

**Rural Water, Sewer  
and Solid Waste  
Management Dist. #3,  
Logan Co., Oklahoma**

*Audit Report*  
For Year Ending October 31, 2013

3650  
1875  
1700  
1070

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P.W.  
275

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6170  
6945  
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6630  
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1690

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# **SCOTT NORTHRIP, CPA**

P.O. Box 642, Hobart, Oklahoma 73651

## **Independent Auditor's Report**

To The Board of Directors of  
Rural Water, Sewer, & Solid Waste Management Dist. #3  
Logan County, Oklahoma

I have audited the basic financial statements of Rural Water, Sewer, & Solid Waste Management District #3, Logan County, Oklahoma(District), as of and for the years ended October 31, 2013 and 2012. These financial statements are the responsibility of the District's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted the 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 I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that the audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Rural Water, Sewer, & Solid Waste Management District #3, Logan County, Oklahoma, as of October 31, 2013 and 2012, and the results of its operations and its cash flows and its changes in net assets for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated December 30, 2013, on my consideration of the Authority's internal control and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grants. This 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 the audit.

**Scott Northrip, CPA**

Certified Public Accountant

December 30, 2013

**Rural Water, Sewer, & Solid Waste Management  
District #3, Logan County, Oklahoma**

Statement of Net Position  
As of October 31, 2013 and 2012

<b>ASSETS:</b>	<b>2013</b>	<b>2012</b>
Current Assets:		
Cash & Cash Equivalents	\$ 678,119	\$ 579,381
Investments	467,862	365,665
Accounts Receivable (Note 2)	83,169	89,810
Other Receivable	-	-
Interest Receivable	183	144
Prepaid Insurance	15,884	15,977
Inventory	23,000	23,000
<b>Total Current Assets</b>	<b>\$ 1,268,217</b>	<b>\$ 1,073,977</b>
Noncurrent Assets:		
Construction in Progress	\$ -	\$ -
Capital Assets: (Note 5)		
Land & Easements	164,850	164,850
Other Capital Assets, net of depreciation	1,787,926	1,866,135
<b>Total Noncurrent Assets</b>	<b>\$ 1,952,776</b>	<b>\$ 2,030,985</b>
<b>TOTAL ASSETS</b>	<b>\$ 3,220,993</b>	<b>\$ 3,104,962</b>
<b>LIABILITIES AND NET POSITION:</b>		
Current Liabilities:		
Accounts Payable	\$ 24,081	\$ 10,723
Interest Payable	-	-
Customer Deposits	23,770	23,110
Current Portion of Long-term Liabilities	165,000	160,417
<b>Total Current Liabilities</b>	<b>\$ 212,851</b>	<b>\$ 194,250</b>
Long-Term Liabilities: (Note 9)		
Notes Payable - OWRB, net of current	\$ 676,250	\$ 841,250
Net Position:		
Restricted Fund Balance	\$ 117,116	\$ 117,079
Unrestricted Fund Balance	(317,831)	(551,805)
<b>Total Fund Balance</b>	<b>\$ (200,715)</b>	<b>\$ (434,726)</b>
Member Investments	500,513	478,513
Donated Assets (Note 6)	325,544	319,125
Grants	910,000	910,000
Gain on Acquisition of Loan	796,550	796,550
<b>TOTAL NET POSITION</b>	<b>\$ 2,331,892</b>	<b>\$ 2,069,462</b>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$ 3,220,993</b>	<b>\$ 3,104,962</b>

See accompanying notes to the financial statements.

**Rural Water, Sewer, & Solid Waste Management**  
**District #3, Logan County, Oklahoma**  
 Comparative Statement of Activities  
 For the Years Ended October 31, 2013 and 2012

	<b>2013</b>	<b>2012</b>
<b>OPERATING REVENUES:</b>		
Water Sales to Members	\$ 688,671	\$ 672,606
Water Sales to Municipalities	150,291	137,359
Fees, Analysis, & Reimbursement	20,628	36,638
Insurance Proceeds	2,697	1,043
Miscellaneous Revenues	112	487
<b>Total Operating Revenues</b>	<b>\$ 862,399</b>	<b>\$ 848,133</b>
 <b>OPERATING EXPENSES:</b>		
Salaries & Service Awards	\$ 159,327	\$ 161,544
Depreciation Expense	157,995	149,351
Interest Expense	25,243	17,096
Utilities	43,929	43,640
Supplies	45,338	56,840
Repairs & Maintenance	14,124	32,060
Insurance	23,354	22,720
Legal & Professional Fees	11,520	10,526
Transportation Expense	47,700	41,073
Employee Benefits	45,446	57,936
Payroll Tax Expense	13,062	12,643
Communication Expense	5,329	5,006
Office Supplies & Postage	6,769	7,256
Chemical Expense	17,521	21,712
Travel & Per Diem	292	1,644
Director's meetings	2,753	120
Dues & Licenses	3,351	1,861
Bad Debt Expense	1,520	392
Trencher Expenses	4,672	-
Water Analysis	1,934	1,661
Miscellaneous Expense	1,649	989
<b>Total Operating Expenses</b>	<b>\$ 632,828</b>	<b>\$ 646,070</b>
 <b>OPERATING INCOME (LOSS)</b>	<b>\$ 229,571</b>	<b>\$ 202,063</b>
 <b>OTHER REVENUES (EXPENSES):</b>		
Investment Revenues	\$ 3,340	\$ 3,236
Rent	1,100	1,100
Gain on Sale of Assets		510
<b>Total Other Revenues(Expenses)</b>	<b>\$ 4,440</b>	<b>\$ 4,846</b>
 <b>NET INCOME</b>	<b>\$ 234,011</b>	<b>\$ 206,909</b>

See accompanying notes to the financial statements.

