



**Beckham County Rural  
Water District #1**  
*Audit Report*  
For Year Ending June 30, 2013

**Scott Northrip, CPA**

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# Scott Northrip

Certified Public Accountant

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## Independent Auditor's Report

To The Board of Directors of  
Rural Water, Sewer, and Solid Waste Management  
District #1, Beckham County, Oklahoma

We have audited the accompanying basic financial statements of Rural Water, Sewer, and Solid Waste Management District #1, Beckham County, Oklahoma (District #1) as of June 30, 2013 and 2012, and for the years then ended. These financial statements are the responsibility of the District #1's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted the 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. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that the audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of District #1 as of June 30, 2013, and 2012 and the results of its operations and its cash flows and its changes in fund balance for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 29, 2013, on our consideration of the internal control and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grants. These reports are an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of the audit.

*Scott Northrip, CPA*

Scott Northrip  
Certified Public Accountant

July 29, 2013

**Rural Water, Sewer, & Solid Waste Management  
District #1, Beckham County, Oklahoma**

Comparative Statement of Net Position  
As of June 30, 2013 and 2012

<b>ASSETS:</b>	<b>2013</b>	<b>2012</b>
Current Assets:		
Cash & Cash Equivalents	\$ 554,226	\$ 655,618
Accounts Receivable-Net (Note 2)	68,590	60,084
Interest Receivable	621	780
Prepaid Insurance	22,945	20,814
Other Receivable	-	-
Inventory	65,917	53,369
<b>Total Current Assets</b>	<b>\$ 712,299</b>	<b>\$ 790,665</b>
Noncurrent Assets:		
Construction in Progress	\$ 4,000	\$ 6,000
Other Noncurrent Assets	2,975	2,975
Capital Assets:		
Land & Water Rights	222,505	221,005
Other Capital Assets, net of depreciation	5,622,830	5,459,344
<b>Total Noncurrent Assets</b>	<b>\$ 5,852,310</b>	<b>\$ 5,689,324</b>
<b>TOTAL ASSETS</b>	<b>\$ 6,564,609</b>	<b>\$ 6,479,989</b>
<b>LIABILITIES AND NET POSITION:</b>		
Current Liabilities:		
Accounts Payable	\$ 26,067	\$ 25,420
Interest Payable	5,080	5,155
Advanced Collections	4,567	7,330
Customer Deposits	7,400	6,500
Line of credit - Southwest State Bank	1	1
Current Portion of Long-term Liabilities	51,321	49,171
<b>Total Current Liabilities</b>	<b>\$ 94,436</b>	<b>\$ 93,577</b>
Long-Term Liabilities: (Note 10)		
Notes Payable - net of current portion	<b>\$ 3,275,658</b>	<b>\$ 3,326,886</b>
Net Assets:		
Restricted Fund Balance	\$ 200,000	\$ 200,000
Unrestricted Fund Balance	523,781	518,298
<b>Total Fund Balance</b>	<b>\$ 723,781</b>	<b>\$ 718,298</b>
Member Investments	422,100	398,700
Donated Assets (Note 7)	954,348	948,242
Gain on Acquisition of Loans (Note 12)	894,056	894,056
Grants	200,230	100,230
<b>TOTAL NET POSITION</b>	<b>\$ 3,194,515</b>	<b>\$ 3,059,526</b>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$ 6,564,609</b>	<b>\$ 6,479,989</b>

See accompanying notes to the financial statements.

