



**Caddo County Rural
Water District #3**
Audit Report
For Year Ending June 30, 2012

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Independent Auditor's Report

To The Board of Directors of
Rural Water, Sewer, & Solid Waste Management Dist. #3
Caddo County, Oklahoma

I have audited the basic financial statements of Rural Water, Sewer, & Solid Waste Management District #3, Caddo County, Oklahoma (District), as of and for the years ended June 30, 2012 and 2011. These financial statements are the responsibility of the District's management. My responsibility is to express an opinion on these financial statements based on my audit.

I 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 States. Those standards require that I 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. I believe that the audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Rural Water, Sewer, & Solid Waste Management District #3, Caddo County, Oklahoma, as of June 30, 2012 and 2011, 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*, I have also issued my report dated January 19, 2012, on my consideration of the Authority's internal control and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grants. This report is 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

Certified Public Accountant

January 24, 2013

**Rural Water, Sewer, and Solid Waste Management
District #3, Caddo County, Oklahoma**

Statement of Net Assets
As of June 30, 2012 and 2011

	2012	2011
ASSETS:		
Current Assets:		
Cash & Cash Equivalents	\$ 2,998,232	\$ 2,910,418
Investments	45,000	45,000
Accounts Receivable (Note 2)	181,629	193,593
Interest Receivable	1,510	1,768
Prepaid Insurance	35,113	34,070
Total Current Assets	\$ 3,261,484	\$ 3,184,849
Noncurrent Assets:		
Utility Deposits	\$ 75	\$ 75
Construction in Process	46,960	-
Capital Assets: (Note 5)		
Land and Water Rights	521,138	521,138
Other Capital Assets, net of depreciation	6,501,956	6,202,695
Total Noncurrent Assets	\$ 7,070,129	\$ 6,723,908
TOTAL ASSETS	\$ 10,331,613	\$ 9,908,757
LIABILITIES AND NET ASSETS:		
Current Liabilities:		
Accounts Payable	\$ 6,949	\$ 22,527
Taxes Payable	11,523	10,479
Customer Deposits	8,325	7,600
Total Current Liabilities	\$ 26,797	\$ 40,606
Net Assets:		
Member Investments	\$ 325,500	\$ 318,600
Grants	5,805,684	5,805,684
Donated Assets (Note 6)	892,348	779,429
Unrestricted Fund Balance	3,281,284	2,964,438
TOTAL NET ASSETS	\$ 10,304,816	\$ 9,868,151
TOTAL LIABILITIES AND NET ASSETS	\$ 10,331,613	\$ 9,908,757

See accompanying notes to the financial statements.

**Rural Water, Sewer, and Solid Waste Management
District #3, Caddo County, Oklahoma**

Comparative Statement of Activities
For the Years Ended June 30, 2012 and 2011

	2012	2011
OPERATING REVENUES:		
Water Sales to Members	\$ 1,422,112	\$ 1,292,940
Water Sales to Municipalities	113,246	122,170
Meter Installation Revenues	63,100	190,800
Impact Fees	22,000	189,090
Fees Revenues	2,565	3,457
Meter Reading Revenues	38,730	36,460
Late Charges Revenues	18,097	15,566
FEMA Reimbursement	-	-
Hydraulic Analysis	5,045	15,115
Total Operating Revenues	\$ 1,684,895	\$ 1,865,598
 OPERATING EXPENSES:		
Salaries	\$ 437,187	\$ 412,365
Water Purchases	34,672	31,113
Depreciation Expense	376,914	367,387
Utilities	132,263	121,497
System Repairs	71,620	77,812
Equipment Repairs	25,443	28,933
Director's Travel	12,585	10,388
Insurance	41,852	42,425
Legal & Professional Fees	19,660	28,780
Employee Benefits	54,577	53,851
Vehicle Expense	53,232	44,510
Office Supplies & Postage	33,796	30,446
Payroll Tax Expense	35,192	33,145
Retirement Expense	49,444	46,565
Communication Expense	5,521	5,408
Dues	3,687	3,027
Bad Debts	13,521	4,809
License & Fees	7,640	7,363
Miscellaneous Expense	4,818	5,528
Total Operating Expenses	\$ 1,413,624	\$ 1,355,352
 OPERATING INCOME (LOSS)	\$ 271,271	\$ 510,246
 OTHER REVENUES (EXPENSES):		
Investment Revenues	\$ 25,458	\$ 30,223
Rent & Oil Lease	20,118	18,195
Gain on Sale of Assets	-	-
Total Other Revenues(Expenses)	\$ 45,576	\$ 48,418
 NET INCOME	\$ 316,847	\$ 558,664

See accompanying notes to the financial statements.

