

BURNT CABIN RURAL WATER DISTRICT
PARK HILL, OKLAHOMA
AUDIT REPORT
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2016

Audited By:
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BURNT CABIN RURAL WATER DISTRICT
PARK HILL, OKLAHOMA

December 31, 2016

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AUDIT REPORT

INDEPENDENT AUDITOR'S REPORT

Board of Directors

Burnt Cabin Rural Water District

Report on the Financial Statements

I have audited the accompanying statement of net assets of Burnt Cabin Rural Water District (the District), as of and for the year ended December 31, 2016, and the related statements of revenue, expenditures, and changes in net assets, and the statement of cash flows for the year then ended, and the related notes to the financial statements.

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

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my 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 I 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of business-type activities of Burnt Cabin Rural Water District as of December 31, 2016 and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

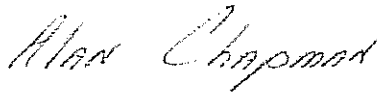
Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated July 24, 2017, on my consideration of Burnt Cabin Rural Water District 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 my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Burnt Cabin Rural Water District internal control over financial reporting and compliance.

Management's Discussion and Analysis

Management has omitted the management discussion and analysis that 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.

July 24, 2017



Alan Chapman, CPA

OTHER REPORTS

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF COMBINED
FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors
Burnt Cabin Rural Water District
Park Hill, Oklahoma

I 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 Burnt Cabin Rural Water District, which comprise the statement of net assets as of December 31, 2016 and the related statements of revenue, expenditures, and changes in net assets and cash flows for the year then ended, and the related notes to the financial statements, and have issued my report thereon dated July 24, 2017.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered Burnt Cabin Rural Water District, Inc. internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Burnt Cabin Rural Water District's internal control. Accordingly, I do not express an opinion on the effectiveness of Burnt Cabin Rural Water District'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.

My 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 my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

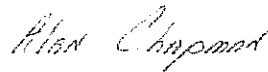
Compliance and Other Matters

As part of obtaining reasonable assurance about whether Burnt Cabin Rural Water District financial statements are free from material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my 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 organization'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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

July 24, 2017



Alan Chapman, CPA

FINANCIAL STATEMENTS

BURNT CABIN RURAL WATER DISTRICT
Statement of Net Assets
December 31, 2016

Assets

Current Assets:

Cash and Cash Equivalents	\$ 34,273
Accounts Receivable - Net	3,417
Prepaid Insurance	<u>889</u>
Total Current Assets	<u>38,579</u>

Noncurrent Assets:

Water System	49,556
Land and Buildings	18,056
Auto's and Equipment	25,816
Less Accumulated Depreciation	<u>(30,757)</u>
Total Noncurrent Assets	<u>62,670</u>
Total Assets	<u>101,249</u>

Liabilities

Current Liabilities:

Accounts Payable	<u>540</u>
Total Current Liabilities	540

Net Assets

Invested in capital assets, net of related debt	62,670
Unrestricted	<u>38,039</u>
Total Net Assets	<u>\$ 100,709</u>

The accompanying notes and audit report are an internal part of these statements of financial position.

BURNT CABIN RURAL WATER DISTRICT #3
Park Hill, Oklahoma
Statement of Revenue, Expenditures, and Changes in Net Assets
For the Year Ended December 31, 2016

Revenues:

Water Revenues	\$	52,053
Memberships		2,300
Late charges and Reconnect Fees		910
Donation		25,000
		80,263
Total Operating Income		80,263

Expenditures:

Bad Debt		339
Accounting and Billing		5,424
Contract Labor		13,949
Supplies and Chemicals		6,476
Legal Fees		6,733
Insurance and Bonds		944
Postage and Office		946
Repairs and Maintenance		900
Telephone		643
Water Testing		4,175
DEQ Fees		836
Utilities		4,609
Depreciation		820
Miscellaneous		9,261
		56,056
Total Operating Expenses		56,056

Operating Income (Loss)		24,207
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Non-Operating Income (Expense):

Interest Revenue		154
		154
Total Non-Operating Expenses		154

Net Income or Loss		24,361
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Net Assets, Beginning of Year		76,348
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Net Assets, End of Year	\$	100,709
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The accompanying notes and auditors report are an integral part of these financial statements

BURNT CABIN RURAL WATER DISTRICT
Park Hill, Oklahoma
Statement of Cash Flows
For the Year Ended December 31, 2016

Cash Flows from Operating Activities

Cash received from Customers	\$ 81,702
Cash paid to Suppliers	<u>(56,985)</u>
Net Cash Provided by Operations	24,716

Cash Flows from Capital and Related Financing Activities

Purchase of Capital Assets	<u>(36,012)</u>
Net Cash Used in Capital and Related Financing Activities	(36,012)

Cash Flows From Investing Activities

(Increase) Decrease in Restricted Cash-Net	-
(Increase) Decrease in Investments	-
Investment Income Received	<u>154</u>
Net Cash Used by Investing Activities	154

Net Increase in Cash and Cash Equivalents	(11,141)
Beginning Cash and Cash Equivalents	<u>45,415</u>
Ending Cash and Cash Equivalents	<u><u>34,273</u></u>

Reconciliation of Operating Income to Net Cash

Provided by Operating Activities

Operating Income	24,207
Adjustment to Reconcile Operating Income to Net Cash	
Provided by Operating Activities	
Depreciation	820
Decrease (Increase) in Prepaid Insurance	(484)
Decrease (Increase) in Accounts Receivable	1,438
Increase (Decrease) in Accounts Payable	<u>(1,265)</u>
Net Cash Provided by Operating Activities	<u><u>\$ 24,716</u></u>

The accompanying notes and audit report are an internal part of these statements of financial position.

