

AUDIT REPORT
CREEK COUNTY RURAL WATER DISTRICT NO. 4
SAPULPA, OKLAHOMA
FOR YEARS ENDED DECEMBER 31, 2016 AND 2015



JENKINS & KEMPER
CERTIFIED PUBLIC ACCOUNTANTS, P.C.

CREEK COUNTY RURAL WATER DISTRICT NO. 4
SAPULPA, OKLAHOMA
DECEMBER 31, 2016

TABLE OF CONTENTS

	<u>PAGE</u>
Table of Contents	1
Board of Directors	2
Independent Auditor's Report	3-4
Independent Auditor's Report on Compliance and Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	5-6
Schedule of Audit Results	7
 COMBINED FINANCIAL STATEMENTS:	
Statement of Net Position	8
Statement of Activities	9
Statement of Cash Flows	10
Notes to Financial Statements	11-13

**CREEK COUNTY RURAL WATER DISTRICT NO. 4
BOARD OF DIRECTORS
DECEMBER 31, 2016**

BOARD OF DIRECTORS

Chairman	Steve Redfearn
Vice-Chairman	Tom Davis
Secretary/Treasurer	Cherie Blakley
Member	Kevin Tunnell
Member	vacant

OPERATOR

Bob Davis

BOOKKEEPER

Loretta Kelch



JENKINS & KEMPER
CERTIFIED PUBLIC ACCOUNTANTS, P.C.

JACK JENKINS, CPA
MICHAEL KEMPER, CPA

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Creek Co. RWD No. 4
Sapulpa, Oklahoma 74066

We have audited the accompanying financial statements of the business-type activities of Creek Co. RWD No. 4, Sapulpa, Oklahoma, as of and for the year ended December 31, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the District'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 *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 respective financial position of the business type activities of Creek Co. RWD No. 4 as of December 31, 2016 and 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Creek Co. RWD No. 4 has not presented the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on these financial statements is not affected by this missing information.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued a report dated March 22, 2017, on our consideration of the District's internal control over financial reporting and 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.

Jenkins & Kemper, CPAs P.C.

Jenkins & Kemper
Certified Public Accountants, P.C.

March 22, 2017



JENKINS & KEMPER
CERTIFIED PUBLIC ACCOUNTANTS, P.C.

JACK JENKINS, CPA
MICHAEL KEMPER, CPA

**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**

Board of Trustees
Creek Co. RWD No. 4
Sapulpa, Oklahoma 74066

We have audited the financial statements of the business-type activities of Creek Co. RWD No. 4 as of and for the year ended December 31, 2016, and have issued our report thereon, dated March 22, 2017. We conducted our audit in accordance with generally accepted auditing standards 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion 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 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.

Our 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 deficiencies, significant deficiencies, or material weaknesses. There can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of 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.

Jenkins & Kemper, LPA's P.C.

Jenkins & Kemper
Certified Public Accountants, P.C.

March 22, 2017

**CREEK COUNTY RURAL WATER DISTRICT NO. 4
SCHEDULE OF AUDIT RESULTS
FOR YEAR ENDED DECEMBER 31, 2016**

There were no material findings.

CREEK COUNTY RURAL WATER DISTRICT NO. 4
STATEMENT OF NET POSITION
FOR YEARS ENDED DECEMBER 31, 2016 & 2015

	December 31,	
	<u>2016</u>	<u>2015</u>
<u>ASSETS</u>		
Current assets:		
Cash in bank	\$ 29,794	31,945
Investments	249,791	247,590
Accounts receivable	41,169	36,294
Prepaid insurance	1,413	1,433
Total current assets	<u>322,167</u>	<u>317,262</u>
Noncurrent assets:		
Capital assets:		
Water system fixed assets	360,086	360,086
Office furniture and equipment	10,175	10,175
Less: accumulated depreciation	<u>(160,187)</u>	<u>(153,602)</u>
Total noncurrent assets	<u>210,074</u>	<u>216,659</u>
Total assets	<u>532,241</u>	<u>533,921</u>
<u>LIABILITIES</u>		
Current liabilities:		
Accounts payable	10,657	5,504
Payroll taxes payable	1,334	1,259
Funds held for Taneha Utilities Authority	29,243	28,227
Total current liabilities	<u>41,234</u>	<u>34,990</u>
Non-current liabilities		
Customer deposits	<u>4,560</u>	<u>4,500</u>
Total non-current liabilities	<u>4,560</u>	<u>4,500</u>
Total liabilities	<u>45,794</u>	<u>39,490</u>
<u>NET ASSETS</u>		
Invested in capital assets, net of related debt	210,074	216,659
Unrestricted	<u>276,373</u>	<u>277,772</u>
Total Net Assets	<u>\$ 486,447</u>	<u>494,431</u>