**Rural Water, Sewer, & Solid Waste Management  
District #3, Logan County, Oklahoma**

Comparative Statement of Changes in Net Position  
For the Years Ended October 31, 2013 and 2012

	<b>2013</b>	<b>2012</b>
<b>Balance, November 1</b>	\$ 2,069,462	\$ 1,802,261
Net Income (Loss)	234,011	206,909
Member Investments	22,000	37,000
Donated Assets	6,419	23,292
Prior Period Adjustment (Note 10)	-	-
Total Changes in Net Assets	\$ 262,430	\$ 267,201
<b>Balance, October 31</b>	<b>\$ 2,331,892</b>	<b>\$ 2,069,462</b>

See accompanying notes to the financial statements.

# Rural Water, Sewer & Solid Waste Management District #3, Logan County, Oklahoma

Comparative Statement of Cash Flows  
For the Years Ended October 31, 2013 and 2012

	2013	2012
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Receipts from customers	\$ 869,040	\$ 825,493
Payments to suppliers	(217,644)	(257,836)
Payments to employees	(217,835)	(232,123)
<b>Net Cash Provided by Operating Activities</b>	<b>\$ 433,561</b>	<b>\$ 335,534</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Purchase of fixed assets	\$ (79,786)	\$ (167,553)
Donated Assets	6,419	23,292
Payments for Construction in Progress	-	-
Purchase of land	-	-
Principal payments on notes payable	(160,417)	(273,733)
Interest paid on notes payable	(25,243)	(17,096)
Proceeds from sale of assets	-	510
<b>Net Cash Used In Capital &amp; Related Financing Activities</b>	<b>\$ (259,027)</b>	<b>\$ (434,580)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Investment Revenues	\$ 3,301	\$ 3,317
Rent	1,100	1,100
Proceeds from memberships	22,000	37,000
<b>Net Cash Provided from Investing Activities</b>	<b>\$ 26,401</b>	<b>\$ 41,417</b>
<b>INCREASE (DECREASE) IN CASH AND INVESTMENTS</b>	<b>\$ 200,935</b>	<b>\$ (57,629)</b>
Cash and Investment Balance - Beginning	945,046	1,002,675
<b>CASH AND INVESTMENT BALANCE - ENDING</b>	<b>\$ 1,145,981</b>	<b>\$ 945,046</b>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:</b>		
Operating Income (Loss)	\$ 229,571	\$ 202,063
Adjustments to reconcile operating income to net cash provided (used) by Operating Activities:		
Interest Expense	25,243	17,096
Depreciation expense	157,995	149,351
Change in assets and liabilities:		
Accounts Receivable	6,641	(22,640)
Other Receivable	-	-
Prepaid Insurance	93	(1,894)
Inventory	-	(4,069)
Accounts Payable	13,358	(5,483)
Customer Deposits	660	1,110
<b>Net Cash Provided from Operating Activities</b>	<b>\$ 433,561</b>	<b>\$ 335,534</b>

See accompanying notes to the financial statements.

# **Rural Water, Sewer & Solid Waste Management District #3, Logan County, Oklahoma**

Notes to the Financial Statements  
For the Years Ended October 31, 2013 and 2012

## **Note 1 - Significant Accounting Policies**

### **Organization:**

Rural Water, Sewer, and Solid Waste Management District #3, Logan County, Oklahoma (District) is an Oklahoma trust formed under the Oklahoma Rural Water Act to provide water, sewer, and solid waste management in a designated area in and around Logan County, Oklahoma to individuals and businesses that purchase a membership. The District served 973 meters at October 31, 2013 and billed 87.1 million gallons during the year.

### **Basis of Accounting:**

The District is a proprietary fund type of entity and uses the accrual method of accounting which reports revenues when earned and expenses when incurred. The District is not legally required to adopt a budget or report on budget comparisons in this report.

### **Fixed Assets and Depreciation:**

The District records its fixed assets at their historical cost or donated value. Depreciation is calculated on each individual asset using the straight-line method of depreciation at the asset's estimated useful life. The District estimates the useful lives of the assets based on the type of asset. The lives range from 5 to 40 years.

### **Income Tax:**

The District is exempt from federal and state income taxes under IRS Code Section 115 (a) as an agency of the State of Oklahoma.

### **Inventory:**

The District carries an inventory of supplies used to upgrade and repair the water system. The inventory is not being counted annually and is estimated by management of the District.

