

**DELAWARE COUNTY  
RURAL WATER DISTRICT NO. 9  
GROVE, OKLAHOMA**

**FINANCIAL STATEMENTS AND AUDITOR'S REPORT**

**YEAR ENDED JUNE 30, 2013**

Audited by

**SANDERS, BLEDSOE & HEWETT  
CERTIFIED PUBLIC ACCOUNTANTS, LLP**

**BROKEN ARROW, OK**

DELAWARE COUNTY RURAL WATER DISTRICT NO. 9  
BOARD OF DIRECTORS  
JUNE 30, 2013

**BOARD OF DIRECTORS**

**Chairman**

Bob Daggett

**Vice-Chairman**

Doug Grimes

**Secretary**

Paul Dalke

**Treasurer**

David Kane

**Member**

Larry Harris

**Bookkeeper**

Larry Mason

DELAWARE COUNTY RURAL WATER DISTRICT NO. 9  
JUNE 30, 2013

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# SANDERS, BLEDSOE & HEWETT

CERTIFIED PUBLIC ACCOUNTANTS, LLP

## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Delaware County Rural Water District No. 9  
Grove, Oklahoma

We have audited the accompanying financial statements of the business-type activities of the Delaware County Rural Water District No. 9 (the District), Grove, Oklahoma, as of and for the year ended June 30, 2013, 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. Management is also responsible for 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 of 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 District'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 District'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 opinions.

### **Opinions**

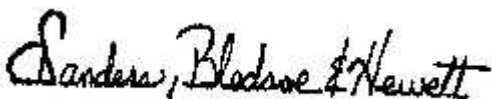
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the District as of June 30, 2013, and the respective changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

### **Other Matters**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 and 6 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. We have applied certain limited procedures to the required supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated October 17, 2013 on our consideration of the Authority'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 or on compliance and the results of that testing and not to provide an opinion on 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 Authority's internal control over financial reporting and compliance.



Sanders, Bledsoe & Hewett  
Certified Public Accountants, LLP

**RURAL WATER DISTRICT NO. 9, DELAWARE COUNTY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**JUNE 30, 2013**

Our discussion and analysis of the Rural Water District No. 9, Delaware County's financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2013. Please read it in conjunction with the District's financial statements that begin on page 11.

**FINANCIAL HIGHLIGHTS**

- Investments yielded interest income of \$958 in 2011-12.
- The District managed to pay off all their long-term debt in 2012-13, in the amount of \$128,200. The District saved a significant amount of interest expense by paying this debt off many years early.
- The District's operating revenues exceeded operating expenses by \$45,484.

**Using This Report**

This report is presented in a format consistent with the presentation requirements of the Governmental Accounting Standards Board (GASB) Statement No. 94, as applicable to the District's basis of accounting.

**Basis of Accounting**

The District has elected to present its financial statements in the accrual basis of accounting. According to the accrual basis, revenues are recorded when earned and expenses are recognized when incurred. This policy is in accordance with generally accepted accounting principles.

**The Financial Statements**

One of the most important questions asked about the District's finances is, "Is the District as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets, the Statement of Activities, and the Statement of Cash Flows report information about the District and about its activities in a way that helps answer this question.

These three statements report the District's net assets and the changes in them. You can think of the District's net assets – the difference between assets and liabilities – as one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors,

however, such as changes in water rates paid or charged and the condition of the District's water system, to assess the overall health of the District.

The District has only one type of fund or activity, which is defined as *Business-type activities*. This is considered a proprietary fund. This means the District charges a fee to customers to help it cover all or most of the cost of certain services it provides.

### **Fixed Assets**

At June 30, 2013, the District had \$591,206 invested in fixed assets, net of depreciation, including land, the water system, hydrants, meters and equipment. No significant additions were made in the 2012-13 fiscal year.

### **Long-Term Debt**

The District had one outstanding note with the Oklahoma Water Resources Board (OWRB). The note was incurred to construct the water system. At June 30, 2012 the District had outstanding long-term debt of \$128,200 on this note. This note was paid off entirely during the 2012-13 fiscal year.

### **Economic Factors and Next Year's Budget and Rates**

For the upcoming fiscal year ending June 30, 2014, the District's operating budget is fairly consistent with prior years.

