

Canadian County Rural Water District #4

Canadian County, Oklahoma

Financial Statements

December 31, 2016

Canadian County Rural Water District #4

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MICHAEL L METTRY CPA
2525 NW EXPRESSWAY STE 200
OKLAHOMA CITY, OK 73112
INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Canadian County Rural Water District #4,
Canadian County, OK
El Reno, OK

Report on the Financial Statements

We have audited the accompanying financial statements of Canadian County Rural Water District #4, 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, 2016, and the related notes to the financial statements, which collectively comprise the Canadian County Rural Water District #4'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 District #4, Canadian County, Oklahoma as of December 31, 2016, 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.

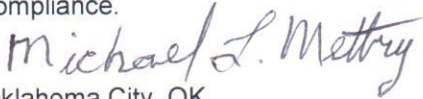
Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis 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. 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 a report dated June 8, 2017, on our consideration of Canadian County Rural Water District #4'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 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 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.

A handwritten signature in dark ink, reading "Michael L. Mettry". The signature is written in a cursive style with a large, stylized "M" and "L".

Oklahoma City, OK
June 8, 2017

Canadian County Rural Water District #4
Statement of Net Position
December 31, 2016

Current Assets	
Cash	\$ 3,491
Accounts Receivable and Other Current Assets	8,409
Total Current Assets	<u>11,900</u>
Investments, Unrestricted	-
Investments, Restricted	1,013,949
Total Investments	<u>1,013,949</u>
Property, Plant, Equipment, and Deposits	
Water Line and Facilities	1,453,582
Accumulated Depreciation	(887,910)
Equipment	62,959
Accumulated Depreciation	(32,073)
Office equipment	1,856
Accumulated Depreciation	(1,828)
Loan cost	-
Accumulated Amortization	-
Deposits	50
Net Property, Plant, Equipment, and Deposits	<u>596,636</u>
Total Assets	<u>1,622,484</u>
Deferred Outflows of Resources	
Total Deferred Outflows	<u>-</u>
Current Liabilities	
Current Portion Long Term Debt	-
Accounts Payable	12,172
Deferred Revenue	-
Accrued payroll taxes	177
Interest payable	-
Total Current Liabilities	<u>12,349</u>
Long Term Debt	<u>-</u>
Total Liabilities	<u>12,349</u>
Deferred Inflows of Resources	
Total Deferred Inflows of Resources	<u>-</u>
Net Position	
Net investment in capital assets	596,636
Temporarily restricted	1,013,499
Unrestricted	-
Total Net Position	<u><u>\$ 1,610,135</u></u>

See independent accountant's report and notes

Canadian County Rural Water District #4
Statement of Revenues, Expenses, and Changes in Net Position
for the year ended December 31, 2016

Operating Revenues

Water sales	\$ 195,057
Late, Reconnect, & Other Charges	8,099
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Total Operating Revenues	203,155

Operating Expenses

Salaries and wages	5,000
Bad Debts	-
Payroll tax expense	463
Amortization	-
Depreciation	42,745
Utilities	13,221
Installations, repair, & maintenance	66,320
Meter reading & operating	14,400
Cost of water	40,182
Meeting room expense	200
Bank charges	5
Office supplies	3,238
Returned checks	-
Dues & subscriptions	388
Storage fee	180
Other expenses	5,295
Legal, accounting, & auditing	26,230
Insurance	2,702
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Total Operating Expenses	220,569

Operating Income (Loss)	(17,414)
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Nonoperating Revenues (Expenses)

Interest income	10,039
Interest expense	-
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Total Nonoperating Revenues (Expenses)	10,039

Change in Net Position

	(7,375)
Net Position, Beginning	1,601,510
New Member Fees	16,000
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Net Position, Ending	\$ 1,610,135
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See independent auditor's report and notes

Canadian County Rural Water District #4
Statement of Changes in Net Position
for the year ended December 31, 2016

	Net Investment in Capital Assets	Net Position Temporarily Restricted	Total Net Position
Balance - beginning	\$ 639,381	\$ 962,129	\$ 1,601,510
Change in net position	<u>(42,745)</u>	<u>51,370</u>	<u>8,625</u>
Balance - ending	<u>\$ 596,636</u>	<u>\$ 1,013,499</u>	<u>\$ 1,610,135</u>

See independent auditor's report and notes

Canadian County Rural Water District #4
Statement of Cash Flows
for the year ended December 31, 2016

