

Canadian County Rural Water, Sewer, and

Solid Waste Management District #1

Canadian County, Oklahoma

Financial Statements

December 31, 2017

Canadian County Rural Water, Sewer, and  
Solid Waste Management District #1

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**MICHAEL L METTRY CPA**

**2525 NW EXPRESSWAY STE 200**

**OKLAHOMA CITY, OK 73112-7200**

**Report on Financial Statements Issued in Accordance with  
Government Auditing Standards**

**INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
Canadian County Rural Water, Sewer, and Solid Waste Management District #1

**Report on the Financial Statements**

We have audited the accompanying financial statements of the Canadian County Rural Water, Sewer, and Solid Waste Management District #1, Canadian County, Oklahoma, which comprise the statement of net position and the statements of revenue, expenses, and changes in net position, changes in net position, and cash flows as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Canadian County Rural Water, Sewer, and Solid Waste Management District #1's basic financial statements as listed in the table of contents.

***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***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our 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 we 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, 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Canadian County Rural Water, Sewer, and Solid Waste Management District #1, Canadian County, Oklahoma as of December 31, 2017, and the changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Such 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. Management has omitted the management's discussion and analysis and budgetary comparison information. Our opinion is not affected by the missing information.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated July 30, 2018, on our consideration of the Canadian County Rural Water, Sewer, and Solid Waste Management District #1's 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 solely 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 the effectiveness of the Canadian County Rural Water, Sewer, and Solid Waste Management District #1's 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 Canadian County Rural Water, Sewer, and Solid Waste Management District #1's internal control over financial reporting and compliance.



Oklahoma City, OK

July 30, 2018

**Canadian County Rural Water, Sewer, and  
Solid Waste Management District #1  
Canadian County, Oklahoma  
Statement of Net Position  
December 31, 2017**

<b>Current Assets</b>	
Cash	\$ 267,673
Accounts Receivable	28,281
Less Allowance for Doubtful Accounts	(1,300)
Water Line Relocation Receivable	12,816
<b>Total Current Assets</b>	<u>307,470</u>
<b>Investments</b>	
Investments, Unrestricted	25,000
<b>Total Investments</b>	<u>25,000</u>
<b>Property, Plant, and Equipment</b>	
Water Wells	11,792
Accumulated Depreciation	(11,792)
Buildings	820,455
Accumulated Depreciation	(523,751)
Machinery and Equipment	247,852
Accumulated Depreciation	(124,571)
Distribution System	595,142
Accumulated Depreciation	(489,618)
Water Treatment Plant	5,750
Easements	5,000
Right of Way	1,000
Accumulated Amortization	(1,000)
<b>Net Property, Plant, and Equipment</b>	<u>536,260</u>
<b>Total Assets</b>	<u>868,730</u>
<b>Deferred Outflows of Resources</b>	
<b>Total Deferred Outflows</b>	<u>-</u>
<b>Current Liabilities</b>	
Current Portion Long Term Debt	10,514
Loan Payable	242,170
Accounts Payable	12,218
Meter Deposits	-
Accrued payroll taxes	2,061
Interest payable	-
<b>Total Current Liabilities</b>	<u>266,963</u>
<b>Long Term Debt</b>	<u>16,489</u>
<b>Total Liabilities</b>	<u>283,452</u>
<b>Deferred Inflows of Resources</b>	
<b>Total Deferred Inflows of Resources</b>	<u>-</u>
<b>Net Position</b>	
Net Investment in Capital Assets	267,086
Unrestricted	318,191
<b>Total Net Position</b>	<u>\$ 585,278</u>

See independent accountant's report and notes

**Canadian County Rural Water, Sewer, and  
Solid Waste Management District #1  
Canadian County, Oklahoma  
Statement of Revenues, Expenses, and Changes in Net Position  
for the year ended December 31, 2017**

<b>Operating Revenues</b>	
Gross Water Sales	\$ 267,075
Repair and Local Income	1,950
Interest Income	<u>711</u>
Total Operating Revenues	<u>269,736</u>
<b>Operating Expenses</b>	
Personnel	22,312
Bad debts	-
Depreciation and amortization	18,013
Utilities	27,501
Installations, repair, & maintenance	121,113
Cost of water	9,456
Office supplies	2,775
Miscellaneous	5,408
Accounting	2,200
Interest expense	14,014
DEQ Testing	3,382
Dues and Subscriptions	-
Insurance	<u>6,684</u>
Total Operating Expenses	<u>232,859</u>
Operating Income (Loss)	<u>36,877</u>
<b>Nonoperating Revenues (Expenses)</b>	
Other Income	448
Other Expenses	<u>-</u>
Net Nonoperating Revenues (Expenses)	<u>448</u>
<b>Change in Net Position</b>	37,325
Membership	2,450
Net Position, Beginning	<u>545,503</u>
<b>Net Position, Ending</b>	<u><u>\$ 585,278</u></u>

