



**Caddo County Rural
Water District #3**
Audit Report
For Year Ending June 30, 2014

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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 accompanying financial statements of Rural Water, Sewer, & Solid Waste Management District #3, Caddo County, Oklahoma (District), as of and for the years ended June 30, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair representation of these financial statements in accordance accounting principle 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 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 involves performing procedures to obtain audit evidence supporting 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, 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.

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

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Rural Water, Sewer, & Solid Waste Management District #3, Caddo County, Oklahoma, as of June 30, 2014 and 2013, and the respective changes in financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Requirements by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, I have also issued my report dated January 22, 2015, on my consideration of the District's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grants. The purpose of that report is to describe the scope of our 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 the District's internal control over financial reporting and compliance.

Scott Northrip, CPA

Certified Public Accountant

January 22, 2015

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

Statement of Net Position
As of June 30, 2014 and 2013

	2014	2013
ASSETS:		
Current Assets:		
Cash & Certificates of Deposit	\$ 3,312,037	\$ 2,850,232
Investments	45,000	45,000
Accounts Receivable (Note 2)	208,824	176,420
Interest Receivable	1,085	1,188
Prepaid Insurance	38,268	36,997
Total Current Assets	\$ 3,605,214	\$ 3,109,837
Noncurrent Assets:		
Utility Deposits	\$ 75	\$ 75
Construction in Process	15,824	-
Capital Assets: (Note 5)		
Land and Water Rights	1,022,281	1,022,139
Other Capital Assets, net of depreciation	6,473,089	6,589,441
Total Noncurrent Assets	\$ 7,511,269	\$ 7,611,655
TOTAL ASSETS	\$ 11,116,483	\$ 10,721,492
LIABILITIES AND NET POSITION:		
Current Liabilities:		
Accounts Payable	\$ 10,889	\$ 7,778
Taxes Payable	12,864	11,840
Customer Deposits	9,609	9,009
Total Current Liabilities	\$ 33,362	\$ 28,627
Net Position:		
Member Investments	\$ 339,200	\$ 333,000
Grants	5,805,684	5,805,684
Donated Assets (Note 6)	1,153,628	1,038,788
Unrestricted Fund Balance	3,784,609	3,515,393
TOTAL NET POSITION	\$ 11,083,121	\$ 10,692,865
TOTAL LIABILITIES AND NET POSITION	\$ 11,116,483	\$ 10,721,492

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, 2014 and 2013

	2014	2013
OPERATING REVENUES:		
Water Sales to Members	\$ 1,448,064	\$ 1,356,982
Water Sales to Municipalities	114,320	119,297
Meter Installation Revenues	55,800	67,500
Impact Fees	27,000	30,750
Fees Revenues	4,347	2,105
Meter Reading Revenues	64,025	44,235
Late Charges Revenues	17,041	16,117
Insurance Proceeds	-	39,424
Hydraulic Analysis	6,750	6,870
Total Operating Revenues	\$ 1,737,347	\$ 1,683,280
OPERATING EXPENSES:		
Salaries	\$ 491,573	\$ 463,510
Water Purchases	28,728	33,194
Depreciation Expense	406,441	402,181
Utilities	143,646	137,045
System Repairs	87,500	100,748
Equipment Repairs	22,406	19,419
Director's Travel	10,013	12,532
Insurance	49,794	43,685
Legal & Professional Fees	18,887	20,352
Employee Benefits	56,320	52,326
Vehicle Expense	47,386	48,776
Office Supplies & Postage	36,567	36,634
Payroll Tax Expense	39,324	37,279
Retirement Expense	55,970	52,301
Communication Expense	5,952	5,822
Dues	3,704	3,271
Bad Debts	3,473	5,549
License & Fees	11,617	5,049
Miscellaneous Expense	5,571	8,237
Total Operating Expenses	\$ 1,524,872	\$ 1,487,910
OPERATING INCOME (LOSS)	\$ 212,475	\$ 195,370
OTHER REVENUES (EXPENSES):		
Investment Revenues	\$ 14,546	\$ 17,967
Rent & Oil Lease	27,195	20,772
Gain on Sale of Assets	15,000	-
Total Other Revenues(Expenses)	\$ 56,741	\$ 38,739
NET INCOME	\$ 269,216	\$ 234,109

