

LEFLORE COUNTY RURAL WATER DISTRICT NO. 17

ANNUAL FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2016 AND 2015

LEFLORE COUNTY RURAL WATER DISTRICT NO. 17,
TABLE OF CONTENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015

	Page
INTRODUCTORY SECTION:	
Table of Contents	i
FINANCIAL SECTION:	
Independent Auditor's Report	1-2
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 <i>Government Auditing Standards.</i>	3
Financial Statements:	4
Statements of Assets, Liabilities, and Net Position – Modified Cash Basis	5
Statements of Revenues, Expenses and Changes in Net Position- Modified Cash Basis	6
Statements of Cash Flows – Modified Cash Basis	7
Notes to Financial Statements	8-10

Kimberlye R. Mayer, CPA, P.C.

723 West Doolin

Blackwell, OK 74631

(580) 363-1453

Fax (580) 363-0068

Independent Auditor's Report

Board of Directors
Leflore County Rural Water District No. 17

Report on the Financial Statements

We have audited the accompanying modified cash basis statements of assets, liabilities and net position of Leflore County Rural Water District No. 17 as of December 31, 2016 and 2015 and the related statements of revenues, expenses and changes in net position and of cash flows for the years 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 the modified cash basis of accounting as described in Note 1. This includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. 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 opinions on these financial statements based on our audits. We conducted our audits 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 opinions.

Opinions

In our opinions, the financial statements referred to above, present fairly, in all material respects, the financial position - modified cash basis of Leflore County Rural Water District No. 17, as of December 31, 2016 and 2015; the changes in financial position - modified cash basis; and of cash flows thereof, for the years then ended in conformity with the basis of accounting described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements that describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Other Reporting Required By Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated July 14, 2017 on our consideration of Leflore County Rural Water District No. 17's internal control over financial reporting and on our tests of its compliance with certain provisions of 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* in considering Leflore County Rural Water District No. 17's internal control over financial reporting and compliance.



Kimberly R. Mayer, CPA, P.C.
Blackwell, Oklahoma
July 14, 2017

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
LeFlore County Rural Water District No. 17

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 financial statements of LeFlore County Rural Water District No. 17, which comprise the statements of assets, liabilities and net position as of December 31, 2016, and the related statements of revenues, expenses and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated July 14, 2017. The financial statements were prepared on the modified cash basis of accounting which is a basis of accounting other than accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered LeFlore County Rural Water District No. 17'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 LeFlore County Rural Water District No. 17's internal control. Accordingly, we do not express an opinion on the effectiveness of the LeFlore County Rural Water District No. 17'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 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.

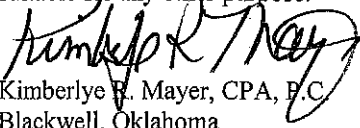
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether LeFlore County Rural Water District No. 17'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 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.

 CPA, PC
Kimberlye B. Mayer, CPA, P.C.
Blackwell, Oklahoma
July 14, 2017

FINANCIAL STATEMENTS

AND

NOTES

LEFLORE COUNTY RURAL WATER DISTRICT NO. 17
STATEMENTS OF ASSETS, LIABILITIES, AND NET POSITION
MODIFIED CASH BASIS
DECEMBER 31, 2016 AND 2015

ASSETS

	<u>2016</u>	<u>2015</u>
Current Assets:		
Cash and cash equivalents	\$ 30,453	\$ 40,920
Certificates of deposit		
Total Current Assets	<u>30,453</u>	<u>40,920</u>
Capital assets (net of accumulated depreciation) (Note 2)	<u>1,083,320</u>	<u>1,121,276</u>
Total Assets	<u><u>\$ 1,113,773</u></u>	<u><u>\$ 1,162,196</u></u>

LIABILITIES AND NET POSITION

Liabilities:	\$	\$
ODOT project		
Net Position:		
Net investment in capital assets	1,083,320	1,121,276
Unrestricted	<u>30,453</u>	<u>40,920</u>
Total Net Position	<u>1,113,773</u>	<u>1,162,196</u>
Total Liabilities and Net Position	<u><u>\$ 1,113,773</u></u>	<u><u>\$ 1,162,196</u></u>

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

LEFLORE COUNTY RURAL WATER DISTRICT NO. 17
 STATEMENTS OF REVENUES AND EXPENSES AND CHANGES IN NET POSITION
 MODIFIED CASH BASIS
 YEARS ENDED DECEMBER 31, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
Operating Revenues:		
Water service	\$ 69,294	\$ 66,757
Miscellaneous income	2,195	130
Total Operating Revenues	<u>71,489</u>	<u>66,887</u>
Operating Expenses:		
Water purchases	15,756	15,289
Utilities	1,975	2,999
Repair, maintenance and fuel	12,418	6,544
Office supplies and postage	626	614
Insurance and bonds	4,809	5,160
Auditing, accounting and legal fees	5,183	5,005
Personnel costs	37,443	36,656
Depreciation	37,956	39,253
DEQ fees	2,419	1,904
Dues, memberships and fees	818	804
Telephone	600	967
Other expenses		53
Total Operating Expenses	<u>120,003</u>	<u>115,248</u>
Operating Income (Loss)	(48,514)	(48,361)
Nonoperating Revenues (Expenses):		
Interest income	91	85
Memberships		185
Total Nonoperating Revenues (Expenses)	<u>91</u>	<u>270</u>
Changes in net position	(48,423)	(48,091)
Net position, beginning of year	<u>1,162,196</u>	<u>1,210,287</u>
Net position, end of year	<u>\$ 1,113,773</u>	<u>\$ 1,162,196</u>