**Rural Water, Sewer & Solid Waste Management**  
**District #1, Beckham County, Oklahoma**  
Comparative Statement of Activities  
For the Years Ended June 30, 2013 and 2012

	<b>2013</b>	<b>2012</b>
<b>OPERATING REVENUES:</b>		
Water Sales	\$ 793,097	\$ 790,250
Sale of Supplies	7,043	565
Installation & Repairs	8,293	6,523
<b>Total Operating Revenues</b>	<b>\$ 808,433</b>	<b>\$ 797,338</b>
<b>OPERATING EXPENSES:</b>		
Salaries	\$ 142,889	\$ 140,736
Depreciation Expense	185,283	180,890
Interest Expense	143,700	145,759
Utilities	50,168	45,341
Installation & Repairs	109,471	57,576
Director's Fees, Travel & Benefits	5,478	6,509
Insurance	24,578	24,902
Employee Benefits	36,247	38,708
Outside Services	34,871	34,182
Transportation Expense	32,607	23,652
Office Supplies & Postage	11,868	10,584
Legal & Professional Fees	13,808	12,421
Dues & Licenses	7,596	7,671
Payroll Tax Expense	11,903	11,822
Bad Debts Expense	-	-
Miscellaneous Expense	2,633	1,581
Communication Expense	3,213	3,228
Advertising Expense	298	-
<b>Total Operating Expenses</b>	<b>\$ 816,611</b>	<b>\$ 745,562</b>
<b>OPERATING INCOME (LOSS)</b>	<b>\$ (8,178)</b>	<b>\$ 51,776</b>
<b>OTHER REVENUES (EXPENSES):</b>		
Investment Revenues	\$ 7,352	\$ 10,158
Donations	(4,200)	(5,500)
Insurance Refunds	6,023	6,891
Other Income	4,486	267
Gain on Sale of Assets	-	-
<b>Total Other Revenues(Expenses)</b>	<b>\$ 13,661</b>	<b>\$ 11,816</b>
<b>NET INCOME</b>	<b>\$ 5,483</b>	<b>\$ 63,592</b>

See accompanying notes to the financial statements.

**Rural Water, Sewer & Solid Waste Management  
District #1, Beckham County, Oklahoma**  
Comparative Statement of Changes in Net Position  
For the Years Ended June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
<b>Balance, July 1</b>	\$ 3,059,526	\$ 2,894,904
Net Income (Loss)	5,483	63,592
Prior Period Adjustment (Note 11)	-	-
Member Investments	23,400	26,800
Donated Assets (Note 7)	6,106	74,230
Grants	100,000	-
<b>Total Changes in Net Position</b>	<u>\$ 134,989</u>	<u>\$ 164,622</u>
<b>Balance, June 30</b>	<u>\$ 3,194,515</u>	<u>\$ 3,059,526</u>

See accompanying notes to the financial statements.

**Rural Water, Sewer & Solid Waste Management  
District #1, Beckham County, Oklahoma**

Comparative Statement of Cash Flows  
For the Years Ended June 30, 2013 and 2012

	2013	2012
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Receipts from customers	\$ 799,927	\$ 792,714
Payments to suppliers	(312,484)	(239,564)
Payments to employees	(191,039)	(191,266)
<b>Net Cash Provided by Operating Activities</b>	<b>\$ 296,404</b>	<b>\$ 361,884</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Purchase of capital assets	\$ (342,769)	\$ (117,538)
Donated Assets	6,106	74,231
Payments for Construction in Progress	(4,000)	(6,000)
Purchase of Land and Water Rights	(1,500)	(16,000)
Principal payments on notes payable	(49,077)	(47,022)
Interest paid on notes payable	(143,775)	(145,830)
Proceeds from Grants	100,000	-
Proceeds from Long-term notes	-	-
<b>Net Cash Used In Capital &amp; Related Financing Activities</b>	<b>\$ (435,015)</b>	<b>\$ (258,159)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Investment Receipts	\$ 7,510	\$ 10,264
Other Proceeds & Disbursements	6,309	1,658
Proceeds from memberships	23,400	26,800
<b>Net Cash Provided from Investing Activities</b>	<b>\$ 37,219</b>	<b>\$ 38,722</b>
<b>INCREASE (DECREASE) IN CASH AND INVESTMENTS</b>	<b>\$ (101,392)</b>	<b>\$ 142,447</b>
Cash and Investment Balance - Beginning	655,618	513,171
<b>CASH AND INVESTMENT BALANCE - ENDING</b>	<b>\$ 554,226</b>	<b>\$ 655,618</b>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:</b>		
Operating Income (Loss)	\$ (8,178)	\$ 51,776
Adjustments to reconcile operating income to net cash provided (used):		
Interest Expense	143,700	145,759
Depreciation expense	185,283	180,890
Change in assets and liabilities:		
Accounts Receivable	(8,506)	(4,624)
Other Receivables	-	-
Prepaid Insurance	(2,131)	(352)
Inventory	(12,548)	(14,801)
Accounts Payable	647	(704)
Advanced Collections	(2,763)	2,540
Customer Deposits	900	1,400
<b>Net Cash Provided from Operating Activities</b>	<b>\$ 296,404</b>	<b>\$ 361,884</b>

