

**Comanche County Rural  
Water District #4**  
*Audit Report*  
For Year Ending August 31, 2016

Scott Northrip, CPA  
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# Scott Northrip

*Certified Public Accountant*

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## 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, 2016 and 2015, 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, 2016 and 2015, 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 20, 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. 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 20, 2016

## Rural Water District #4, Comanche County

### Comparative Statement of Net Position

As of August 31, 2016 and 2015

<b>ASSETS:</b>	<b>2016</b>	<b>2015</b>
Current Assets:		
Cash & Cash Equivalents	\$ 745,586	\$ 707,036
Accounts Receivable (Note 2)	110,468	152,380
Prepaid Insurance	9,526	9,278
Other Receivable	-	-
Inventory	30,548	24,352
<b>Total Current Assets</b>	<b>\$ 896,128</b>	<b>\$ 893,046</b>
Noncurrent Assets:		
Construction in Progress	\$ -	\$ -
Capital Assets: (Note 6)		
Other Capital Assets, net of depreciation	3,670,145	3,697,489
<b>Total Noncurrent Assets</b>	<b>\$ 3,670,145</b>	<b>\$ 3,697,489</b>
<b>TOTAL ASSETS</b>	<b>\$ 4,566,273</b>	<b>\$ 4,590,535</b>
 <b>LIABILITIES AND NET POSITION:</b>		
Current Liabilities:		
Accounts Payable	\$ 55,547	\$ 89,365
Accrued Wages Payable	10,021	9,857
Interest Payable	2,097	5,191
Current Portion of Long-term Liabilities	196,300	188,034
<b>Total Current Liabilities</b>	<b>\$ 263,965</b>	<b>\$ 292,447</b>
Long-Term Liabilities: (Note 10)		
Notes Payable - net of current portion	\$ 435,346	\$ 631,331
Net Positions:		
Restricted Fund Balance	\$ 15,324	\$ 15,324
Unrestricted Fund Balance	1,690,428	1,526,723
<b>Total Fund Balance</b>	<b>\$ 1,705,752</b>	<b>\$ 1,542,047</b>
Member Investments	1,308,750	1,272,250
Donated Assets (Note 7)	141,693	141,693
Grants	710,767	710,767
<b>TOTAL NET POSITIONS</b>	<b>\$ 3,866,962</b>	<b>\$ 3,666,757</b>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$ 4,566,273</b>	<b>\$ 4,590,535</b>

See accompanying notes to the financial statements.

## Rural Water District #4, Comanche County

Comparative Statement of Activities  
For the Years Ended August 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
<b>OPERATING REVENUES:</b>		
Water Sales	\$ 1,095,901	\$ 1,161,025
Reimbursements	92,265	10,981
Miscellaneous Operating	-	461
<b>Total Operating Revenues</b>	<u>\$ 1,188,166</u>	<u>\$ 1,172,467</u>
<b>OPERATING EXPENSES:</b>		
Water Purchases & Lease	\$ 283,005	\$ 293,122
Personnel Expense	154,547	172,391
Depreciation Expense	121,774	117,702
Interest Expense	28,511	38,514
Utilities & Communication	44,698	45,271
Installation & Repairs	214,032	231,934
Transportation	38,369	38,228
Insurance	16,002	14,845
Dues & Licenses	14,640	9,912
Bad Debts Expense	8,631	1,386
Lease Expense	52,871	45,725
Office Expenses & Postage	14,946	15,720
Legal, Engineer & Audit Fees	7,420	17,975
Directors Fees & Meeting Expense	4,500	4,500
Miscellaneous Expense	22,384	16,802
<b>Total Operating Expenses</b>	<u>\$ 1,026,330</u>	<u>\$ 1,064,027</u>
<b>OPERATING INCOME (LOSS)</b>	<u>\$ 161,836</u>	<u>\$ 108,440</u>
<b>OTHER REVENUES (EXPENSES):</b>		
Investment Revenues	\$ 1,869	\$ 2,339
Other Income	-	-
Gain on Sale of Assets	-	-
<b>Total Other Revenues(Expenses)</b>	<u>\$ 1,869</u>	<u>\$ 2,339</u>
<b>NET INCOME</b>	<u>\$ 163,705</u>	<u>\$ 110,779</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, 2016 and 2015

	<u>2016</u>	<u>2015</u>
<b>Balance, September 1</b>	\$ 3,666,757	\$ 3,506,478
Net Income (Loss)	163,705	110,779
Prior Period Adjustment (Note 11)	-	-
Member Investments	36,500	49,500
Donated Assets (Note 7)	-	-
Grants	-	-
Total Changes in Net Position	<u>\$ 200,205</u>	<u>\$ 160,279</u>
<b>Balance, August 31</b>	<u>\$ 3,866,962</u>	<u>\$ 3,666,757</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, 2016 and 2015