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

LEFLORE COUNTY RURAL WATER DISTRICT NO. 17
STATEMENTS OF CASH FLOWS
MODIFIED CASH BASIS
YEARS ENDED DECEMBER 31, 2016 AND 2015

	2016	2015
Cash flows From Operating Activities:		
Cash received from customers	\$ 71,489	\$ 66,887
Cash payments to employees	(34,481)	(33,991)
Cash payments to suppliers for goods and services	(47,566)	(57,744)
Net cash provided (used) by operating activities	(10,558)	(24,848)
Cash flows from non-capital financing activities:		
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets		
Membership fees		185
Net cash provided (used) by financing activities		185
Cash flows from investing activities:		
Interest income	91	85
(Increase) decrease in CDs		
Net cash provided (used) by investing activities	91	85
Net increase (decrease) in cash and cash equivalents	(10,467)	(24,578)
Beginning cash and cash equivalents	40,920	65,498
Ending cash and cash equivalents	<u>\$ 30,453</u>	<u>\$ 40,920</u>
Reconciliation of income (loss) from operations to net cash provided (used) by operating activities:		
Operating income or loss	\$ (48,514)	\$ (48,361)
Adjustments to reconcile income (loss) from operations to net cash provided (used) by operating activities:		
Depreciation	37,956	39,253
Increase (decrease) in liabilities		(15,740)
Net cash provided (used) by operating activities	<u>\$ (10,558)</u>	<u>\$ (24,848)</u>

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

LEFLORE COUNTY RURAL WATER DISTRICT NO. 17
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Nature of Organization

Leflore County Rural Water District No. 17 was organized under the Rural Water District Act of the Oklahoma State Statutes, Title 82, 1301-1321, as amended. The purpose of the District is to acquire water and water rights; to build and acquire waterlines and other facilities; and to operate the same for the purpose of furnishing water to serve the needs of owners and occupants of land located within the District, and others as authorized by the Bylaws.

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

Basis of Accounting

The District maintains its records and prepares its financial statements on the modified cash basis of accounting. Under the modified cash basis, revenues are recognized when received, rather than when earned, and expenditures are recognized when paid, rather than when incurred. Fixed assets are recorded at cost when purchased. Annual depreciation is calculated on a straight-line basis. Total depreciation for the year ended December 31, 2016 was \$37,956.

Cash and Deposits

The State of Oklahoma allows government entities to invest in the following: direct obligations of the United States 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.

Cash is maintained in financial institutions, which provide coverage to depositors through the Federal Deposit Insurance Corporation.

Statement of Cash Flows

For the purposes of the Statement of Cash Flows, the District considers all accounts (excluding restricted reserves), with a maturity of three months or less to be cash equivalents.

Budget

The District is not legally required to adopt a budget.

LEFLORE COUNTY RURAL WATER DISTRICT NO. 17
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015

NOTE 2 – PROPERTY AND EQUIPMENT:

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 expendable. Annual depreciation is calculated on a straight-line basis. The balances for depreciable assets by major category are as follows:

	12/31/15	Additions	12/31/16
Land	\$ 5,000	\$	\$ 5,000
Waterline system	1,505,296		1,505,296
Office building	28,500		28,500
Office equipment and tools	861		861
Vehicles and machinery	44,108		44,108
	<u>1,583,765</u>		<u>1,583,765</u>
Accumulated depreciation	(462,489)	(37,956)	(500,445)
Net	<u>\$ 1,121,276</u>	<u>\$ (37,956)</u>	<u>\$ 1,083,320</u>

NOTE 3 – 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 probably 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. There were no claims during the year ended December 31, 2016 and 2015.

NOTE 4 – ESTIMATES:

The preparation of financial statements in conformity with the modified cash basis of accounting requires 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.

NOTE 5 – CONTINGENCIES:

As of December 31, 2016 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.

LEFLORE COUNTY RURAL WATER DISTRICT NO. 17
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015

NOTE 6 – FAIR VALUES OF FINANCIAL INSTRUMENTS:

The definition of fair value for financial reporting, establishes a framework for measuring fair value, and requires additional disclosure about the use of fair value measurements in an effort to make the measurement of fair value more consistent and comparable.

Level 1: Quoted prices in active markets for identical securities.

Level 2: Other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment spread and credit risk).

Level 3: Significant unobservable inputs (including the District's own assumptions in determining the fair value of investments).

The District's financial instruments include cash and cash equivalents. The District's estimate of the fair value of all financial instruments does not differ materially from the aggregate carrying value 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 – EVALUATION OF SUBSEQUENT EVENTS:

The District has evaluated subsequent events through July 14, 2017, the date which the financial statements were available to be issued.