

**AUDIT REPORT**  
**CREEK COUNTY RURAL WATER DISTRICT NO. 4**  
**SAPULPA, OKLAHOMA**  
**FOR YEARS ENDED DECEMBER 31, 2015 AND 2014**



**JENKINS & KEMPER**  
CERTIFIED PUBLIC ACCOUNTANTS, P.C.

**CREEK COUNTY RURAL WATER DISTRICT NO. 4**  
**SAPULPA, OKLAHOMA**  
**DECEMBER 31, 2015**

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**CREEK COUNTY RURAL WATER DISTRICT NO. 4  
BOARD OF DIRECTORS  
DECEMBER 31, 2015**

BOARD OF DIRECTORS

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

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 County Rural Water District No. 4  
Sapulpa, Oklahoma 74066

We have audited the accompanying financial statements of the business-type activities of Creek County Rural Water District No. 4 as of and for the years ended December 31, 2015 and 2014, 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. 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 the District as of December 31, 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

Rural Water District No. 4, Creek County, Oklahoma 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 1, 2016, 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 1, 2016



**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 Directors  
Creek County Rural Water District No. 4  
Sapulpa, Oklahoma 74066

We have audited the financial statements of the business-type activities of Creek County Rural Water District No. 4 as of and for the years ended December 31, 2015 and 2014, and have issued our report thereon, dated March 1, 2016. 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 my 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, CPAs P.C.*

Jenkins & Kemper  
Certified Public Accountants, P.C.

March 1, 2016

**CREEK COUNTY RURAL WATER DISTRICT NO. 4  
SCHEDULE OF AUDIT RESULTS  
FOR YEAR ENDED DECEMBER 31, 2015**

There were no material findings.

**CREEK COUNTY RURAL WATER DISTRICT NO. 4**  
**STATEMENT OF NET ASSETS**  
**FOR YEARS ENDED DECEMBER 31, 2015 & 2014**

	December 31,	
<u>ASSETS</u>	<u>2015</u>	<u>2014</u>
Current assets:		
Cash in bank	\$ 31,945	70,793
Investments	247,590	246,302
Accounts receivable	36,294	29,066
Prepaid insurance	1,433	1,077
Total current assets	317,262	347,238
Noncurrent assets:		
Capital Assets:		
Water system fixed assets	360,086	343,316
Office furniture and equipment	10,175	10,175
Less: accumulated depreciation	(153,602)	(147,228)
Total noncurrent assets	216,659	206,263
Total Assets	533,921	553,501
 <u>LIABILITIES</u>		
Current Liabilities:		
Accounts payable	5,504	8,514
Payroll taxes payable	1,259	1,236
Funds held for Tanaha Utilities Authority	28,227	29,257
Total current liabilities	34,990	39,007
Non-current Liabilities		
Customer deposits	4,500	4,480
Total non-current liabilities	4,500	4,480
Total Liabilities	39,490	43,487
 <u>NET ASSETS</u>		
Invested in capital assets, net of related debt	216,659	206,263
Unrestricted	277,772	303,751
Total Net Assets	\$ 494,431	510,014

The accompanying notes are an integral part of the financial statements

**CREEK COUNTY RURAL WATER DISTRICT NO. 4**  
**STATEMENT OF REVENUES, EXPENSES AND**  
**CHANGES IN NET ASSETS**  
**FOR YEARS ENDED DECEMBER 31, 2015 & 2014**

	December 31,	
	2015	2014
<b>Operating Revenues:</b>		
Water sales	\$ 119,176	125,791
Transfer fees	150	350
Tap sales	2,685	900
Reconnect fees	75	525
Other income	808	1,438
Reimbursement from Tanaha Utilities Authority	85,200	85,000
Total operating revenues	208,094	214,004
<b>Operating Expenses:</b>		
Water purchased	62,520	46,602
Repair and installation	54,650	51,382
Maintenance supplies	7,028	12,109
Salaries and payroll taxes	57,726	54,811
Professional services	7,075	6,500
Office expense	5,924	4,611
Insurance	11,757	11,053
Depreciation	6,374	6,165
Rent and telephone	4,652	4,748
Dues and fees	768	512
Water samples	3,705	3,110
Miscellaneous	2,786	5,821
Total operating expenses	224,965	207,424
Operating Income (Loss)	(16,871)	6,580
<b>Non-Operating Revenues (Expenses):</b>		
Interest/Dividend income	3,424	3,577
Gain/(loss) on investments	(1,288)	2,143
Fiduciary fees on investments	(848)	(833)
Total non-operating revenues (expenses)	1,288	4,887
Changes in Net Assets	(15,583)	11,467
Total Net Assets, beginning of period	510,014	498,547
Total Net Assets, end of period	\$ 494,431	510,014

