

WOODWARD COUNTY RURAL WATER DISTRICT NO. 1

ANNUAL FINANCIAL STATEMENTS

YEAR ENDED OCTOBER 31, 2015

WOODWARD COUNTY RURAL WATER DISTRICT NO. 1
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YEAR ENDED OCTOBER 31, 2015

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Independent Auditor's Report

Board of Directors
Woodward County Rural Water District No. 1

Report on the Financial Statements

We have audited the accompanying statement of net position of Woodward County Rural Water District No. 1 as of October 31, 2015 and the related statements of revenues, expenses and changes in net position and of cash flows for the year then ended and the related notes to the financial statements.

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. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion 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 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 an 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 opinion.

Opinion

In our opinion, the financial statements referred to above, present fairly, in all material respects, the financial position of Woodward County Rural Water District No. 1, as of October 31, 2015; the changes in financial position; and, cash flows thereof, for the year then ended in conformity with the accounting principles generally accepted in the United States of America.

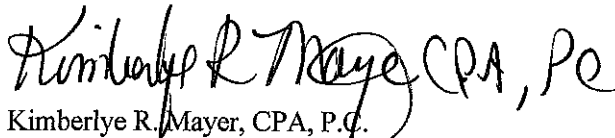
Other Matters

Required Supplementary Information

Woodward County Rural Water District No. 1 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 basis 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 basis financial statements in an appropriate operational, economic or historical context. Our opinion on the basic 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 January 19, 2016 on our consideration of Woodward County Rural Water District No. 1's internal control over financial reporting and on our tests of its compliance with certain laws, regulations, contracts and grants 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* and should be read in conjunction with this report in considering the results of our audit.



Kimberlye R. Mayer, CPA, P.C.
Blackwell, Oklahoma
January 19, 2016

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
Woodward County Rural Water District No. 1

We have audited the financial statements of Woodward County Rural Water District No. 1 as of and for the year ended October 31, 2015 and have issued our report thereon dated January 19, 2016. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Woodward County Rural Water District No. 1's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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 Woodward County Rural Water District No. 1's internal control. Accordingly, we do not express an opinion on the effectiveness of Woodward County Rural Water District No. 1's internal control.

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 control deficiencies, in internal control that there is 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.

Our consideration of internal control 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. 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Woodward County Rural Water District No. 1'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 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 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.



Kimberlye R. Mayer, CPA, P.C.

Blackwell, Oklahoma

January 19, 2016

FINANCIAL STATEMENTS

AND

NOTES

WOODWARD COUNTY RURAL WATER DISTRICT NO. 1
STATEMENT OF NET POSITION
OCTOBER 31, 2015

ASSETS

Current Assets:	
Cash and cash equivalents (Note 2)	\$ 12,659
Accounts receivable (less allowance for doubtful accounts of \$11,600) (Note 3)	42,164
Interest receivable	37
Inventory	12,250
Total Current Assets	67,110
Capital reserve account	115,280
Reserve deposits	2,000
Water system (net of accumulated depreciation) (Note 4)	1,552,214
Total Assets	\$ 1,736,604

LIABILITIES AND NET POSITION

Current Liabilities:	
Accounts payable	\$ 12,819
Payroll taxes due	717
Total Current Liabilities	13,536
Total Liabilities	13,536
Net Position:	
Net investment in capital assets	1,552,214
Unrestricted	170,854
Total Net Position	1,723,068
Total Liabilities and Net Position	\$ 1,736,604

The accompanying report and notes are an integral part of these financial statements.

WOODWARD COUNTY RURAL WATER DISTRICT NO. 1
STATEMENT OF REVENUES AND EXPENSES AND CHANGES IN NET POSITION
YEAR ENDED OCTOBER 31, 2015

Operating Revenue:	
Water sales	\$ 192,458
Other income	1,219
Total Operating Revenue	193,677
Operating Expense:	
Payroll	44,521
Payroll taxes	3,885
Administration and travel	17,206
Insurance and bonds	3,733
Professional fees	6,124
Repairs and maintenance	25,830
Chemicals	2,797
DEQ fees	3,137
Utilities	24,442
Depreciation	59,571
Other expense	16,093
Total Operating Expense	207,339
Income (Loss) From Operations	(13,662)
Non-operating Revenue (Expense):	
Benefit units	3,250
Interest income	351
Total Non-operating Revenue (Expense)	3,601
Change in Net Position	(10,061)
Net Position, beginning of year	1,733,129
Net Position, end of year	\$ 1,723,068

The accompanying report and notes are an integral part of these financial statements.

