

**RURAL WATER DISTRICT #4
COMANCHE COUNTY**
Audit Report
**For the Years Ended
August 31, 2015 and 2014**

Scott Northrip

Certified Public Accountant

*P.O. Box 642
Hobart, Oklahoma 73651*

*311 S. Main St.
(580) 726-5681*

Independent Auditor' s Report

To The Board of Directors of
Rural Water District #4, Comanche County

I have audited the accompanying financial statements of Rural Water District #4 Comanche County (District) as of and for the years ended August 31, 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.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Rural Water District #4 Comanche County as of August 31, 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*, we have also issued our report dated October 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. This report are 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

October 22, 2015

Rural Water District #4, Comanche County

Comparative Statement of Net Position

As of August 31, 2015 and 2014

ASSETS:	2015	2014
Current Assets:		
Cash & Cash Equivalents	\$ 707,036	\$ 736,073
Accounts Receivable (Note 2)	152,380	128,829
Prepaid Insurance	9,278	8,819
Other Receivable	-	-
Inventory	24,352	22,721
Total Current Assets	\$ 893,046	\$ 896,442
Noncurrent Assets:		
Construction in Progress	\$ -	\$ -
Capital Assets: (Note 6)		
Other Capital Assets, net of depreciation	3,697,489	3,683,851
Total Noncurrent Assets	\$ 3,697,489	\$ 3,683,851
TOTAL ASSETS	\$ 4,590,535	\$ 4,580,293
 LIABILITIES AND NET POSITION:		
Current Liabilities:		
Accounts Payable	\$ 89,365	\$ 58,798
Accrued Wages Payable	9,857	9,651
Interest Payable	5,191	6,302
Current Portion of Long-term Liabilities	188,034	113,082
Total Current Liabilities	\$ 292,447	\$ 187,833
Long-Term Liabilities: (Note 10)		
Notes Payable - net of current portion	\$ 631,331	\$ 885,982
Net Positions:		
Restricted Fund Balance	\$ 15,324	\$ 15,324
Unrestricted Fund Balance	1,526,723	1,415,944
Total Fund Balance	\$ 1,542,047	\$ 1,431,268
Member Investments	1,272,250	1,222,750
Donated Assets (Note 7)	141,693	141,693
Grants	710,767	710,767
TOTAL NET POSITIONS	\$ 3,666,757	\$ 3,506,478
TOTAL LIABILITIES AND NET POSITION	\$ 4,590,535	\$ 4,580,293

See accompanying notes to the financial statements.

Rural Water District #4, Comanche County

Comparative Statement of Activities
For the Years Ended August 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
OPERATING REVENUES:		
Water Sales	\$ 1,161,025	\$ 1,134,906
Reimbursements	10,981	88,856
Miscellaneous Operating	2,339	720
Total Operating Revenues	<u>\$ 1,174,345</u>	<u>\$ 1,224,482</u>
OPERATING EXPENSES:		
Water Purchases & Lease	\$ 293,122	\$ 266,775
Personnel Expense	172,391	147,366
Depreciation Expense	117,702	116,010
Interest Expense	38,514	49,762
Utilities & Communication	45,271	45,980
Installation & Repairs	231,934	315,207
Transportation	38,228	38,926
Insurance	14,845	13,874
Dues & Licenses	9,912	6,211
Bad Debts Expense	1,386	3,396
Lease Expense	45,725	48,913
Office Expenses & Postage	15,720	15,507
Legal, Engineer & Audit Fees	17,975	7,710
Directors Fees & Meeting Expense	4,500	4,276
Miscellaneous Expense	16,802	11,760
Total Operating Expenses	<u>\$ 1,064,027</u>	<u>\$ 1,091,673</u>
OPERATING INCOME (LOSS)	<u>\$ 110,318</u>	<u>\$ 132,809</u>
OTHER REVENUES (EXPENSES):		
Investment Revenues	\$ 461	\$ 650
Other Income	-	-
Gain on Sale of Assets	-	-
Total Other Revenues(Expenses)	<u>\$ 461</u>	<u>\$ 650</u>
NET INCOME	<u><u>\$ 110,779</u></u>	<u><u>\$ 133,459</u></u>

See accompanying notes to the financial statements.