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, 2015 & 2014**

	December 31,	
	2015	2014
<b>Cash Flows from Operating Activities:</b>		
Cash received from customers	\$ 114,656	125,347
Cash received from Taneha Utilities Authority	85,200	85,000
Cash paid to employees	(57,703)	(54,737)
Cash paid to suppliers	(164,231)	(146,188)
Net cash flows from operating activities	(22,078)	9,422
<b>Cash Flows from Investing Activities:</b>		
Purchase of capital assets	(16,770)	-
Liquidation of investments	-	-
Net cash flows from investing activities	(16,770)	-
<b>Cash Flows from Financing Activities:</b>		
Net cash flows from financing activities	-	-
Net increase (decrease) in cash and cash equivalents	(38,848)	9,422
Cash and cash equivalents, beginning of period	70,793	61,371
Cash and cash equivalents, end of period	\$ 31,945	70,793
<b>Reconciliation of operating income (loss) to net cash provided by operating activities:</b>		
Operating income (loss)	\$ (16,871)	6,580
Add depreciation expense	6,374	6,165
(Increase)/Decrease in Current Assets		
Accounts receivable, net	(7,228)	260
Prepaid expenses	(356)	(50)
Increase/(Decrease) in Current Liabilities		
Accounts payable	(4,040)	496
Customer deposits	20	(4,103)
Payroll taxes payable	23	74
Net cash flows from operating activities	\$ (22,078)	9,422

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, 2015 AND 2014**

**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, 2015 and 2014 were \$36,294 and \$29,066, 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>2015</u>	<u>2014</u>
1-30 days	<u>\$36,294</u>	<u>\$29,066</u>

**CREEK COUNTY RURAL WATER DISTRICT NO. 4  
NOTES TO FINANCIAL STATEMENTS  
FOR YEARS ENDED DECEMBER 31, 2015 AND 2014**

**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, 2015 and 2014, the District held deposits at financial institutions of approximately \$279,535 and \$317,095, respectively. The District's cash deposits are entirely covered by Federal Depository Insurance.

**Note 3 – Accumulated Unpaid Vacation and Sick Pay**

At December 31, 2015 and 2014, 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, 2015 AND 2014**

**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, 2014	Additions	Deletions	Balance December 31, 2015
Water System & Equipment	\$ 343,316	16,770		360,086
Office Furniture & Equipment	10,175			10,175
Less accumulated depreciation	<u>(147,228)</u>	<u>(6,374)</u>		<u>(153,602)</u>
Net	<u>\$ 206,263</u>	<u>10,396</u>		<u>216,659</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.

## Index of Workpapers by Section

Section	Description	Workpaper	Filed
1	<u>GENERAL PROCEDURES:</u>		
	Engagement Acceptance Form	<u>GP-1a</u>	_____
	Engagement Continuance Form	<u>GP-1b</u>	_____
	Single Audit/Risk Assessment and Major Program Determination	<u>GP-2</u>	_____
	Engagement Letter	<u>GP-3</u>	_____
	Understanding the Entity	<u>GP-4</u>	_____
	Engagement Team Discussion	<u>GP-5</u>	_____
	Fraud Risk Inquiries Form	<u>GP-6</u>	_____
	Understanding the Design and Implementation of Internal Control	<u>GP-7</u>	_____
	Materiality Worksheet for Planning Purposes (prepared in office)	<u>GP-8</u>	_____
	Risk Assessment Summary Form	<u>GP-9</u>	_____
	Legal Representation Letter	<u>GP-10</u>	_____
	Audit Difference Evaluation Form	<u>GP-11</u>	_____
	Audit Communication Letter	<u>GP-12</u>	_____
	Management Letter	<u>GP-13</u>	_____
	Governmental Disclosure Checklist	<u>GP-14</u>	_____
	Supervision, Review, and Approval Form	<u>GP-15</u>	_____
2	<u>MINUTES CONTRACTS AND BIDS:</u>		
	Examination of Board Minutes and Review	<u>MCB-1</u>	_____
	Example of Board Minutes and Agenda (make copy)	<u>MCB-2</u>	_____
	Test of Construction Bids	<u>MCB-3</u>	_____
3	<u>CASH AND INVESTMENTS:</u>		
	Depository Identification and Confirmations	<u>C-1</u>	_____
	Summary of Cash and Investment Balances (prepared in office)	<u>C-2</u>	_____
	Bank Summary (attach ending bank statement)	<u>C-3</u>	_____
	Bank Reconciliation of Balance Sheet (client prepared)	<u>C-4</u>	_____
	General Ledger	<u>C-5</u>	_____
	Investment Schedule	<u>I-1</u>	_____
4	<u>REVENUE:</u>		
	Revenue Analysis (prepared in office)	<u>R-1</u>	_____
	Comparison of Receipts to Deposits	<u>R-2</u>	_____
	Revenue Confirmations	<u>R-3</u>	_____