Rural Water, Sewer, and Solid Waste Management
District #3, Caddo County, Oklahoma
 Comparative Statement of Changes in Net Assets
 For the Years Ended June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Balance, July 1	\$ 9,868,151	\$ 9,204,287
Net Income	316,847	558,664
Member Investments	6,900	21,200
Grants	-	-
Donated Assets	<u>112,918</u>	<u>84,000</u>
Total Changes in Net Assets	<u>\$ 436,665</u>	<u>\$ 663,864</u>
Balance, June 30	<u><u>\$ 10,304,816</u></u>	<u><u>\$ 9,868,151</u></u>

See accompanying notes to the financial statements.

**Rural Water, Sewer, and Solid Waste Management
District #3, Caddo County, Oklahoma**

Comparative Statement of Activities
For the Years Ended June 30, 2012 and 2011

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers	\$ 1,696,859	\$ 1,837,577
Payments to suppliers	(475,162)	(429,064)
Payments to employees	(576,400)	(544,010)
Miscellaneous revenues	-	-
Net Cash Provided by Operating Activities	\$ 645,297	\$ 864,503
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Purchase of water system assets	\$ (533,146)	\$ (148,988)
Purchase of office furniture & fixtures	-	(46,107)
Purchase of equipment	(163)	(1,499)
Purchase of vehicles	(29,947)	(1,598)
Purchase of buildings & Improvements	-	(33,577)
Purchase of land & water rights	-	(28,227)
Payments for Construction in Process	(46,960)	-
Proceeds from sale of assets	-	-
Net Cash Used In Capital & Related Financing Activities	\$ (610,216)	\$ (259,996)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest received	\$ 25,715	\$ 30,092
Proceeds from memberships	6,900	21,200
Land rent & oil lease	20,118	18,195
Net Cash Provided from Investing Activities	\$ 52,733	\$ 69,487
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	\$ 87,814	\$ 673,994
Cash & Investments Balance - Beginning	2,955,418	2,281,424
CASH & INVESTMENTS BALANCE - ENDING	\$ 3,043,232	\$ 2,955,418
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:		
Operating Income (Loss)	\$ 271,271	\$ 510,246
Adjustments to reconcile operating income to net cash provided (used) by Operating Activities:		
Depreciation expense	376,914	367,387
Change in assets and liabilities:		
Accounts Receivable	11,964	(28,021)
Prepaid Insurance	(1,043)	(742)
Accounts Payable	(15,578)	13,292
Taxes Payable	1,044	1,916
Customer Deposits	725	425
Net Cash Provided from Operating Activities	\$ 645,297	\$ 864,503

See accompanying notes to the financial statements.

Rural Water, Sewer, and Solid Waste Management District #3, Caddo County, Oklahoma

Notes to the Financial Statements
For the Years Ended June 30, 2012 and 2011

Note 1 - Significant Accounting Policies

Organization:

Rural Water, Sewer, and Solid Waste Management District #3, Caddo County, Oklahoma (District) was formed in 1971 for the purpose of supplying water to the rural areas in and around Caddo County, Oklahoma. The District is governed by a Board of Directors who have been elected from and by the members of the District at the annual membership meeting. As of June 30, 2012 and 2011, the District served approximately 2,762 and 2,762 meters, respectively.

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 assets of the District estimate the useful lives based on the type of asset. The lives range from 5 to 40 years.

Income Tax:

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

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 sold 281,697,916 gallons of water during the year ending June 30, 2011 and 266,645,299 for the year ending June 30, 2012. The accounts receivable balances and June 30, 2012 and 2011 were \$186,955 and \$197,811, respectively with the allowance for doubtful accounts amounting to \$5,326 for both year making a net accounts receivable balance of \$181,629 and \$192,485 for the years ending June 30, 2012 and 2011, respectively.

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 had construction in progress at June 30, 2012 in the amounts of \$46,960 for a hiway relocate that will be reimbursed in the year ending June 30, 2013.