Due to an increase in GMSA rates, customer water rates were increased in 2012-13. If the current economic conditions continue and expenses continue to increase, an additional rate increase may become necessary.

### **Contacting the District's Management**

This report is designed to provide our customers and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District Office at P.O Box 450418, Grove, OK 74345 or call (918) 786-9320.



# SANDERS, BLEDSOE & HEWETT

CERTIFIED PUBLIC ACCOUNTANTS, LLP

**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  
Delaware County Rural Water District No. 9  
Grove, Oklahoma

We have audited, 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, the accompanying financial statements of the Delaware County Rural Water District No. 9 (the District), Grove, Oklahoma, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated October 17, 2013.

**Internal Control Over Financial Reporting**

Management of the District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting in order to determine our auditing procedures that are appropriate 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. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified no deficiencies in the internal controls that we considered to be material weaknesses.

*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 combination of deficiencies, in internal control such that



there is a reasonable possibility that a material misstatement of the District'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.

#### Compliance

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 grants, 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 that are required to be reported under *Government Auditing Standards*.

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 District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Sanders, Bledsoe & Hewett  
Certified Public Accountants, LLP

October 17, 2013

DELAWARE COUNTY RURAL WATER DISTRICT NO. 9  
DISPOSITION OF PRIOR YEAR AUDIT FINDINGS  
JUNE 30, 2013

There were no prior year audit findings.

DELAWARE COUNTY RURAL WATER DISTRICT NO. 9  
SCHEDULE OF FINDINGS AND RESPONSES  
JUNE 30, 2013

There were no audit findings.

DELAWARE COUNTY RURAL WATER DISTRICT NO. 9  
STATEMENT OF NET ASSETS  
JUNE 30, 2013

ASSETS

Current assets:

Cash	\$ 25,418
Investments	66,547
Accounts receivable	3,584
Interest receivable	88
Prepaid insurance	1,985
Total current assets	<u>97,622</u>

Noncurrent assets:

Capital assets:

Fixed assets-property, plant & equipment	889,595
Less: Accumulated depreciation	<u>(298,389)</u>
Total noncurrent assets	<u>591,206</u>

Total Assets	<u>688,828</u>
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LIABILITIES

Noncurrent liabilities:

Refundable deposits	<u>16,625</u>
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NET ASSETS

Invested in capital assets, net of related debt	591,206
Unrestricted	<u>80,997</u>

Total Net Assets	<u>\$ 672,203</u>
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The accompanying notes are an integral part of these financial statements.

DELAWARE COUNTY RURAL WATER DISTRICT NO. 9  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2013

Operating Revenues:	
Water sales	\$ 187,431
Membership and transfer fees	2,200
Total Operating Revenue	<u>189,631</u>
Operating Expenses:	
Water services	128,052
Contract labor	4,350
Rent	4,200
Professional fees	900
Dues and fees	3,069
Insurance and bonds	909
Trustee fees	750
Telephone	1,419
Office and postage	355
Miscellaneous expense	143
Total Operating Expenses	<u>144,147</u>
Operating income (loss)	45,484
Other Revenues (Expenses):	
Interest income	958
Interest expense	(5,757)
Depreciation expense	(21,966)
Total Other Revenues (Expenses)	<u>(26,765)</u>
Changes in Net Assets	18,719
Net Assets, Beginning of Year	<u>653,484</u>
Net Assets, End of Year	<u>\$ 672,203</u>

The accompanying notes are an integral part of these financial statements

DELAWARE COUNTY RURAL WATER DISTRICT NO. 9  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2013

Cash Flows from Operating Activities:	
Receipts from customers	\$ 188,786
Payments to suppliers	(141,728)
Net Cash Provided (Used) by Operating Activities	<u>47,058</u>
Cash Flows from Investing Activities:	
Net (increase) decrease in debt service reserves	63,034
Interest and dividends	958
Meters removed from fixed assets	13,500
Acquisition of fixed assets	(1,365)
Net Cash Provided (Used) by Investment Activities	<u>76,127</u>
Cash Flows from Financing Activities:	
Payments on long-term notes - principal	(128,200)
Interest paid	(5,634)
Meter deposits received	4,200
Net Cash Provided (Used) by Financing Activities	<u>(129,634)</u>
Net Increase (Decrease) in Cash	(6,449)
Cash and cash equivalents, beginning of year	<u>98,414</u>
Cash and cash equivalents, end of year	<u><u>\$ 91,965</u></u>
Reconciliation of operating income (loss) to net cash provided by operating activities:	
Operating income (loss)	\$ 45,484
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Change in Assets and Liabilities:	
Accounts receivable	1,928
Accrued interest	29
Prepaid insurance	318
Accounts payable	(701)
Net cash provided by operating activities	<u><u>\$ 47,058</u></u>