Rural Water District #4, Comanche County

Comparative Statement of Changes in Net Position
For the Years Ended August 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Balance, September 1	<u>\$ 3,506,478</u>	<u>\$ 3,243,766</u>
Net Income (Loss)	110,779	133,459
Prior Period Adjustment (Note 11)	-	-
Member Investments	49,500	55,500
Donated Assets (Note 7)	-	73,753
Grants	-	-
	<u> </u>	<u> </u>
Total Changes in Net Position	<u>\$ 160,279</u>	<u>\$ 262,712</u>
Balance, August 31	<u><u>\$ 3,666,757</u></u>	<u><u>\$ 3,506,478</u></u>

See accompanying notes to the financial statements.

Rural Water District #4, Comanche County

Comparative Statement of Cash Flows
For the Years Ended August 31, 2015 and 2014

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers	\$ 1,150,794	\$ 1,210,456
Payments to suppliers	(706,943)	(757,419)
Payments to employees	(172,185)	(147,143)
Net Cash Provided by Operating Activities	\$ 271,666	\$ 305,894
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Purchase of capital assets	\$ (131,340)	\$ (97,413)
Donated Assets	-	73,753
Payments for Construction in Progress	-	-
Principal payments on notes payable	(179,698)	(168,488)
Interest paid on notes payable	(39,626)	(50,835)
Proceeds from Grants	-	-
Proceeds from Long-term notes	-	-
Net Cash Used In Capital & Related Financing Activities	\$ (350,664)	\$ (242,983)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment Receipts	\$ 461	\$ 650
Other Proceeds	-	-
Proceeds from memberships	49,500	55,500
Net Cash Provided from Investing Activities	\$ 49,961	\$ 56,150
INCREASE (DECREASE) IN CASH AND INVESTMENTS	\$ (29,037)	\$ 119,061
Cash and Investment Balance - Beginning	736,073	617,012
CASH AND INVESTMENT BALANCE - ENDING	\$ 707,036	\$ 736,073
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:		
Operating Income (Loss)	\$ 110,318	\$ 132,809
Adjustments to reconcile operating income to net cash provided (used):		
Interest Expense	38,514	49,762
Depreciation expense	117,702	116,010
Change in assets and liabilities:		
Accounts Receivable	(23,551)	(14,026)
Other Receivables	-	-
Prepaid Insurance	(459)	(113)
Inventory	(1,631)	15,280
Accounts Payable	30,567	5,949
Accrued Wages Payable	206	223
Net Cash Provided from Operating Activities	\$ 271,666	\$ 305,894

See accompanying notes to the financial statements.

Rural Water District #4, Comanche County

Notes to the Financial Statements
For the Years Ended August 31, 2015 and 2014

Note 1 - Significant Accounting Policies

Organization:

Rural Water District #4, Comanche Co., OK, (District) was formed under the Oklahoma Rural Water Act to provide water in a designated area in and around Comanche County Oklahoma to individuals and businesses that purchase a membership. The District served 1,337 and 1,302 meters at August 31, 2015 and 2014 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 District estimates the useful lives of the assets based on the type of asset. The lives range from 4 to 50 years.

Income Tax:

The District is exempt from federal and state income taxes under IRS Code Section 115 (a) as an agency of the State of Oklahoma.

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 uses the direct method to account for bad debts. No provision for an allowance has been made based on the history of the District's bad debts being very small or nonexistent. The accounts receivable balances at August 31, 2015 and 2014. The meters are read monthly.

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 didn't have any contingencies as of the date of the audit.

Note 5 - Restricted Assets

The District has restricted certificates of deposit in the amount of \$15,324 for debt service as required by Berkadia's mortgage as of August 31, 2015 and 2014. The amount decreased when one of the notes was paid in full.

