



**Caddo County Rural
Water District #3**
Audit Report
For Year Ending June 30, 2013

Scott Northrip, CPA
P.O. Box 642
Hobart, OK 73651
(580) 726-5681

SCOTT NORTHRIP, CPA

P.O. Box 642, Hobart, Oklahoma 73651

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, 2013 and 2012. 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, 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*, I have also issued my report dated January 23, 2014, 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 23, 2014

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

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

	2013	2012
ASSETS:		
Current Assets:		
Cash & Cash Equivalents	\$ 2,850,232	\$ 2,998,232
Investments	45,000	45,000
Accounts Receivable (Note 2)	176,420	181,629
Interest Receivable	1,188	1,510
Prepaid Insurance	36,997	35,113
Total Current Assets	\$ 3,109,837	\$ 3,261,484
Noncurrent Assets:		
Utility Deposits	\$ 75	\$ 75
Construction in Process	-	46,960
Capital Assets: (Note 5)		
Land and Water Rights	1,022,139	521,138
Other Capital Assets, net of depreciation	6,589,441	6,501,956
Total Noncurrent Assets	\$ 7,611,655	\$ 7,070,129
TOTAL ASSETS	\$ 10,721,492	\$ 10,331,613
LIABILITIES AND NET POSITION:		
Current Liabilities:		
Accounts Payable	\$ 7,778	\$ 6,949
Taxes Payable	11,840	11,523
Customer Deposits	9,009	8,325
Total Current Liabilities	\$ 28,627	\$ 26,797
Net Position:		
Member Investments	\$ 333,000	\$ 325,500
Grants	5,805,684	5,805,684
Donated Assets (Note 6)	1,038,788	892,348
Unrestricted Fund Balance	3,515,393	3,281,284
TOTAL NET POSITION	\$ 10,692,865	\$ 10,304,816
TOTAL LIABILITIES AND NET POSITION	\$ 10,721,492	\$ 10,331,613

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, 2013 and 2012

	2013	2012
OPERATING REVENUES:		
Water Sales to Members	\$ 1,356,982	\$ 1,422,112
Water Sales to Municipalities	119,297	113,246
Meter Installation Revenues	67,500	63,100
Impact Fees	30,750	22,000
Fees Revenues	2,105	2,565
Meter Reading Revenues	44,235	38,730
Late Charges Revenues	16,117	18,097
Insurance Proceeds	39,424	-
Hydraulic Analysis	6,870	5,045
Total Operating Revenues	\$ 1,683,280	\$ 1,684,895
 OPERATING EXPENSES:		
Salaries	\$ 463,510	\$ 437,187
Water Purchases	33,194	34,672
Depreciation Expense	402,181	376,914
Utilities	137,045	132,263
System Repairs	100,748	71,620
Equipment Repairs	19,419	25,443
Director's Travel	12,532	12,585
Insurance	43,685	41,852
Legal & Professional Fees	20,352	19,660
Employee Benefits	52,326	54,577
Vehicle Expense	48,776	53,232
Office Supplies & Postage	36,634	33,796
Payroll Tax Expense	37,279	35,192
Retirement Expense	52,301	49,444
Communication Expense	5,822	5,521
Dues	3,271	3,687
Bad Debts	5,549	13,521
License & Fees	5,049	7,640
Miscellaneous Expense	8,237	4,818
Total Operating Expenses	\$ 1,487,910	\$ 1,413,624
 OPERATING INCOME (LOSS)	\$ 195,370	\$ 271,271
 OTHER REVENUES (EXPENSES):		
Investment Revenues	\$ 17,967	\$ 25,458
Rent & Oil Lease	20,772	20,118
Gain on Sale of Assets	-	-
Total Other Revenues(Expenses)	\$ 38,739	\$ 45,576
 NET INCOME	\$ 234,109	\$ 316,847

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 Position
 For the Years Ended June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Balance, July 1	\$ 10,304,816	\$ 9,868,151
Net Income	234,109	316,847
Member Investments	7,500	6,900
Grants	-	-
Donated Assets	<u>146,440</u>	<u>112,918</u>
Total Changes in Net Position	<u>\$ 388,049</u>	<u>\$ 436,665</u>
Balance, June 30	<u><u>\$ 10,692,865</u></u>	<u><u>\$ 10,304,816</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, 2013 and 2012