The accompanying notes are an integral part of these financial statements

DELAWARE COUNTY RURAL WATER DISTRICT NO. 9  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2013

**Note A – Summary of Significant Accounting Policies**

***Business Activity***

Delaware County Rural Water District No. 9 (the District) was formed in 1994 under the provisions of Title 82, O.S. 1981, Sections 1324.1-1324.26 inclusive. The District operates as a nontaxable government agency to service residents of the Delaware County Rural Water District No. 9. The District's primary income is from the sale of water to its members in an area west of Grove, Oklahoma.

***Basis of Accounting***

The financial statements are prepared on an accrual basis of accounting, which is in compliance with accounting principles generally accepted in the United States of America and which recognizes revenues when earned and expenses as incurred. Interest earnings on certificates of deposit are recorded when such interest is actually received by the District.

***Financial Statement Presentation***

The financial statements are presented in accordance with Government Accounting Standard Board, Statement No. 94, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*.

***Inventories***

The District does not carry a significant inventory of materials and supplies. The cost of such items is recorded as an expense when purchased.

***Income Taxes***

The District is recognized as a tax-exempt organization under the Internal Revenue Code. Because the District is exempt from federal income tax, no provision for taxes has been made in the financial statements.

***Prior Year Information***

Prior year information is shown on the financial statements for comparative purposes only. No assurance is given on prior year amounts.

DELAWARE COUNTY RURAL WATER DISTRICT NO. 9  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2013

**Note B – Cash and Investments**

At June 30, 2013, the District held the following balances of cash and investments:

Bank of Grove - Grove:	
Certif. of deposit 1630	\$ 31,706
First National Bank - Grove:	
Certif. of deposit 3693130	34,841
Bank of Oklahoma - Gove:	
Operating checking account	27,384
less: outstanding checks	<u>(1,966.00)</u>
Total Cash and Investments	<u><u>\$ 91,965</u></u>

r) - indicates restricted funds

The District has the opportunity to obtain additional pledged collateral from the banks where they have funds. Such collateral provides additional security for the District's funds in excess of the \$250,000 Federal Deposit Insurance Corporation insurance limits at each institution. At June 30, 2013, no District funds at any bank exceeded the \$250,000 FDIC maximum coverage amount.

**Note C – Accounts Receivable**

Receivables from water consumers at June 30, 2013 were \$3,584. These amounts consist primarily of charges for water services. No allowance for doubtful accounts or a related charge for bad debts has been recorded in these financial statements

**Note D – Property, Plant, and Equipment**

Fixed assets are carried at cost with depreciation being provided using the straight-line method. The following schedule summarizes the estimated useful lives of the various fixed asset categories and acquisitions for the year ended June 30, 2013.



DELAWARE COUNTY RURAL WATER DISTRICT NO. 9  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2013

**Note D – Property, Plant, and Equipment** – cont'd

	Balance June 30, 2012	Acquired	(Disposed)	Balance June 30, 2013
Water Lines	\$ 801,321	300	-	801,621
Fire Hydrants	85,513	-	-	85,513
Water Meters	13,500	(13,500)	-	0
Equipment	1,396	1,065	-	2,461
Sub-Total	901,730	(12,135)	-	889,595
Less: Accum. Depr.	(289,922)	(8,467)	-	(298,389)
Total	<u>\$ 901,730</u>	<u>(20,602)</u>	<u>-</u>	<u>591,206</u>

**Note E – Long-Term Debt**

Note Payable – In 1996, the District signed a \$635,000 note with the Oklahoma Water Resources Board (OWRB). The note is collateralized by the water distribution system and revenues thereon. Monthly-required payments are variable, and due in quarterly installments. The outstanding balance of this note at June 30, 2012 was \$128,200. In 2012-13, the District made additional payments on principal and extinguished the entire debt early.