**Rural Water, Sewer, and Solid Waste Management
District #3, Caddo County, Oklahoma**

Notes to the Financial Statements
For the Years Ended June 30, 2012 and 2011

Note 5 - Change in Fixed Assets

	Balance 7/1/2011	Additions	Disposed	Balance 6/30/2012
<u>Cost of Fixed Assets:</u>				
Water System Phase I	\$ 2,854,202	\$ 108,200	\$ -	\$ 2,962,402
Water System Phase II	4,442,330	-	-	4,442,330
Water System Phase II Mounts	55,362	-	-	55,362
Water System Phase II River	167,287	-	-	167,287
Water System Phase III Wells	2,455,611	536,951	-	2,992,562
Water System Phase III Fees	18,175	-	-	18,175
Water System Phase III Const.	1,072,540	913	-	1,073,453
Water System Phase III Improv.	1,032,487	-	-	1,032,487
Strecker Booster Improvements	159,927	-	-	159,927
Line Relocate Projects	215,106	-	-	215,106
I.H.S. Line Extention	175,049	-	-	175,049
Tank Maintenance	404,379	-	-	404,379
Office Furniture & Fixtures	108,901	-	-	108,901
Equipment	199,713	163	-	199,876
Vehicles	111,642	29,947	(29,071)	112,518
Buildings	182,409	-	-	182,409
Total Fixed Assets	\$13,655,120	\$ 676,174	\$ (29,071)	\$14,302,223
<u>Accumulated Depreciation:</u>				
Water System Phase I	\$ 2,145,154	\$ 74,060	\$ -	\$ 2,219,214
Water System Phase II	3,524,074	111,058	-	3,635,132
Water System Phase II Mounts	34,565	1,384	-	35,949
Water System Phase II River	78,231	4,182	-	82,413
Water System Phase III Wells	549,635	61,889	-	611,524
Water System Phase III Fees	12,235	454	-	12,689
Water System Phase III Const.	255,416	24,500	-	279,916
Water System Phase III Improv.	181,463	26,117	-	207,580
Strecker Booster Improvements	49,068	3,999	-	53,067
Line Relocate Projects	20,793	5,378	-	26,171
I.H.S. Line Extention	114,613	4,377	-	118,990
Tank Maintenance	121,348	13,993	-	135,341
Office Furniture & Fixtures	36,628	7,513	-	44,141
Equipment	155,361	9,074	-	164,435
Vehicles	69,961	22,026	(29,071)	62,916
Buildings	103,879	6,910	-	110,789
Total Accum. Depreciation	\$ 7,452,424	\$ 376,914	\$ (29,071)	7,800,267
Net Fixed Assets	\$ 6,202,696	\$ 299,260	\$ -	\$ 6,501,956

Note 6 - Donated Assets

Donated assets is the estimated value of water lines installed by members from the existing lines of the system to the member's property. The value of the lines donated to the District for the years ending June 30, 2012 and 2011 were \$112,919 and \$84,000, respectively.

**Rural Water, Sewer, and Solid Waste Management
District #3, Caddo County, Oklahoma**

Notes to the Financial Statements
For the Years Ended June 30, 2012 and 2011

Note 7 - Components of Cash and Investments

	Date of Maturity	Interest Rate	Balance
Petty Cash	-	0.00%	\$ 343
Checking - Shamrock Bank, Mt. View, OK	-	0.05%	919,728
Savings - Farmers Bank, Carnegie, OK	-	0.75%	8,848
CD - Bank of Verden	7/23/2012	1.50%	100,000
CD - Great Plains Nat'l Bank	8/7/2012	1.15%	100,000
CD - 1st National, Cyril	4/26/2013	0.55%	100,000
CD - Chickasha Bank	11/6/2012	0.75%	100,000
CD - Washita Valley Bank	2/17/2013	1.10%	100,000
CD - Midfirst Bank	6/24/2013	0.90%	100,374
CD - Chickasha Bank	12/16/2012	0.75%	100,000
CD - Shamrock Bank	12/16/2012	0.80%	118,390
CD - Bank of the Wichitas	12/21/2012	0.80%	100,000
CD - Shamrock Bank	7/2/2012	0.65%	102,919
CD - Anadarko Bank	10/14/2012	1.10%	100,000
CD - Farmers Bank	8/9/2012	1.05%	90,000
CD - Farmers Bank	7/8/2012	1.60%	100,000
CD - Washita Valley Bank	10/19/2012	1.00%	100,000
CD - Chickasha Bank	4/26/2013	0.75%	100,000
CD - Chickasha Bank	5/14/2013	0.75%	50,000
CD - Shamrock Bank	2/3/2013	0.80%	253,815
CD - Shamrock Bank	2/3/2013	0.80%	253,815
Reserve Certificates - ORWAAG	-	2.18%	45,000
Total Cash and Investments			<u>\$ 3,043,232</u>

Shamrock Bank & Chickasha Bank pledge securities for amounts over FDIC limits.

Note 8 - Retirement

The District provides a money purchase retirement plan for its full time employees after six months of employment. The plan is administered by Northwestern Mutual Life. The employees will become 20% invested after the 2nd year, 40% after the 3rd, 60% after the 4th, 80% after the 5th, and 100% vested after the 6th year of participation. The normal retirement age to receive benefits is 65 years of age. No loans to the participants from the plan is allowed. The contributions by the District for the years ending June 30, 2012 and 2011 were \$49,444 and \$46,5456.

SCOTT NORTHRIP, CPA

P.O. Box 642, Hobart, Oklahoma 73651

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND 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 Dist. #3
Caddo County, Oklahoma

I have audited the basic financial statements of Rural Water, Sewer, and Solid Waste Management District #3, Caddo County, Oklahoma (District), as of and for the years ending June 30, 2012 and 2011, and have issued my report thereon dated January 24, 2013. I 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 States.

Compliance

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, I performed test 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, my objective was not to provide an opinion on overall compliance with such provisions. Accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that require to be reported under *Government Auditing Standards*.

Internal Control

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

Report on Compliance and Internal Controls-Continued

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.

My consideration of the 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 the State of Oklahoma. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

Scott Northrip, CPA

Certified Public Accountant

January 24, 2013