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers	\$ 1,688,489	\$ 1,696,859
Payments to suppliers	(480,367)	(475,162)
Payments to employees	(605,416)	(576,400)
Miscellaneous revenues	-	-
Net Cash Provided by Operating Activities	\$ 602,706	\$ 645,297
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Purchase of water system assets	\$ (249,091)	\$ (533,146)
Purchase of office furniture & fixtures	(2,195)	-
Purchase of equipment	(13,781)	(163)
Purchase of vehicles	(16,480)	(29,947)
Purchase of buildings & Improvements	(61,679)	-
Purchase of land & water rights	(501,001)	-
Payments for Construction in Process	46,960	(46,960)
Proceeds from sale of assets	-	-
Net Cash Used In Capital & Related Financing Activities	\$ (797,267)	\$ (610,216)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest received	\$ 18,289	\$ 25,715
Proceeds from memberships	7,500	6,900
Land rent & oil lease	20,772	20,118
Net Cash Provided from Investing Activities	\$ 46,561	\$ 52,733
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	\$ (148,000)	\$ 87,814
Cash & Investments Balance - Beginning	3,043,232	2,955,418
CASH & INVESTMENTS BALANCE - ENDING	\$ 2,895,232	\$ 3,043,232
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:		
Operating Income (Loss)	\$ 195,370	\$ 271,271
Adjustments to reconcile operating income to net cash provided (used) by Operating Activities:		
Depreciation expense	402,181	376,914
Change in assets and liabilities:		
Accounts Receivable	5,209	11,964
Prepaid Insurance	(1,884)	(1,043)
Accounts Payable	829	(15,578)
Taxes Payable	317	1,044
Customer Deposits	684	725
Net Cash Provided from Operating Activities	\$ 602,706	\$ 645,297

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, 2013 and 2012

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, 2013 and 2012, the District served approximately 2,818 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 287,891,039 gallons of water during the year ending June 30, 2013 and 302,516,249 for the year ending June 30, 2012. The accounts receivable balances and June 30, 2013 and 2012 were \$180,635 and \$185,893, respectively with the allowance for doubtful accounts amounting to \$5,326 for both year making a net accounts receivable balance of \$175,309 and \$181,629 for the years ending June 30, 2013 and 2012, 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 was 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, 2013 and 2012

Note 5 - Change in Fixed Assets

	Balance		Balance	
<u>Cost of Fixed Assets:</u>	7/1/2012	Additions	Disposed	6/30/2013
Water System Phase I	\$ 2,962,402	\$ 146,440	\$ -	\$ 3,108,842
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	2,992,562	249,091	-	3,241,653
Water System Phase III Fees	18,175	-	-	18,175
Water System Phase III Const.	1,073,453	-	-	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	2,195	-	111,096
Equipment	199,876	13,781	-	213,657
Vehicles	112,518	16,480	(14,636)	114,362
Buildings	182,409	61,679	-	244,088
Total Fixed Assets	\$14,302,223	\$ 489,666	\$ (14,636)	\$14,777,253
	<u>Accumulated Depreciation:</u>			
Water System Phase I	\$ 2,219,214	\$ 77,721	\$ -	\$ 2,296,935
Water System Phase II	3,635,132	111,058	-	3,746,190
Water System Phase II Mounts	35,949	1,384	-	37,333
Water System Phase II River	82,413	4,182	-	86,595
Water System Phase III Wells	611,524	81,630	-	693,154
Water System Phase III Fees	12,689	454	-	13,143
Water System Phase III Const.	279,916	24,501	-	304,417
Water System Phase III Improv.	207,580	26,266	-	233,846
Strecker Booster Improvements	53,067	3,998	-	57,065
Line Relocate Projects	26,171	5,378	-	31,549
I.H.S. Line Extention	118,990	4,376	-	123,366
Tank Maintenance	135,341	13,993	-	149,334
Office Furniture & Fixtures	44,141	7,504	-	51,645
Equipment	164,435	9,346	-	173,781
Vehicles	62,916	22,060	(14,636)	70,340
Buildings	110,789	8,330	-	119,119
Total Accum. Depreciation	\$ 7,800,267	\$ 402,181	\$ (14,636)	8,187,812
Net Fixed Assets	\$ 6,501,956	\$ 87,485	\$ -	\$ 6,589,441

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, 2013 and 2012 were \$146,440 and \$112,919, respectively.

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

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

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%	767,450
Savings - Farmers Bank, Carnegie, OK	-	0.25%	8,882
CD - Bank of Verden	1/23/2014	1.10%	100,000
CD - Great Plains Nat'l Bank	8/7/2012	0.80%	100,000
CD - 1st National, Cyril	4/26/2014	0.55%	100,000
CD - Chickasha Bank	11/6/2013	0.75%	100,000
CD - Washita Valley Bank	2/17/2014	0.75%	100,000
CD - Midfirst Bank	7/25/2014	0.60%	100,904
CD - Chickasha Bank	12/16/2013	0.75%	100,000
CD - Shamrock Bank	12/16/2013	0.60%	118,390
CD - Bank of the Wichitas	12/21/2013	0.65%	100,000
CD - Shamrock Bank	7/2/2013	0.45%	102,919
CD - Anadarko Bank	10/14/2013	1.05%	100,000
CD - Farmers Bank	8/8/2013	0.30%	90,000
CD - Farmers Bank	7/8/2013	1.15%	100,000
CD - Washita Valley Bank	10/19/2013	0.60%	100,000
CD - Chickasha Bank	4/26/2014	0.75%	100,000
CD - Chickasha Bank	5/14/2014	0.75%	50,000
CD - Shamrock Bank	2/3/2014	0.60%	255,672
CD - Shamrock Bank	2/3/2014	0.60%	255,672
Reserve Certificates - ORWAAG	-	2.15%	45,000
Total Cash and Investments			<u>\$ 2,895,232</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, 2013 and 2012 were \$52,301 and \$49,444.

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, 2013 and 2012, and have issued my report thereon dated January 23, 2014. 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 23, 2014