**Note F – Grant Revenue**

In prior years, the District has received development grants from various institutions. These moneys were used to partially finance construction of the water distribution system and other water equipment. During the fiscal year ended June 30, 2012, \$6,600 of grant revenue was received from Grand Gateway through the REAP Grant program for system improvements within the District.

**Note G – Commitments**

The District contracts with the Grove Municipal Service Authority (GMSA) to provide water to the District, perform all maintenance of the District's water distribution system and provide installation of new services. The District's members pay the GMSA for the monthly water service. Members are billed a minimum of \$23 each month, plus \$3.42 per 1,000 gallons of water used. The GMSA keeps \$14 per user each month, plus \$2.54 per 1,000 gallons of water used by these customers for all services provided.

The agreement is for five years and contains options for seven consecutive terms of five year contracts.

DELAWARE COUNTY RURAL WATER DISTRICT NO. 9  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2013

**Note H -Insurance and Surety Bond Coverage**

At December 31, 2013, the District had appropriate coverage against all major perils.

**Note I – Subsequent Events**

Management has evaluated subsequent events through May 1, 2013, 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.

DELAWARE COUNTY RURAL WATER DISTRICT NO. 9

BALANCE SHEET

JUNE 30, 2013

June 30,

<u>ASSETS</u>	(memo only)	
	2013	2012
Current Assets:		
Cash in banks	\$ 25,418	46,435
Investments	66,547	65,674
Accounts receivable	3,584	5,512
Interest receivable	88	117
Prepaid insurance	1,985	2,303
Total current assets	<u>97,622</u>	<u>120,041</u>
Restricted Assets:		
Debt service reserves	<u>0</u>	<u>63,034</u>
Property, Plant, and Equipment:		
Water distribution system	801,621	801,321
Fire hydrants	85,513	85,513
Water meters	0	13,500
Equipment	2,461	1,396
Sub-total	<u>889,595</u>	<u>901,730</u>
Less: accumulated depreciation	<u>(298,389)</u>	<u>(289,922)</u>
Total property, plant, and equipment	<u>591,206</u>	<u>611,808</u>
Total Assets	<u>\$ 688,828</u>	<u>794,883</u>
 <u>LIABILITIES AND MEMBER EQUITY</u>		
Current Liabilities:		
Accounts payable	\$ 0	701
Meter deposits	16,625	12,375
Accrued interest on debt	0	123
Current portion of long-term debt	0	17,000
Total current liabilities	<u>16,625</u>	<u>30,199</u>
Long-term Debt, Less Current Maturities:		
Notes payable	<u>0</u>	<u>111,200</u>
Total Liabilities	<u>16,625</u>	<u>141,399</u>
Member Equity:		
Contributed capital	132,916	132,916
Retained earnings	539,287	520,568
Total member equity	<u>672,203</u>	<u>653,484</u>
Total Liabilities and Member Equity	<u>\$ 688,828</u>	<u>794,883</u>

DELAWARE COUNTY RURAL WATER DISTRICT NO. 9  
INCOME STATEMENT  
FOR THE YEAR ENDED JUNE 30, 2013

	2012-13	(memo only) 2011-12
Operating Revenues:		
Water sales	\$ 187,431	168,747
Unidentified	0	2,721
Membership and transfer fees	2,200	7,223
Total Operating Revenue	<u>189,631</u>	<u>178,691</u>
Operating Expenses:		
Water services	128,052	116,384
Contract labor	4,350	1,430
Rent	4,200	4,200
Professional fees	900	3,500
Dues and fees	3,069	1,761
Insurance and bonds	909	1,462
Repairs and maintenance	0	345
Trustee fees	750	750
Telephone	1,419	1,360
Office and postage	355	215
Miscellaneous expense	143	297
Total Operating Expenses	<u>144,147</u>	<u>131,704</u>
Operating Revenues Over (Under) Operating Expenses	45,484	46,987
Other Revenues (Expenses):		
Interest income	958	946
Depreciation expense	(21,966)	(26,280)
Interest expense	(5,757)	(2,489)
Total Other Revenues (Expenses)	<u>(26,765)</u>	<u>(27,823)</u>
Increase (Decrease) in Retained Earnings	18,719	19,164
Retained Earnings, Beginning of Year	<u>520,568</u>	<u>501,404</u>
Retained Earnings, End of Year	<u><u>\$ 539,287</u></u>	<u><u>520,568</u></u>