Operating Activities	
Water sales	\$ 196,032
Late, Reconnect, Transfer, and Other Charges	8,099
Suppliers and Employees	(178,237)
Interest expense	-
Net Cash from Operating Activities	<u>25,894</u>
Investing Activities	
Interest income	6,946
Change in investments	-
Change in property plant and equipment	-
Net Cash from (used for) Investing Activities	<u>6,946</u>
Financing Activities	
New Member Fees	16,000
Principal Payments on Long Term Debt	-
Net Cash from (used by) Financing Activities	<u>16,000</u>
Net Change in Cash and Cash Equivalents	48,840
Cash and Cash Equivalents, Beginning	968,600
Cash and Cash Equivalents, Ending	<u><u>\$ 1,017,440</u></u>

**Reconciliation of Cash Flow from Operations
to Net Income from Operations**

Operating Activity Reconciliation	
Operating income	\$ (17,414)
Adjustments to reconcile operating income to net cash from operating activities	
Depreciation expense	42,745
Amortization expense	-
Interest expense	-
Changes in assets and liabilities	
Change in accounts receivable	976
Change in prepaid expenses	(76)
Change in accounts payable	(291)
Change in deferred revenue	(47)
Change in accrued payroll taxes	-
Change in accrued interest expense	-
Net Cash from Operating Activities	<u><u>\$ 25,894</u></u>

See independent auditor's report and notes

Canadian County Rural Water District No. 4
Canadian County, Oklahoma
Notes to Financial Statements
December 31, 2016

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

Canadian County Rural Water District #4, Canadian County, Oklahoma (District) is organized under Title 60 of the Oklahoma Statutes. It operates under a Board of Directors elected by the land owners within the District. The purpose of the District is to provide water to the residents of its service area. The District currently provides rural water service. It does not provide waste management service. The District is recognized as a tax exempt organization under Section 501(c) (12) of the Internal Revenue Code and is exempt from Federal and State income tax.

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

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 ten and forty years. Loan application costs are being amortized over a period of 28.8 years.

2. Cash and Investments

The following details the cash and investment balances as of December 31,

	2016	2015
Cash in bank, checking	\$ 3,295	\$ 4,430
Cash on hand	195	195
	<u>\$ 3,490</u>	<u>\$ 4,625</u>
MidFirst Bank, CD	\$ 111,494	\$ 111,494
Bank of Union, CD	-	-
Community National, CD	64,187	64,027
Interbank MMA	186,420	137,453
BancFirst, CD	111,156	110,766
ORWA reserve certificate	2,000	2,000
Wells Fargo, Investment Account, CD	436,722	436,670
BancFirst, CD	101,970	101,565
	<u>\$ 1,013,949</u>	<u>\$ 963,975</u>

Canadian County Rural Water District No. 4
Canadian County, Oklahoma
Notes to Financial Statements
December 31, 2016

The District's cash and investment accounts are insured by the Federal Depositors Insurance Corporation to \$250,000. For the Statement of Cash Flows cash and cash equivalents includes cash and unreserved investments.

3. Long Term Debt

The District has no long term debt.

Balances as of:

	December 31,	
	2016	2015
Total long term debt	\$ -	\$ -
Less current portion	-	-
	<u>\$ -</u>	<u>\$ -</u>

Principle maturities for the next five years

2017	\$ -
2018	-
2019	-
2020	-
2021	-
thereafter	-
	<u>\$ -</u>

4. Subsequent Events

Management has evaluated subsequent events through June 8, 2017, 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 District #4,
Canadian County, OK
P. O. Box 386
El Reno, OK

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 District #4, Canadian County, Oklahoma as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise Canadian County Rural Water District #4's basic financial statements, and have issued our report thereon dated June 8, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Canadian County Rural Water District #4'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 District #4's internal control. Accordingly, we do not express an opinion on the effectiveness of Canadian County Rural Water District #4'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.

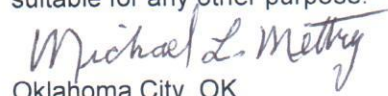
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not 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 District #4'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.

A handwritten signature in dark ink, reading "Michael L. Mettry". The signature is written in a cursive style with a large, stylized "M" and a long, sweeping underline.

Oklahoma City, OK
June 8, 2017

Canadian County Rural Water District No. 4
Canadian County, Oklahoma
Findings and Questioned Cost
December 31, 2016

FINDINGS AND QUESTIONED COST

There were no findings or questioned cost.