation	105,107.91	101,331.56
(Increase) Decrease in:		
Accounts Receivable	(13,412.16)	31,064.13
Prepaid Insurance	(4,019.88)	635.45
Increase (Decrease) in:		
Accounts Payable	13,455.94	(17,153.82)
Payroll - Accrued Payable	191.57	287.71
Accrued Vacation	(1,861.86)	1,271.39
 Net Cash Provided (Used) by Operating Activities	 \$ 93,382.05	 \$ 156,991.67

The accompanying Notes to the Financial Statements are an integral part of this statement.

**Rural Water District No. 4**  
**Mayes County, Oklahoma**  
**Notes to the Financial Statements**  
**For the Year Ended August 31, 2014**

**I. Summary of Significant Accounting Policies**

Rural Water District No. 4, Mayes County, Oklahoma (the “District”) was created under the provisions of Title 82, O.S. 1981, Sections 1324.1-1324.26 inclusive, for the purpose of processing and providing for the use and benefit of its members a water processing and distribution system, including physical facilities necessary for its operations and maintenance. The District was organized by the Board of County Commissioners of Mayes County, Oklahoma. District members fall within territorial boundaries within Mayes County as assigned by the Board of County Commissioners of Mayes County, Oklahoma. The membership consists of approximately 1495 users, each entitled one vote. The Board of Directors consists of 9 members serving three-year terms. The vacant Board seats are elected at the annual meeting, and following, the Board of Directors meet and elect a chairman, vice-chairman and secretary/treasurer.

**A. Reporting Entity**

Rural Water District No. 4 is an independent, self-contained reporting entity with no associated component units. It is operated in a manner similar to a private business enterprise where the cost (expenses, including depreciation) of providing water services is financed through user charges.

**B. Measurement Focus, Basis of Accounting and Basis of Presentation – Fund Accounting**

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with Generally Accepted Accounting Principles (GAAP) promulgated in the United States of America. The accounting and financial reporting treatment is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operation are included on the statement of net position. The operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total position. Depreciation expense is provided for capital assets based upon estimated useful lives.

Financial activity is accounted for on the flow of economic resources measurement focus using the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

**Memorandum Only – Total Column**

The total column on the financial statements is captioned “Memo Only” to indicate that it is present only to facilitate financial analysis. Data in this column does not present assets and liabilities, revenues collected and expenditures paid in conformity with the statutory basis of accounting. Neither is such data comparable to a consolidation. Inter-fund eliminations have not been made in the aggregation of this data.

**Rural Water District No. 4**  
**Mayes County, Oklahoma**  
**Notes to the Financial Statements**  
**For the Year Ended August 31, 2014**

**I. Summary of Significant Accounting Policies (continued)**

**C. Assets, Liabilities and Net Position**

**1. Cash and Cash Equivalents**

For purposes of the statement of cash flows, the District considers all cash on hand, demand deposits, and highly liquid investments, with an original maturity of three months or less when purchased, to be cash and cash equivalents.

**2. Investments**

Investments consist of certificates of deposit maturing in the following fiscal year with interest paid monthly at varying rates.

**3. Fair Value of Financial Instruments**

The District's financial statements include cash and investments. The District's estimates of the fair value of all financial instruments do not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying balance sheet. The carrying amount of these financial instruments approximates fair value because of the short maturity of these instruments.

**4. Accounts Receivable**

Accounts receivable consists primarily of charges for water sales. Management has not established a provision for uncollectible accounts. Such amounts are written off in the month in which management determines they are uncollectible.

**5. Prepaid Expenses**

Certain payments to vendors reflect costs or deposits applicable to future accounting periods and are recorded as prepaid items in the basic financial statements.

**6. Compensated Absences**

The District's policy is to permit employees to accumulate a limited amount of earned vacation and sick leave. Accumulated vacation time is accrued at year-end to account for the District's obligation to the employees for the amount owed. It is management's belief that the majority of the obligation will be utilized within the next fiscal year.

**7. Capital Assets**

Capital assets purchased or acquired are recorded at cost. Donated capital assets are reported as estimated fair value at the date of donation. Additions and improvements that significantly extend the useful life of an asset are capitalized. Internal engineering costs are capitalized to the extent of direct support and contribution to construct and expansion projects. Costs of studies that directly result in specific construction projects are capitalized. District policy has set the capitalization threshold for reporting capital assets at \$1,000.