Rural Water District #4, Comanche County

Notes to the Financial Statements
For the Years Ended August 31, 2015 and 2014

Note 6 - Changes in Capital Assets

	Balance 9/1/2014	Additions	Disposed	Balance 8/31/2015
Water System Plant Assets	\$ 5,100,696	\$ 128,790	\$ -	\$ 5,229,486
Office Furniture & Fixtures	15,225	-	-	15,225
Equipment	88,512	2,550	-	91,062
Buildings & Improvements	260,810	-	-	260,810
Total Assets	\$ 5,465,243	\$ 131,340	\$ -	\$ 5,596,583
Less: Accumulated Depreciation	1,781,392	117,702	-	1,899,094
Net Fixed Assets	\$ 3,683,851	\$ 13,638	\$ -	\$ 3,697,489

Note 7 - Donated Assets

Donated assets are the estimated value of water lines installed by members from the existing lines of the system to the member's meter. The value of the lines donated to the District for the years ending August 31, 2015 and 2014 were \$0 and \$73,753, respectively.

Note 8 - Components of Cash and Investments

	Date of Maturity	Interest Rate	8/31/2015 Balance
Checking - Bank of the Wichitas	-	0.05%	\$ 597,010
CD - IBC Bank	8/31/2015	0.30%	110,026
Checking - Bank of the Wichitas (Const)	-	0.00%	-
Total Cash and Investments			\$ 707,036

Note 9 - Retirement

The District provides a 401(a) retirement plan for its employees and matches contributions up to 10%. The District contributed \$9,145 and \$8,988 for the years August 31, 2015 and 2014.

Rural Water District #4, Comanche County

Notes to the Financial Statements
For the Years Ended August 31, 2015 and 2014

Note 10 - Long Term Liabilities

The District has two 40 year notes with Berkadia Mortgage and two notes with Bank of the Wichitas. The loans are fixed interest notes. The notes are secured by the assets of the District. Berkadia requires the District to reserve enough funds to pay an amount equal to a year's total payments. The District makes monthly payments on the notes. The District has made additional principal payments on the BOW note of \$65,559 and \$65,559 during the years ending August 31, 2015 and 2014, respectively.

	Date of Note	Annual Payments	Balance 8/31/2015	Balance 8/31/2014	Interest Rate
Berkadia	1/1/1988	\$ 15,324	\$ 56,627	\$ 68,578	5.00%
BOW (1)	3/12/2009	-	1	1	6.00%
BOW (2)	6/17/2008	138,441	762,737	930,485	4.25%
		<u>\$ 153,765</u>	<u>\$ 819,365</u>	<u>\$ 999,064</u>	
Less: Current Portion			188,034	113,082	
Net Balance			<u>\$ 631,331</u>	<u>\$ 885,982</u>	

Current Portion:	Berkadia	BOW (1)	BOW (2)
Year Ending 2016	12,804	-	175,230
Year Ending 2017	13,465	-	182,835
Year Ending 2018	14,154	-	190,771
Year Ending 2019	14,884	-	199,051
Year Ending 2020	1,320	-	14,850

Current portion includes the additional principal payments.

Note 11 - Prior Period Adjustments

There were no prior period adjustments in the financial statements for the years ending August 31, 2015 or 2014.

Note 12 - Subsequent Events

The District's subsequent events have been evaluated through October 22, 2015, the date of the financial statements.

Scott Northrip

Certified Public Accountant

P.O. Box 642
Hobart, Oklahoma 73651

311 S. Main St.
(580) 726-5681

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors of
Rural Water District #4, Comanche County

I have audited, in accordance with auditing standards generally accepted in the United States of America and the *Government Auditing Standards* issued by the Comptroller General of The United States, the basic financial statements of the Rural Water District #4 Comanche County for the years ended August 31, 2015 and 2014, and have issued our report thereon dated October 22, 2015.

Compliance

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests 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 our objective was not to provide an opinion on the overall compliance with such provisions, and accordingly we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, 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 my opinions 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. 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.

My consideration of 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 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, CPA

Certified Public Accountant

October 22, 2015