The accompanying notes are an integral part of the financial statements

CREEK COUNTY RURAL WATER DISTRICT NO. 4
STATEMENT OF ACTIVITIES
FOR YEARS ENDED DECEMBER 31, 2016 & 2015

	December 31,	
	<u>2016</u>	<u>2015</u>
Operating Revenues:		
Water sales	\$ 118,536	119,176
Transfer fees	150	150
Tap sales	400	2,685
Reconnect fees	450	75
Other income	1,594	808
Reimbursement from Taneha Utilities Authority	96,900	85,200
Total operating revenues	<u>218,030</u>	<u>208,094</u>
Operating Expenses:		
Water purchased	41,577	62,520
Repair and installation	65,940	54,650
Maintenance supplies	16,290	7,028
Salaries and payroll taxes	59,422	57,726
Professional services	6,600	7,075
Office expense	5,786	5,924
Insurance	13,173	11,757
Depreciation	6,584	6,374
Rent and telephone	4,952	4,652
Dues and fees	777	768
Water samples	4,743	3,705
Miscellaneous	2,372	2,786
Total operating expenses	<u>228,216</u>	<u>224,965</u>
Operating Income (Loss)	(10,186)	(16,871)
Non-Operating Revenues (Expenses):		
Interest/Dividend income	3,292	3,424
Gain/(loss) on investments	(216)	(1,288)
Fiduciary fees on investments	(875)	(848)
Total non-operating revenues (expenses)	<u>2,201</u>	<u>1,288</u>
Changes in net position	(7,985)	(15,583)
Total Net Position, beginning of period	<u>494,431</u>	<u>510,014</u>
Total Net Position, end of period	<u>\$ 486,446</u>	<u>494,431</u>

The accompanying notes are an integral part of the financial statements

CREEK COUNTY RURAL WATER DISTRICT NO. 4
STATEMENT OF CASH FLOWS
FOR YEARS ENDED DECEMBER 31, 2016 & 2015

	December 31,	
	<u>2016</u>	<u>2015</u>
Cash Flows from Operating Activities:		
Cash received from customers	\$ 117,332	114,656
Cash received from Tanaha Utilities Authority	96,900	85,200
Cash paid to employees	(59,347)	(57,703)
Cash paid to suppliers	(157,036)	(164,231)
Net cash flows from operating activities	<u>(2,151)</u>	<u>(22,078)</u>
Cash Flows from Investing Activities:		
Purchase of capital assets	-	(16,770)
Liquidation of investments	-	-
Net cash flows from investing activities	<u>-</u>	<u>(16,770)</u>
Cash Flows from Financing Activities:		
Net cash flows from financing activities	<u>-</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	(2,151)	(38,848)
Cash and cash equivalents, beginning of period	<u>31,945</u>	<u>70,793</u>
Cash and cash equivalents, end of period	<u><u>\$ 29,794</u></u>	<u><u>31,945</u></u>
Reconciliation of operating income (loss) to net cash provided by operating activities:		
Operating income (loss)	\$ (10,185)	(16,871)
Add depreciation expense	6,585	6,374
(Increase)/Decrease in Current Assets		
Accounts receivable, net	(4,875)	(7,228)
Prepaid expenses	20	(356)
Increase/(Decrease) in Current Liabilities		
Accounts payable	6,169	(4,040)
Customer deposits	60	20
Payroll taxes payable	75	23
Net cash flows from operating activities	<u><u>\$ (2,151)</u></u>	<u><u>(22,078)</u></u>

The accompanying notes are an integral part of the financial statements

CREEK COUNTY RURAL WATER DISTRICT NO. 4
NOTES TO FINANCIAL STATEMENTS
FOR YEARS ENDED DECEMBER 31, 2016 AND 2015

Note 1 – Organization

Creek County Rural Water District No. 4, Sapulpa, Oklahoma, is recognized as a public not for profit rural water district under Oklahoma Statutes, Title 82. The purpose of the organization is to provide water to residential and commercial customers who are members of the District.