**Rural Water District No. 4**  
**Mayes County, Oklahoma**  
**Notes to the Financial Statements**  
**For the Year Ended August 31, 2014**

**I. Summary of Significant Accounting Policies (continued)**

**C. Assets, Liabilities and Net Position (continued)**

**7. Capital Assets (continued)**

Maintenance and repairs, which do not significantly extend the value or life of property, plant, and equipment, are expensed as incurred.

Depreciation on capital assets is calculated on the straight-line basis over the following estimated useful lives:

	<u>Years</u>
Office Building	30
Office Equipment	5-10
Transportation Equipment	5
Construction Equipment	10
Pump Stations	10-20
Water Towers	10-40
Water Lines	40

**8. Annual Budget-to-Actual Comparison**

The District is not legally required to prepare an annual budget. Therefore, an annual budget-to-actual comparison as required by GASB 34 is not presented.

**9. Equity Classifications**

Equity is classified as net assets and displayed in three components:

- a. Invested in capital assets, net of related debt --- Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any mortgages, notes, or other borrowings that are attributable to the acquisition, construction or improvement of those assets.
- b. Restricted net position --- Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position --- All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

**10. Use of Estimates**

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Rural Water District No. 4**  
**Mayes County, Oklahoma**  
**Notes to the Financial Statements**  
**For the Year Ended August 31, 2014**

**I. Summary of Significant Accounting Policies (continued)**

**C. Assets, Liabilities and Net Position (continued)**

**11. Subsequent Events**

Subsequent events have been evaluated through January 19, 2015, which is the date the financial statements were available to be issued.

**II. Detailed Notes Concerning the Funds**

**A. Cash and Investments**

*Custodial Credit Risk – Deposits.* Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District's cash deposits, including interest-bearing certificates of deposit, are maintained in financial institutions. As of August 31, 2014, none of the District's investments were exposed to custodial credit risk because they were either insured or collateralized.

*Interest rate risk:* This is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**B. Accounts Receivable**

Accounts Receivable is composed of unpaid billings for services rendered as of the end of the fiscal year. The District has implemented a deferred time payment plan for customers who can demonstrate a financial hardship. The majority of the past due balances are a result of water leaks on the customer's property who have been granted a deferred time payment plan.

Following is an aged schedule of accounts receivable as of August 31, 2014:

<u>0-30</u>	<u>31-60</u>	<u>61-90</u>	<u>Total</u>
\$ 66,181.95	\$ 1,271.05	\$ 1,261.06	\$ 68,714.06

**Rural Water District No. 4**  
**Mayes County, Oklahoma**  
**Notes to the Financial Statements**  
**For the Year Ended August 31, 2014**

**II. Detailed Notes Concerning the Funds (continued)**

**C. Changes in Capital Assets**

Capital asset activity for the year was as follows:

	<u>Beginning of Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>End of Year</u>
Capital Assets				
Non-depreciable assets:				
Land	\$ 14,000.00	\$ -	\$ -	\$ 14,000.00
Depreciable assets:				
Buildings	31,146.70	-	-	31,146.70
Office Equipment	12,613.00	-	-	12,613.00
Transportation Equipment	63,048.00	-	14,714.00	48,334.00
Construction Equipment	54,631.74	-	20,764.54	33,867.20
Pump Stations	371,137.52	-	-	371,137.52
Water Towers	230,609.77	-	-	230,609.77
Water Lines	2,820,836.59	-	-	2,820,836.59
Total Depreciable assets	<u>3,584,023.32</u>	<u>-</u>	<u>35,478.54</u>	<u>3,548,544.78</u>
Total Assets	3,598,023.32	-	35,478.54	3,562,544.78
Accumulated Depreciation:	<u>(2,033,268.74)</u>	<u>(105,107.91)</u>	<u>(35,478.54)</u>	<u>(2,102,898.11)</u>
Net Capital Assets	<u>\$ 1,564,754.58</u>	<u>\$ (105,107.91)</u>	<u>\$ -</u>	<u>\$ 1,459,646.67</u>

**III. Other Information**

**A. Risk Management**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. The District purchases commercial insurance to cover these risks, including general and auto liability, property damage, and public officials liability. There were no significant reductions in insurance coverage from the prior year. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past four fiscal years.

**B. Rates and Fees**

Minimum Charge for Water Service is \$17.00 per month, which includes 1,000 gallons of water. Each additional 1,000 gallons is \$4.50 for residential and \$5.00 for commercial.

<u>Service</u>	<u>Amount</u>
New Tap Fee	\$1,500.00
Sun Prairie Tap Fees	\$2,500.00
Road Bores	\$500.00
Cost to Move Meter	\$325.00
Reconnect Fee	\$100.00
Returned Check Fee	\$25.00