See independent auditor's report and notes

**Canadian County Rural Water, Sewer, and  
 Solid Waste Management District #1  
 Canadian County, Oklahoma  
 Statement of Changes in Net Position  
 for the year ended December 31, 2017**

	<b>Net Position (Unrestricted)</b>	<b>Total Net Position</b>
<b>Balance, Beginning</b>	\$ 545,503	\$ 545,503
Memberships	2,450	2,450
Change in Net Position	37,325	37,325
<b>Balance, Ending</b>	<b>\$ 585,278</b>	<b>\$ 585,278</b>

See independent auditor's report and notes

**Canadian County Rural Water, Sewer, and  
Solid Waste Management District #1  
Canadian County, Oklahoma  
Statement of Cash Flows  
for the year ended December 31, 2017**

<b>Cash flows from operating activities</b>	
Water sales	\$ 250,628
Repairs and local income	1,950
Suppliers and employees	<u>(200,075)</u>
<b>Net cash provided by (used in) operating activities</b>	<u>52,503</u>
 <b>Cash flows from noncapital financing activities</b>	
Other expenses	-
Cash paid for equipment	<u>(5,750)</u>
<b>Net cash provided by (used in) noncapital financing activities</b>	<u>(5,750)</u>
 <b>Cash flows from capital and related financing activities</b>	
Memberships	2,450
Interest paid on debt	(14,014)
Net increase (decrease) in short term debt	(17,592)
Principal payments on long term debt	<u>(10,297)</u>
<b>Net cash used in capital and related financing activities</b>	<u>(39,453)</u>
 <b>Cash flows from investing activities</b>	
Interest income	711
Other income	<u>448</u>
<b>Net cash provided by (used in) financing activities</b>	<u>1,159</u>
 <b>Net change in cash and cash equivalents</b>	8,459
Cash and cash equivalents, beginning	<u>259,215</u>
<b>Cash and cash equivalents, ending</b>	<u>\$ 267,673</u>

**Reconciliation of Cash Flows from Operating Activities  
to Operating Income (Loss)**

<b>Cash flows from operating activities</b>	
Operating income (loss)	\$ 37,325
Adjustments to reconcile operating income (loss) to net cash from operating activities:	
Interest income	(711)
Other income	(448)
Depreciation expense	18,013
Cash received for equipment	-
Interest expense	14,014
Changes in assets and liabilities:	
(increase) decrease in accounts receivable	(16,447)
increase (decrease) in accounts payable	756
increase (decrease) in accrued payroll taxes	1
increase (decrease) in accrued interest expense	-
<b>Net cash provided by (used in) operating activities</b>	<u>\$ 52,503</u>

See independent auditor's report and notes



Canadian County Rural Water, Sewer, and  
Solid Waste Management District #1  
Canadian County, Oklahoma  
Notes to Financial Statements

**1. Organization and Nature of Operations and Summary of Significant Accounting Policies**

Canadian County Rural Water, Sewer, and Solid Waste Management District #1, Canadian County, Oklahoma (District) was organized February 1, 1974 to serve the water and waste management needs of the residents of its southwest Canadian County service area. The District currently provides rural water service. It does not provide a waste management service.

The financial statements are prepared on the accrual basis of accounting, which recognizes revenue when earned and expense are recorded when a liability is incurred, regardless of the timing of related cash flows. Revenue earned but not received is shown as a receivable. Expense incurred but not paid is shown as a payable.

Operating revenues, such as charges for services, result from exchange transactions with the principal activity of the District. Exchange transactions are those in which each party receives and gives up essentially equal values. Operating expenses include the cost of sales/services, administration and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Non-exchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include grants and donations. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The District's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Accounts receivable are shown net of an allowance for un-collectibles.

Investments are stated at fair value within the fair value hierarchy established by generally accepted account principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Cash and certificates of deposit are authorized investments. Cash and certificates of deposit are reported at carrying amounts, which reasonably approximates fair value.

Property, plant, and equipment are recorded at cost and depreciated. Depreciation is computed straight line over the estimated useful lives. Assets lives are estimated to be between five and forty years. Loan application costs are amortized over a period of 28.8 years. If the cost of an improvement is material it is capitalized. The District has no written policy for capitalization. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Canadian County Rural Water, Sewer, and  
Solid Waste Management District #1  
Canadian County, Oklahoma  
Notes to Financial Statements

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets, if any, is included as part of the capitalized value of the assets constructed.

The statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources until then.

The statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources until that time.

