



**Caddo County Rural
Water District #3**
Audit Report
For Year Ending June 30, 2015

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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, 2015 and 2014, 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.

Auditor's Opinion

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, 2015 and 2014, 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 21, 2016, 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 21, 2016

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

Statement of Net Position
As of June 30, 2015 and 2014

	2015	2014
ASSETS:		
Current Assets:		
Cash & Certificates of Deposit	\$ 3,704,019	\$ 3,312,037
Investments	45,000	45,000
Accounts Receivable (Note 2)	190,885	208,824
Interest Receivable	1,022	1,085
Prepaid Insurance	40,325	38,268
Total Current Assets	\$ 3,981,251	\$ 3,605,214
Noncurrent Assets:		
Utility Deposits	\$ 75	\$ 75
Construction in Process	-	15,824
Capital Assets: (Note 5)		
Land and Water Rights	1,022,281	1,022,281
Other Capital Assets, net of depreciation	6,367,714	6,473,089
Total Noncurrent Assets	\$ 7,390,070	\$ 7,511,269
TOTAL ASSETS	\$ 11,371,321	\$ 11,116,483
LIABILITIES AND NET POSITION:		
Current Liabilities:		
Accounts Payable	\$ 7,850	\$ 10,889
Taxes Payable	12,924	12,864
Customer Deposits	10,234	9,609
Total Current Liabilities	\$ 31,008	\$ 33,362
Net Position:		
Member Investments	\$ 346,300	\$ 339,200
Grants	5,805,684	5,805,684
Donated Assets (Note 6)	1,257,828	1,153,628
Unrestricted Fund Balance	3,930,501	3,784,609
TOTAL NET POSITION	\$ 11,340,313	\$ 11,083,121
TOTAL LIABILITIES AND NET POSITION	\$ 11,371,321	\$ 11,116,483

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, 2015 and 2014

	2015	2014
OPERATING REVENUES:		
Water Sales to Members	\$ 1,403,451	\$ 1,448,064
Water Sales to Municipalities	107,022	114,320
Meter Installation Revenues	63,900	55,800
Impact Fees	24,000	27,000
Fees Revenues	3,010	4,347
Meter Reading Revenues	67,550	64,025
Late Charges Revenues	21,176	17,041
Insurance Proceeds	-	-
Hydraulic Analysis	8,375	6,750
Total Operating Revenues	\$ 1,698,484	\$ 1,737,347
OPERATING EXPENSES:		
Salaries	\$ 541,829	\$ 491,573
Water Purchases	28,181	28,728
Depreciation Expense	411,048	406,441
Utilities	145,995	143,646
System Repairs	83,531	87,500
Equipment Repairs	21,151	22,406
Director's Travel	10,883	10,013
Insurance	51,867	49,794
Legal & Professional Fees	22,375	18,887
Employee Benefits	59,346	56,320
Vehicle Expense	37,949	47,386
Office Supplies & Postage	33,789	36,567
Payroll Tax Expense	42,924	39,324
Retirement Expense	57,501	55,970
Communication Expense	5,886	5,952
Dues	4,892	3,704
Bad Debts	19,807	3,473
License & Fees	13,453	11,617
Miscellaneous Expense	3,601	5,571
Total Operating Expenses	\$ 1,596,008	\$ 1,524,872
OPERATING INCOME (LOSS)	\$ 102,476	\$ 212,475
OTHER REVENUES (EXPENSES):		
Investment Revenues	\$ 13,098	\$ 14,546
Rent & Oil Lease	29,118	27,195
Gain on Sale of Assets	1,200	15,000
Total Other Revenues(Expenses)	\$ 43,416	\$ 56,741
NET INCOME	\$ 145,892	\$ 269,216

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, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Balance, July 1	<u>\$ 11,083,121</u>	<u>\$ 10,692,865</u>
Net Income	145,892	269,216
Member Investments	7,100	6,200
Grants	-	-
Donated Assets	<u>104,200</u>	<u>114,840</u>
Total Changes in Net Position	<u>\$ 257,192</u>	<u>\$ 390,256</u>
Balance, June 30	<u><u>\$ 11,340,313</u></u>	<u><u>\$ 11,083,121</u></u>

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, 2015 and 2014

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers	\$ 1,716,423	\$ 1,704,943
Payments to suppliers	(487,831)	(471,780)
Payments to employees	(701,540)	(643,187)
Net Cash Provided by Operating Activities	\$ 527,052	\$ 589,976
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Purchase of water system assets	\$ (138,926)	\$ (125,544)
Purchase of office furniture & fixtures	-	-
Purchase of equipment	(59,786)	(11,714)
Purchase of vehicles	(1,136)	(30,502)
Purchase of buildings & Improvements	(1,624)	(7,489)
Purchase of land & water rights	-	(142)
Payments for Construction in Process	15,824	(15,824)
Proceeds from sale of assets	1,200	15,000
Net Cash Used In Capital & Related Financing Activities	\$ (184,448)	\$ (176,215)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest received	\$ 13,160	\$ 14,649
Proceeds from memberships	7,100	6,200
Land rent & oil lease	29,118	27,195
Net Cash Provided from Investing Activities	\$ 49,378	\$ 48,044
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	\$ 391,982	\$ 461,805
Cash & Investments Balance - Beginning	3,357,037	2,895,232
CASH & INVESTMENTS BALANCE - ENDING	\$ 3,749,019	\$ 3,357,037
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:		
Operating Income (Loss)	\$ 102,476	\$ 212,475
Adjustments to reconcile operating income to net cash provided (used) by Operating Activities:		
Depreciation expense	411,048	406,441
Change in assets and liabilities:		
Accounts Receivable	17,939	(32,404)
Prepaid Insurance	(2,057)	(1,271)
Accounts Payable	(3,039)	3,111
Taxes Payable	60	1,024
Customer Deposits	625	600
Net Cash Provided from Operating Activities	\$ 527,052	\$ 589,976