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, 2014 and 2013

	2014	2013
Balance, July 1	\$ 10,692,865	\$ 10,304,816
Net Income	269,216	234,109
Member Investments	6,200	7,500
Grants	-	-
Donated Assets	114,840	146,440
Total Changes in Net Position	\$ 390,256	\$ 388,049
Balance, June 30	\$ 11,083,121	\$ 10,692,865

See accompanying notes to the financial statements.

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

Comparative Statement of Cash Flows
For the Years Ended June 30, 2014 and 2013

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers	\$ 1,704,943	\$ 1,688,489
Payments to suppliers	(471,780)	(480,367)
Payments to employees	(643,187)	(605,416)
Net Cash Provided by Operating Activities	\$ 589,976	\$ 602,706
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Purchase of water system assets	\$ (125,544)	\$ (249,091)
Purchase of office furniture & fixtures	-	(2,195)
Purchase of equipment	(11,714)	(13,781)
Purchase of vehicles	(30,502)	(16,480)
Purchase of buildings & Improvements	(7,489)	(61,679)
Purchase of land & water rights	(142)	(501,001)
Payments for Construction in Process	(15,824)	46,960
Proceeds from sale of assets	15,000	-
Net Cash Used In Capital & Related Financing Activities	\$ (176,215)	\$ (797,267)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest received	\$ 14,649	\$ 18,289
Proceeds from memberships	6,200	7,500
Land rent & oil lease	27,195	20,772
Net Cash Provided from Investing Activities	\$ 48,044	\$ 46,561
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	\$ 461,805	\$ (148,000)
Cash & Investments Balance - Beginning	2,895,232	3,043,232
CASH & INVESTMENTS BALANCE - ENDING	\$ 3,357,037	\$ 2,895,232
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:		
Operating Income (Loss)	\$ 212,475	\$ 195,370
Adjustments to reconcile operating income to net cash provided (used) by Operating Activities:		
Depreciation expense	406,441	402,181
Change in assets and liabilities:		
Accounts Receivable	(32,404)	5,209
Prepaid Insurance	(1,271)	(1,884)
Accounts Payable	3,111	829
Taxes Payable	1,024	317
Customer Deposits	600	684
Net Cash Provided from Operating Activities	\$ 589,976	\$ 602,706

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, 2014 and 2013

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, 2014 and 2013, the District served approximately 2,810 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 291,961,080 for the year ending June 30, 2014. The accounts receivable balances and June 30, 2014 and 2013 were \$214,150 and \$181,746, respectively with the allowance for doubtful accounts amounting to \$5,326 for both year making a net accounts receivable balance of \$208,824 and \$176,420 for the years ending June 30, 2014 and 2013, 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, 2014 in the amounts of \$15,824 for a hiway relocate that was reimbursed in the year ending June 30, 2015.