See accompanying notes to the financial statements.

# Rural Water, Sewer & Solid Waste Management District #1, Beckham County, Oklahoma

Notes to the Financial Statements  
For the Years Ended June 30, 2013 and 2012

## **Note 1 - Significant Accounting Policies**

### **Organization:**

Rural Water, Sewer & Solid Waste Management District #1, Beckham Co., OK, (District) was formed under the Oklahoma Rural Water Act to provide water in a designated area in and around Beckham County, Oklahoma to individuals and businesses that purchase a membership. The District served 1,015 and 995 meters at June 30, 2013 and 2012.

### **Basis of Accounting:**

The District is a proprietary fund type of entity and uses the accrual method of accounting which reports revenues when earned and expenses when incurred. The District is not legally required to adopt a budget or report on budget comparisons in this report.

### **Fixed Assets and Depreciation:**

The District records its fixed assets at their historical cost or donated value. Depreciation is calculated on each individual asset using the straight-line method of depreciation at the asset's estimated useful life. The District estimates the useful lives of the assets based on the type of asset. The lives range from 4 to 50 years.

### **Income Tax:**

The District is exempt from federal and state income taxes under IRS Code Section 115 (a) as an agency of the State of Oklahoma.

## **Note 2 - Accounts Receivable**

The accounts receivable represents the water usage and service revenues for June plus any unpaid balances from the previous months. The District uses the direct method to account for bad debts. No provision for an allowance has been made based on the history of the District's bad debts being very small or nonexistent. The accounts receivable balances at June 30, 2013 and 2012 were \$70,575 and \$62,069. The meters are read monthly.

## **Note 3 - Use of Estimates**

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

## **Note 4 - Contingencies**

The District didn't have any contingencies as of the date of the audit.

## **Note 5 - Restricted Assets**

The District has restricted certificates of deposit in the amount of \$200,000 for debt service as required by Rural Development's mortgage as of June 30, 2013 and 2012.

**Rural Water, Sewer, & Solid Waste Management  
District #1, Beckham County, Oklahoma**

Notes to the Financial Statements  
For the Years Ended June 30, 2013 and 2012

**Note 6 - Changes in Capital Assets**

	Balance 7/1/2012	Additions	Disposed	Balance 6/30/2013
Water System Plant Assets	\$ 7,721,685	\$ 334,375	\$ -	\$ 8,056,060
Office Furniture & Fixtures	36,394	-	-	36,394
Equipment	162,283	14,394	-	176,677
Vehicles	43,420	-	-	43,420
Buildings & Improvements	298,778	-	-	298,778
<b>Total Assets</b>	<b>\$ 8,262,560</b>	<b>\$ 348,769</b>	<b>\$ -</b>	<b>\$ 8,611,329</b>
Less: Accumulated Depreciation	2,803,216	185,283	-	2,988,499
<b>Net Fixed Assets</b>	<b>\$ 5,459,344</b>	<b>\$ 163,486</b>	<b>\$ -</b>	<b>\$ 5,622,830</b>

**Note 7 - Donated Assets**

Donated assets are the estimated value of water lines installed by members from the existing lines of the system to the member's meter. The value of the lines donated to the District for the years ending June 30, 2013 and 2012 were \$6,106 and \$74,231, respectively.