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, 2015 and 2014

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, 2015 and 2014, the District served approximately 2,819 and 2,810 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 260,195,551 gallons of water during the year ending June 30, 2015 and 291,961,080 for the year ending June 30, 2014. The accounts receivable balances and June 30, 2015 and 2014 were \$194,973 and \$214,150, respectively with the allowance for doubtful accounts amounting to \$5,326 for both year making a net accounts receivable balance of \$189,647 and \$208,824 for the years ending June 30, 2015 and 2014, 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, 2015 and 2014

Note 5 - Change in Fixed Assets

	Balance 7/1/2014	Additions	Disposed	Balance 6/30/2015
<u>Cost of Fixed Assets:</u>				
Water System Phase I	\$ 3,223,682	\$ 104,200	\$ -	\$ 3,327,882
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	50,029	-	217,316
Water System Phase III Wells	3,336,841	87,484	-	3,424,325
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.	1,033,145	-	-	1,033,145
Strecker Booster Improvements	159,927	-	-	159,927
Line Relocate Projects	244,804	1,413	-	246,217
I.H.S. Line Extention	175,049	-	-	175,049
Tank Maintenance	404,379	-	-	404,379
Office Furniture & Fixtures	111,096	-	-	111,096
Equipment	190,456	59,786	(8,022)	242,220
Vehicles	116,958	1,136	-	118,094
Buildings	251,577	1,624	-	253,201
Total Fixed Assets	\$15,004,521	\$ 305,672	\$ (8,022)	\$15,302,171
<u>Accumulated Depreciation:</u>				
Water System Phase I	\$ 2,377,527	\$ 83,197	\$ -	\$ 2,460,724
Water System Phase II	3,857,248	111,058	-	3,968,306
Water System Phase II Mounts	38,717	1,384	-	40,101
Water System Phase II River	90,777	4,808	-	95,585
Water System Phase III Wells	777,163	85,103	-	862,266
Water System Phase III Fees	13,598	455	-	14,053
Water System Phase III Const.	328,918	24,501	-	353,419
Water System Phase III Improv.	260,002	26,156	-	286,158
Strecker Booster Improvements	61,063	3,998	-	65,061
Line Relocate Projects	37,669	6,155	-	43,824
I.H.S. Line Extention	127,742	4,376	-	132,118
Tank Maintenance	163,327	13,993	-	177,320
Office Furniture & Fixtures	59,140	7,310	-	66,450
Equipment	148,804	12,786	(8,022)	153,568
Vehicles	62,709	17,630	-	80,339
Buildings	127,028	8,137	-	135,165
Total Accum. Depreciation	\$ 8,531,432	\$ 411,047	\$ (8,022)	8,934,457
Net Fixed Assets	\$ 6,473,089	\$ (105,375)	\$ -	\$ 6,367,714

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, 2015 and 2014 were \$104,200 and \$114,840, respectively.

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

Notes to the Financial Statements
For the Years Ended June 30, 2015 and 2014

Note 7 - Components of Cash and Investments

	Date of Maturity	Interest Rate	6/30/2015 Balance
Petty Cash	-	0.00%	\$ 343
Checking - Shamrock Bank, Mt. View, OK	-	0.05%	1,615,012
Savings - Farmers Bank, Carnegie, OK	-	0.25%	8,926
CD - Bank of Verden	7/23/2015	0.65%	100,000
CD - Great Plains Nat'l Bank	8/7/2015	0.62%	100,000
CD - 1st National, Cyril	4/26/2016	0.55%	100,000
CD - Liberty National Bank	11/6/2015	0.30%	100,000
CD - Washita Valley Bank	2/17/2016	0.75%	100,000
CD - Midfirst Bank	7/25/2015	0.55%	100,904
CD - Liberty National Bank	12/16/2015	0.30%	100,000
CD - Shamrock Bank	12/16/2015	0.55%	118,389
CD - All American Bank	12/21/2015	0.35%	100,000
CD - Shamrock Bank	7/2/2015	0.45%	102,919
CD - Bank of Commerce	10/14/2015	0.75%	100,000
CD - Farmers Bank	8/8/2015	0.30%	90,000
CD - Farmers Bank	7/8/2015	0.35%	100,000
CD - Washita Valley Bank	10/19/2015	0.60%	100,000
CD - Liberty National Bank	4/26/2016	0.30%	100,000
CD - Liberty National Bank	5/14/2016	0.30%	50,000
CD - Shamrock Bank	2/3/2016	0.60%	258,763
CD - Shamrock Bank	2/3/2016	0.60%	258,763
Reserve Certificates - ORWAAG	-	2.26%	45,000
Total Cash and Investments			<u>\$ 3,749,019</u>

Shamrock Bank & Liberty 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, 2015 and 2014 were \$57,501 and \$55,970.

Note 9 - Evaluation of Subsequent Events

The subsequent events of the District were evaluated through December 31, 2015.

SCOTT NORTHRIP, CPA

P.O. Box 642, Hobart, Oklahoma 73651

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, 2015 and 2014, and have issued my report thereon dated January 21, 2016.

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 21, 2016