Note 2 – Summary of significant accounting policies

Reporting Entity

Creek County Rural Water District No. 4 is an independent, self-contained reporting entity with no associated component units. It is operated in a manner similar to a private business enterprise where the cost of providing water services is financed through user charges. The District purchases water primarily from the city of Sapulpa.

Measurement Focus, Basis of Accounting and Basis of Presentation – Fund Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with Generally Accepted Accounting Principles promulgated in the United States of America. The accounting and financial reporting treatment is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operation are included on the balance sheet. The operating statements present increases and decreases in net total assets. Depreciation expense is provided for capital assets based upon estimated useful lives.

Financial activity is accounted for on the flow of economic resources measurement focus using the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

Accounts Receivable

Billings for accounts receivable at December 31, 2016 and 2015 were \$41,169 and \$36,294, respectively. No computation was made for allowance for doubtful accounts, which is not considered to be material to the financial statements. The aging of these accounts are detailed as follows:

	December 31,	
	<u>2016</u>	<u>2015</u>
1-30 days	<u>\$41,169</u>	<u>\$36,294</u>

CREEK COUNTY RURAL WATER DISTRICT NO. 4
NOTES TO FINANCIAL STATEMENTS
FOR YEARS ENDED DECEMBER 31, 2016 AND 2015

Note 2 – Summary of significant accounting policies – cont'd

Inventory

Inventory is expensed when used and the amount of inventory on hand was deemed to be immaterial to the financial statements.

Property and Equipment

Property and equipment is recorded at cost when purchased. Depreciation expense is recorded using the straight-line method over the estimated useful life of the asset. Water line extensions and improvements are depreciated using a 40-year life. Equipment is depreciated using a 5 year life. Water system improvements constructed by the District include capitalizing the direct cost of materials and labor. If an asset is permanently impaired in value, the asset cost is written down to market value. Line extension costs reimbursed by the customer are not capitalized and accordingly not depreciated.

Cash and Cash Equivalents

Cash and cash equivalents, shown in the financial statements, are amounts that are not subject to fluctuations in principal value due to changing market conditions and have a maturity of less than three months.

Custodial Credit Risk

At December 31, 2016 and 2015, the District held deposits at financial institutions of approximately \$356,434 and \$279,535, respectively. The District's cash deposits are entirely covered by Federal Depository Insurance.

Note 3 – Accumulated Unpaid Vacation and Sick Pay

At December 31, 2016 and 2015, no determination of the aggregate dollar value of vacation and sick pay had been made.

Note 4 – Contingent Liabilities

The District had no known contingent liabilities as of the balance sheet date.

CREEK COUNTY RURAL WATER DISTRICT NO. 4
NOTES TO FINANCIAL STATEMENTS
FOR YEARS ENDED DECEMBER 31, 2016 AND 2015

Note 5 – Risk Management

Creek County Rural Water District No. 4 is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District continues to carry commercial insurance for these risks, including general and auto liability, property damage, and public officials liability. Settled claims resulting from these risks have not exceeded the commercial insurance coverage in any of the past three fiscal years.

Note 6 – Capital Assets

The following is a summary of changes in property, plant and equipment:

	Balance December 31, 2015	<u>Additions</u>	<u>Deletions</u>	Balance December 31, 2016
Water System & Equipment	\$ 360,086			360,086
Office Furniture & Equipment	10,175			10,175
Less accumulated depreciation	(153,602)	(6,585)		(160,187)
Net	<u>\$ 216,659</u>	<u>(6,585)</u>		<u>210,074</u>

Note 7 – Subsequent Events

Management has evaluated subsequent events through the date of the audit report, which is the date the financial statements were available to be issued and have determined that no additional information needs to be added to the financial statements.