**Note 8 - Components of Cash and Investments**

	Date of Maturity	Interest Rate	Balance
Petty Cash	-	0.00%	\$ 200
Checking - Southwest State Bank	-	0.15%	87,551
Checking - Great Plains National Bank	-	0.00%	1,475
CD - Southwest State Bank	2/14/2014	0.85%	70,000
CD - Southwest State Bank	2/14/2014	0.85%	70,000
CD - Southwest State Bank	2/14/2014	0.85%	100,000
CD - Southwest State Bank	2/14/2014	0.85%	100,000
CD - Southwest State Bank	5/25/2014	0.85%	30,000
CD - Southwest State Bank	10/19/2013	0.85%	50,000
Investment - Oklahoma Rural Water Assurance	-	2.15%	45,000
<b>Total Cash and Investments</b>			<b>\$ 554,226</b>

The District has pledges from Southwest State Bank that covers amount not insured by FDIC.



**Rural Water, Sewer, & Solid Waste Management  
District #1, Beckham County, Oklahoma**

Notes to the Financial Statements  
For the Years Ended June 30, 2013 and 2012

**Note 9 - Retirement**

The District provides a 401(k) retirement plan for its employees and matches contributions up to 5%. The District contributed \$4,544 and \$9,317 for the years June 30, 2013 and 2012, respectively.

**Note 10 - Long Term Liabilities**

The District has two 40 year notes with Rural Development, an agency of the United States Department of Agriculture. The loans are fixed interest notes. The notes are secured by the assets of the District. Rural Development requires the District to reserve enough funds to pay an amount equal to a year's total payments. The District makes monthly payments on the notes.

Note Number	Date of Note	Annual Payments	Balance 6/30/2013	Balance 6/30/2012	Interest Rate
91-01	11/17/2006	\$ 135,408	\$ 2,347,029	\$ 2,381,877	4.250%
91-03	11/17/2006	57,444	979,950	994,180	4.375%
		\$ 192,852	\$ 3,326,979	\$ 3,376,057	
Less: Current Portion			51,321	49,171	
Net Balance			<u>\$ 3,275,658</u>	<u>\$ 3,326,886</u>	

Current Portion:		Note 9101	Note 9103
Year Ending	6/30/2014	36,427	14,894
Year Ending	6/30/2015	38,006	15,559
Year Ending	6/30/2016	39,653	16,254
Year Ending	6/30/2017	41,372	16,979
Year Ending	6/30/2018	43,164	17,737

**Note 11 - Prior Period Adjustments**

There were no prior period adjustments in the financial statements for the year ending June 30, 2013 or 2012.

**Note 12 - Gain on Acquisition of Loans**

The District purchased notes from FmHA through the Farmers Home Administration Discount Purchase Program on July 7, 1988. The discounted principal plus accrued interest was \$894,056 less than the carrying value of the notes which resulted in a gain from acquisition.

**Note 13 - Grants**

The District received grant proceeds from SWODA for a REAP Grant in the amount of \$100,000 for the construction of a booster station during the year ending June 30, 2013.

# *Scott Northrip*

*Certified Public Accountant*

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON  
INTERNAL CONTROL OF THE FINANCIAL STATEMENTS  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

**To the Board of Directors of  
Rural Water, Sewer, and Solid Waste Management  
District #1, Beckham County, Oklahoma**

We have audited the basic financial statements of the Rural Water, Sewer, and Solid Waste Management District #1, Beckham County, Oklahoma (District) for the year ended June 30, 2013 and 2012, and have issued our report thereon dated July 29, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the Government Auditing Standards issued by the Comptroller General of the United States.

### Compliance

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the District's compliance with certain laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However our objective was not to provide an opinion on the overall compliance with such provisions, and accordingly we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

### Internal Control

In planning and performing our audit, we considered District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements and but not for the purpose of expressing our opinions on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

This report is intended for the information of the board of directors and management of the District, as well as Rural Development. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

*Scott Northrip, CPA*

**Scott Northrip**  
**Certified Public Accountant**

July 29, 2013