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

Notes to the Financial Statements
For the Years Ended June 30, 2014 and 2013

Note 5 - Change in Fixed Assets

	Balance			Balance
<u>Cost of Fixed Assets:</u>	7/1/2013	Additions	Disposed	6/30/2014
Water System Phase I	\$ 3,108,842	\$ 114,840	\$ -	\$ 3,223,682
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	3,241,653	95,188	-	3,336,841
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	658	-	1,033,145
Strecker Booster Improvements	159,927	-	-	159,927
Line Relocate Projects	215,106	29,698	-	244,804
I.H.S. Line Extention	175,049	-	-	175,049
Tank Maintenance	404,379	-	-	404,379
Office Furniture & Fixtures	111,096	-	-	111,096
Equipment	213,657	11,714	(34,915)	190,456
Vehicles	114,362	32,011	(29,415)	116,958
Buildings	244,088	7,489	-	251,577
Total Fixed Assets	\$14,777,253	\$ 291,598	\$ (64,330)	\$15,004,521
	<u>Accumulated Depreciation:</u>			
Water System Phase I	\$ 2,296,935	\$ 80,592	\$ -	\$ 2,377,527
Water System Phase II	3,746,190	111,058	-	3,857,248
Water System Phase II Mounts	37,333	1,384	-	38,717
Water System Phase II River	86,595	4,182	-	90,777
Water System Phase III Wells	693,154	84,009	-	777,163
Water System Phase III Fees	13,143	455	-	13,598
Water System Phase III Const.	304,417	24,501	-	328,918
Water System Phase III Improv.	233,846	26,156	-	260,002
Strecker Booster Improvements	57,065	3,998	-	61,063
Line Relocate Projects	31,549	6,120	-	37,669
I.H.S. Line Extention	123,366	4,376	-	127,742
Tank Maintenance	149,334	13,993	-	163,327
Office Furniture & Fixtures	51,645	7,495	-	59,140
Equipment	173,781	9,938	(34,915)	148,804
Vehicles	70,340	20,275	(27,906)	62,709
Buildings	119,119	7,909	-	127,028
Total Accum. Depreciation	\$ 8,187,812	\$ 406,441	\$ (62,821)	8,531,432
Net Fixed Assets	\$ 6,589,441	\$ (114,843)	\$ (1,509)	\$ 6,473,089

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, 2014 and 2013 were \$114,840 and \$146,440, respectively.

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

Notes to the Financial Statements
For the Years Ended June 30, 2014 and 2013

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%	1,226,148
Savings - Farmers Bank, Carnegie, OK	-	0.25%	8,904
CD - Bank of Verden	7/23/2015	0.65%	100,000
CD - Great Plains Nat'l Bank	8/7/2014	0.55%	100,000
CD - 1st National, Cyril	4/26/2015	0.55%	100,000
CD - Chickasha Bank	11/6/2014	0.75%	100,000
CD - Washita Valley Bank	2/17/2015	0.75%	100,000
CD - Midfirst Bank	7/25/2014	0.60%	100,904
CD - Chickasha Bank	12/16/2014	0.75%	100,000
CD - Shamrock Bank	12/16/2014	0.60%	118,389
CD - Bank of the Wichitas	12/21/2014	0.55%	100,000
CD - Shamrock Bank	7/2/2014	0.45%	102,919
CD - Anadarko Bank	10/14/2014	1.00%	100,000
CD - Farmers Bank	8/8/2014	0.30%	90,000
CD - Farmers Bank	7/8/2014	0.35%	100,000
CD - Washita Valley Bank	10/19/2014	0.60%	100,000
CD - Chickasha Bank	4/26/2015	0.40%	100,000
CD - Chickasha Bank	5/14/2015	0.40%	50,000
CD - Shamrock Bank	2/3/2015	0.60%	257,215
CD - Shamrock Bank	2/3/2015	0.60%	257,215
Reserve Certificates - ORWAAG	-	2.15%	45,000
Total Cash and Investments			<u>\$ 3,357,037</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, 2014 and 2013 were \$55,970 and \$52,301.

SCOTT NORTHRIP, CPA

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND INTERNAL CONTROL OVER FINANCIAL REPORTING PERFORMED 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, 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, 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, 2014 and 2013, and have issued my report thereon dated January 22, 2015.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, I performed test of its compliance with certain provisions of laws, regulations, contracts, and grants, 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, 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*.

Internal Control over Financial Reporting

In planning and performing my audit of the financial statements, I considered the District's internal control over financial reporting (internal control) to determine the auditing 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 the 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.

Report on Compliance and Internal Controls-Continued

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.

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.

Scott Northrip

Certified Public Accountant

January 22, 2015