Restricted net position is reported when externally imposed constraints are placed on the use of the resources by grantors, contributors, or laws or regulations of other governments. Net investment in capital assets is equal to net property, plant, equipment, and deposits. Temporarily restricted net position is restricted by the board of directors and will be used first for expenditures.

**2. Investments**

The following details the investment fair value categorized within the fair value hierarchy established by generally accepted accounting principles.

	Level 1	Level 2	Level 3	Total
All Nations Bank CD	\$ 25,000			\$ 25,000
	\$ 25,000			\$ 25,000

The District's cash and investment accounts are insured by the Federal Depositors Insurance Corporation to \$250,000.

Canadian County Rural Water, Sewer, and  
Solid Waste Management District #1  
Canadian County, Oklahoma  
Notes to Financial Statements

**3. Capital Assets**

	Beginning			Ending
	Balance	Increases	Decreases	Balance
Water wells	\$ 11,792			\$ 11,792
Buildings	820,455			820,455
Machinery and equipment	247,852			247,852
Distribution system	595,142			595,142
Water treatment plant	-	5,750		5,750
Easements	5,000			5,000
right of way	1,000			1,000
	<u>1,681,241</u>	<u>5,750</u>		<u>1,686,991</u>
Accumulated depreciation and amortization				
Water wells	(11,792)			(11,792)
Buildings	(514,802)	(8,949)		(523,751)
Machinery and equipment	(121,193)	(3,378)		(124,571)
Distribution system	(483,946)	(5,672)		(489,618)
Easements				-
Right of way	(986)	(14)		(1,000)
	<u>(1,132,719)</u>	<u>(18,013)</u>		<u>(1,150,732)</u>
Net capital assets	\$ 548,522	\$ (12,263)	\$ -	\$ 536,259

**4. Short Term Debt**

The Organization has a construction loan payable to BancFirst for \$242,170 at 4.500% interest secured by receivables and equipment. Payments are \$2,500 per month. The loan was renewed January 26, 2017 and is due January 26, 2018. The note was renewed January 26, 2018 and is due January 26, 2021.

Canadian County Rural Water, Sewer, and  
Solid Waste Management District #1  
Canadian County, Oklahoma  
Notes to Financial Statements

**5. Long Term Debt**

The following schedules the long term debt:

	December 31,
	<u>2017</u>
Farmers Home Administration Note, due in monthly installments of \$2,480 including interest at 5%. Final payment due December, 2016. Secured by assets of the District	\$ -
Farmers Home Administration Note, due in monthly installments of \$992 including interest at 5%. Note dated June 7, 1983. Final payment due forty years from inception. Secured by assets of the District.	<u>27,004</u>
Total long term debt	27,004
Less current portion	<u>(10,514)</u>
Non-current portion	<u>\$ 16,490</u>
Principle maturities for the next five years	
2018	\$ 10,514
2019	11,051
2020	5,439
2021	-
2022	-
thereafter	-
Total long term debt	<u>\$ 27,004</u>

**6. Subsequent Events**

Management has evaluated subsequent events through July 30, 2018, which is the date the financial statements were available to be issued and has determined that no additional information needs to be added to the financial statements.

**MICHAEL L METTRY CPA**  
**2525 NW EXPRESSWAY STE 200**  
**OKLAHOMA CITY, OK 73112**

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors

Canadian County Rural Water, Sewer, and Solid Waste Management District #1

15323 West Elm Street  
Calumet , OK 73014-8704

We 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 Canadian County Rural Water, Sewer, and Solid Waste Management District #1 as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise Canadian County Rural Water, Sewer, and Solid Waste Management District #1's basic financial statements, and have issued our report thereon dated July 30, 2018.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Canadian County Rural Water, Sewer, and Solid Waste Management District #1's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Canadian County Rural Water, Sewer, and Solid Waste Management District #1's internal control. Accordingly, we do not express an opinion on the effectiveness of Canadian County Rural Water, Sewer, and Solid Waste Management District #1'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.

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.

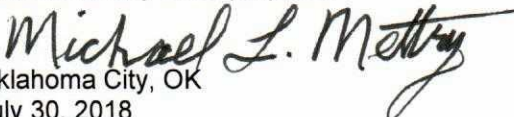
**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Canadian County Rural Water, Sewer, and Solid Waste Management District #1's financial statements are free from material misstatement, we 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 our audit, and accordingly, we

do not express such an opinion. The results of our 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 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.

  
Oklahoma City, OK  
July 30, 2018

Canadian County Rural Water, Sewer, and  
Solid Waste Management District #1  
Canadian County, Oklahoma  
Findings and Questioned Cost  
December 31, 2017

FINDINGS AND QUESTIONED COST

There were no findings or questioned cost.