NOTES

**BURNT CABIN RURAL WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. NATURE OF THE ORGANIZATION

Burnt Cabin Rural Water District was incorporated under the Rural Water District Act of Oklahoma, for the purpose of acquiring water rights, and to build and acquire pipelines and other facilities and to operate the same for the purpose for furnishing water to serve the need of owners and occupants of land located within the district. The District is exempt from federal and state income tax.

The board of Directors consists of 5 members serving 3- 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.

2. BASIS OF ACCOUNTING

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting is related to the timing of the measurements made, regardless of the measurement focus applied. All activities are accounted for using the accrual basis of accounting. Revenues are recognized when earned, and their expenses are recognized when they are incurred.

3. BASIS OF PRESENTATION

The District complies with GASB Statement No 14, "The Financial Reporting Entity." This statement establishes standards for defining and reporting on the financial reporting entity. It defines component units as legally separate organizations for which the elected officials of the primary government are financially accountable and together organizations for which the nature and significance of their relationship with primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The District considered all potential component units in determining what organizations should be included in the financial statements. Based on these criteria, there are no component units to include in the District's financial statements.

The District's fund is enterprise fund. Enterprise funds are proprietary funds used to account for business-like activities provided to the general public. These activities are finance primarily by user charges and the measurements of financial activity focuses on net income measurement similar to the private sector.

4. **CASH AND CASH EQUIVALENTS**

For the purpose of the statement of cash flows, the organization considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

5. **PROPERTY AND EQUIPMENT**

Property and equipment are carried at cost or, if donated, at the estimated fair value at the date of donation. The agency maintains a capitalization policy that recognizes the purchase of a fixed asset in nature (equipment and property with a useful life in excess of one year) as a fixed asset. This determination affects the method that the expense is recorded. The cash outflow is recorded as an asset rather than an expense and is shown on the statement of the financial position (balance sheet) rather than on the statement of activities (operating statement income statement) where expenses usually are recorded if not capitalized.

6. **DONATED ASSETS**

Donated non-cash donations are recorded as contributions at their estimated fair values at the date of donation.

NOTE B: CASH AND INVESTMENTS

Unrestricted cash consists of the following cash and equivalents.

Cash Checking	\$ 13,437
Cash Savings	14,828
Certificate of Deposit	<u>6,008</u>
TOTAL CASH	<u>\$ 34,273</u>

At December 31, 2016 there were no short term investments on hand deemed to be cash equivalents. At the date of this report all cash accounts were fully insured by FDIC insurance

NOTE C: INVENTORY

Expendable items are reflected as expenditures as purchased. Merchandise on hand at December 31, 2016 is determined as immaterial, therefore no inventories have been reflected in the Financial Statements.

NOTE D: ACCOUNTS RECEIVABLE

Accounts receivable are written off when it has been determined that they are uncollectible and are recorded as bad debt at that time. The majority of receivables are from water customers and service contracts.

NOTE E: INVESTMENTS

At year end there were no investments

NOTE F: USE OF ESTIMATES

The preparation of financial statements, in conformity with accounting principles generally accepted in the United States of America, 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. Accordingly, actual results could differ from those estimates.

NOTE G: CONCENTRATION OF RISK

The operation of the organization is dependent upon water sales contracts and grants. Should an economic downturn affect these sources the organizations ability to continue to provide services at current levels may be impacted.

NOTE M: FIXED ASSETS

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>
Buildings	\$ 3,056	\$ 1,000	\$ 0	\$ 3,056
Equipment	25,816	0	0	25,816
Land	15,000	0	0	15,000
Water System	<u>13,544</u>	<u>36,011</u>	<u>0</u>	<u>49,555</u>
Total	<u>\$ 57,416</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 93,427</u>
Accumulated Depreciation	<u>(29,937)</u>	<u>(820)</u>	<u>\$ 0</u>	<u>\$ (30,757)</u>
Net Book Value	<u>\$ 27,479</u>	<u>\$ 35,192</u>	<u>\$ 0</u>	<u>\$ 62,670</u>

Estimated useful lives for depreciation purposes are as follows:

- Buildings - 20 years
- Equipment - 10 years
- Water System - 40 years

NOTE O: SUBSEQUENT EVENTS

Subsequent events have been evaluated through March 24, 2017, which is the date the financial statements were available to be issued.