WOODWARD COUNTY RURAL WATER DISTRICT NO. 1
STATEMENT OF CASH FLOWS
YEAR ENDED OCTOBER 31, 2015

Cash Flows From Operating Activities:	
Cash received from customers	\$ 187,805
Cash payments to employees	(44,521)
Cash payments to suppliers for goods and services	(98,476)
Net cash provided (used) by operating activities	44,808
Cash flows from non-capital financing activities:	
Cash flows from capital and related financing activities:	
Acquisition and construction of capital assets	(10,296)
New memberships	3,250
Net cash provided (used) by financing activities	(7,046)
Cash flows from investing activities:	
Interest on cash and investments	351
(Increase) decrease in reserve accounts	50,642
Net cash provided (used) by investing activities	50,993
Net increase (decrease) in cash and cash equivalents	(3,917)
Beginning cash and cash equivalents	16,576
Ending cash and cash equivalents	\$ 12,659
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	\$ (13,662)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	59,571
Changes in assets and liabilities:	
(Increase) decrease in receivables	(5,895)
(Increase) decrease in inventory	2,374
Increase (decrease) in payables	2,420
Net cash provided (used) by operating activities	\$ 44,808

The accompanying report and notes are an integral part of these financial statements.

WOODWARD COUNTY RURAL WATER DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED OCTOBER 31, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Nature of Organization

Woodward County Rural Water District No. 1 was organized and established under the provisions of Title 82 of the laws of the State of Oklahoma. The purpose of this District is to furnish and supply to owners and occupants of property within the corporate limits water and related facilities and services.

The District is a governed entity administered by a Board of Directors that act as the authoritative and legislative body of the entity. The Board is comprised of elected board members.

Basis of Accounting

The accounting policies of Woodward County Rural Water District No. 1 conform to the basic principles of governmental accounting and financial reporting set forth by the Governmental Accounting Standards Board.

The District is classified as an Enterprise Fund. The costs of providing the water services to the public are financed mainly through user charges. The financial statements of the District have been prepared using the accrual basis of accounting. Their revenues are recognized when they are earned and their expenses are recognized when they are incurred.

Cash and Deposits

Cash and deposits are maintained in financial institutions which provide coverage to depositors through the Federal Deposit Insurance Corporation. The State of Oklahoma allows government entities to invest in the following: direct obligations of the United State Government, its agencies or instrumentalities; collateralized or insured certificates of deposit; insured savings accounts or savings certificates; or county, municipal or school district direct debt.

Net Position

Net position presents the difference between assets and liabilities in the statement of net position. Net investment in capital assets is reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are legal limitations imposed on their use by District legislation or external restrictions by creditors, grantors, laws or regulations of other governments.

NOTE 2 – CASH AND CASH EQUIVALENTS:

For the purpose of the Statement of Cash Flows, the District considers all highly liquid investments (excluding the reserve accounts) with a maturity of three months or less to be cash equivalents.

WOODWARD COUNTY RURAL WATER DISTRICT NO. 1
 NOTES TO FINANCIAL STATEMENTS
 YEAR ENDED OCTOBER 31, 2015

NOTE 3 – ACCOUNTS RECEIVABLES:

The accounts receivable are amounts due from members for water services. An allowance for doubtful accounts has been set up for those accounts that have been due for greater than 90 days.

Accounts receivable at October 31, 2015 consisted of the following:

Customer receivables	\$ 53,764
Less allowances for doubtful accounts	<u>(11,600)</u>
Net	<u>\$ 42,164</u>

NOTE 4 – WATER SYSTEM:

Depreciable assets are recorded at cost when purchased or constructed. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not. Depreciation is calculated on a straight-line basis over the estimated useful lives of the depreciable assets. Total depreciation for the year ended October 31, 2015 was \$59,571. The following is a summary by category of changes in property and equipment:

Category	10/31/14	Additions	Deletions	10/31/15
Land	\$ 321,055	\$	\$	\$ 321,055
Buildings	9,500			9,500
Waterline system	2,522,086	102,968		2,625,054
Accumulated depreciation	<u>(1,343,824)</u>	<u>(59,571)</u>		<u>(1,403,395)</u>
Net	<u>\$ 1,508,817</u>	<u>\$ 43,397</u>	<u>\$</u>	<u>\$ 1,552,214</u>

NOTE 5 - ESTIMATES:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

WOODWARD COUNTY RURAL WATER DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED OCTOBER 31, 2015

NOTE 6 – FAIR VALUE OF FINANCIAL INSTRUMENTS:

The District's financial instruments include cash and cash equivalents, reserve accounts, inventory, and accounts receivables and payables. The District's estimate of fair value of all financial instruments does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying statement of net position. The carrying amount of these financial instruments approximates fair value because of the short maturity of these instruments.

NOTE 7 – RISK MANAGEMENT:

The District is exposed to various risks of losses related to torts; thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. The District manages this risk through the purchase of commercial insurance policies. Claims are recognized when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. In determining claims, events that might create claims, but for which none have been reported, are considered.

NOTE 8 – CONTINGENCIES:

As of October 31, 2015, the District did not have any pending litigation or potential non-disclosed liabilities that management believes would have a material effect on the financial statements.

NOTE 9 – EVALUATION OF SUBSEQUENT EVENTS:

The District has evaluated subsequent events through January 19, 2016, the date which the financial statements were available to be issued.