	2016	2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Receipts from customers	\$ 1,230,078	\$ 1,148,916
Payments to suppliers	(761,596)	(706,943)
Payments to employees	(154,547)	(172,185)
<b>Net Cash Provided by Operating Activities</b>	<b>\$ 313,935</b>	<b>\$ 269,788</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Purchase of capital assets	\$ (94,430)	\$ (131,340)
Donated Assets	-	-
Payments for Construction in Progress	-	-
Principal payments on notes payable	(187,719)	(179,698)
Interest paid on notes payable	(31,605)	(39,626)
Proceeds from Grants	-	-
Proceeds from Long-term notes	-	-
<b>Net Cash Used In Capital &amp; Related Financing Activities</b>	<b>\$ (313,754)</b>	<b>\$ (350,664)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Investment Receipts	\$ 1,869	\$ 2,339
Other Proceeds	-	-
Proceeds from memberships	36,500	49,500
<b>Net Cash Provided from Investing Activities</b>	<b>\$ 38,369</b>	<b>\$ 51,839</b>
<b>INCREASE (DECREASE) IN CASH AND INVESTMENTS</b>	<b>\$ 38,550</b>	<b>\$ (29,037)</b>
Cash and Investment Balance - Beginning	707,036	736,073
<b>CASH AND INVESTMENT BALANCE - ENDING</b>	<b>\$ 745,586</b>	<b>\$ 707,036</b>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:</b>		
Operating Income (Loss)	\$ 161,836	\$ 108,440
Adjustments to reconcile operating income to net cash provided (used):		
Interest Expense	28,511	38,514
Depreciation expense	121,774	117,702
Change in assets and liabilities:		
Accounts Receivable	41,912	(23,551)
Other Receivables	-	-
Prepaid Insurance	(248)	(459)
Inventory	(6,196)	(1,631)
Accounts Payable	(33,818)	30,567
Accrued Wages Payable	164	206
<b>Net Cash Provided from Operating Activities</b>	<b>\$ 313,935</b>	<b>\$ 269,788</b>

See accompanying notes to the financial statements.

# Rural Water District #4, Comanche County

Notes to the Financial Statements  
For the Years Ended August 31, 2016 and 2015

## **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 1,386 and 1,337 meters at August 31, 2016 and 2015 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, 2016 and 2015. 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, 2016 and 2015. 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, 2016 and 2015

## **Note 6 - Changes in Capital Assets**

	Balance 9/1/2015	Additions	Disposed	Balance 8/31/2016
Water System Plant Assets	\$ 5,229,486	\$ 51,600	\$ -	\$ 5,281,086
Office Furniture & Fixtures	15,225	4,946	-	20,171
Equipment	91,062	37,884	-	128,946
Buildings & Improvements	260,810	-	-	260,810
<b>Total Assets</b>	<b>\$ 5,596,583</b>	<b>\$ 94,430</b>	<b>\$ -</b>	<b>\$ 5,691,013</b>
Less: Accumulated Depreciation	1,899,094	121,774	-	2,020,868
<b>Net Fixed Assets</b>	<b>\$ 3,697,489</b>	<b>\$ (27,344)</b>	<b>\$ -</b>	<b>\$ 3,670,145</b>

## **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, 2016 and 2015 were \$0 and \$0, respectively.

## **Note 8 - Components of Cash and Investments**

	Date of Maturity	Interest Rate	8/31/2016 Balance
Checking - Bank of the Wichitas	-	0.05%	\$ 635,174
CD - IBC Bank	8/31/2016	0.30%	110,412
Checking - Bank of the Wichitas (Const)	-	0.00%	-
<b>Total Cash and Investments</b>			<b>\$ 745,586</b>

## **Note 9 - Retirement**

The District provides a 401(a) retirement plan for its employees and matches contributions up to 10%. The District contributed \$9,320 and \$9,145 for the years August 31, 2016 and 2015.

# Rural Water District #4, Comanche County

Notes to the Financial Statements  
For the Years Ended August 31, 2016 and 2015

## **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, 2016 and 2015, respectively.

	Date of Note	Annual Payments	Balance 8/31/2016	Balance 8/31/2015	Interest Rate
Berkadia	1/1/1988	\$ 15,324	\$ 43,836	\$ 56,627	5.00%
BOW (1)	3/12/2009	-	1	1	6.00%
BOW (2)	6/17/2008	138,441	587,809	762,737	4.25%
		<u>\$ 153,765</u>	<u>\$ 631,646</u>	<u>\$ 819,365</u>	
Less: Current Portion			196,300	188,034	
Net Balance			<u>\$ 435,346</u>	<u>\$ 631,331</u>	

Current Portion:	Berkadia	BOW (1)	BOW (2)
Year Ending 2017	13,465	-	182,835
Year Ending 2018	14,154	-	190,771
Year Ending 2019	14,884	-	199,051
Year Ending 2020	1,333	-	15,151
Year Ending 2021	-	-	-

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, 2016 or 2015.

## **Note 12 - Subsequent Events**

The District's subsequent events have been evaluated through October 20, 2016, the date of the financial statements.

# Scott Northrip

*Certified Public Accountant*

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## **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, 2016 and 2015, and have issued our report thereon dated October 20, 2016.

### 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 20, 2016