## **Note 2 - Accounts Receivable**

The accounts receivable represents the water usage and service revenues for October plus any unpaid balances from the previous months. The District uses the reserve method to account for bad debts. No provision was made since the allowance is more than the the accounts receivable balances over 90 days old. The accounts receivable balances at October 31, 2013 and 2012 amounted to \$85,002 and \$91,642, respectively with the allowance in the amount of \$1,833 and \$1,833.

## **Note 3 - Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that effect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

## **Note 4 - Contingencies**

The District didn't have any contingencies as of the date of the audit.

# Rural Water, Sewer & Solid Waste Management District #3, Logan County, Oklahoma

Notes to the Financial Statements  
For the Years Ended October 31, 2013 and 2012

## **Note 5 - Changes in Fixed Assets**

	Balance 11/1/2012	Additions	Disposed	Balance 10/31/2013
Water System Plant Assets	\$ 5,195,479	\$ 62,880	\$ -	\$ 5,258,359
Water Rights & Easements	56,050	-	-	56,050
Office Furniture & Fixtures	24,388	-	-	24,388
Equipment	92,340	16,906	-	109,246
Vehicles	92,569	-	-	92,569
Loan Origination Fees	112,829	-	-	112,829
Buildings	30,145	-	-	30,145
<b>Total Assets</b>	<b>\$ 5,603,800</b>	<b>\$ 79,786</b>	<b>\$ -</b>	<b>\$ 5,683,586</b>
Less: Accumulated Depreciation	3,737,665	157,995	-	3,895,660
<b>Net Fixed Assets</b>	<b>\$ 1,866,135</b>	<b>\$ (78,209)</b>	<b>\$ -</b>	<b>\$ 1,787,926</b>

## **Note 6 - Donated Assets**

Donated assets are the estimated value of water lines installed by members from the existing lines of the system to the member's meter. The value of the lines donated to the District for the years ending October 31, 2013 and 2012 were \$6,419 and \$23,292, respectively.

## **Note 7 - Components of Cash and Investments**

	Date of Maturity	Interest Rate	Balance	
Checking - Farmers & Merchants Bank	-	0.00%	\$ 28,568	
Hi-Fi Account - Community State Bank	-	0.15%	256,018	
Money Market - Stillwater National Bank	-	0.20%	229,313	
Savings - Farmers & Merchants Bank	-	0.15%	5,890	
Market Investors - Farmers & Merchants	-	0.10%	158,130	
Petty Cash	-	0.00%	200	
CD - Interbank	6/14/2014	0.50%	106,257	
CD - Interbank	4/2/2014	0.50%	16,794	
CD - First Bank & Trust	6/11/2016	1.00%	123,187	
CD - Exchange Bank	12/24/2013	0.80%	103,508	
OWRB Reserve Acct - Bank of Oklahoma	-	0.02%	117,116	Restricted
Reserve Certificates - ORWAAG	-	2.17%	1,000	
<b>Total Cash and Investments</b>			<b>\$ 1,145,981</b>	

## **Note 8 - Retirement**

The District provides a Simple IRA retirement plan for its participating employees. The plan is administered by the American Funds. The District matches contributions up to 2% of the employee wages.

**Rural Water, Sewer & Solid Waste Management  
District #3, Logan County, Oklahoma**

Notes to the Financial Statements  
For the Years Ended October 31, 2013 and 2012

**Note 9 - Long Term Liabilities**

The District borrowed \$2,650,000 from Oklahoma Water Resources Board for system improvements and to pay off loans from Farmers Home Administration. The loan was financed through the sale of bonds administered by the Bank of Oklahoma. Note payments are made the Bank of Oklahoma monthly. Interest is fixed at a rate of 2.82%.

	10/31/2013 Balance	10/31/2012 Balance
OWRB	\$ 841,250	\$ 1,001,667
Less: Current Portion	165,000	160,417
Long-Term Balance	\$ 676,250	\$ 841,250

Payment Period		Interest Rate	Monthly Payment
Begin	End		
10/1/2012	9/30/2013	2.82%	15,445.83
10/1/2013	9/30/2014	2.82%	15,775.83

Current Portion:

Year Ending	10/31/2014	165,000	
Year Ending	10/31/2015	165,417	
Year Ending	10/31/2016	170,416	
Year Ending	10/31/2017	175,417	
Year Ending	10/31/2018	165,000	

**Note 10 - Prior Period Adjustment**

There were no prior period adjustments for the years ending October 31, 2013 or 2012.

# ***SCOTT NORTHRIP, CPA***

P.O. Box 642, Hobart, Oklahoma 73651

## **INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND INTERNAL CONTROL OF THE FINANCIAL STATEMENTS IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors of  
Rural Water, Sewer, and Solid Waste Management Dist. #3  
Logan County, Oklahoma

I have audited the basic financial statements of Rural Water, Sewer, and Solid Waste Management District #3, Logan County, Oklahoma (District), as of and for the year ending October 31, 2013 and 2012, and have issued my report thereon dated December 30, 2013. I conducted the 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.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, I performed test of the District's compliance with certain laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, my objective was not to provide an opinion on overall compliance with such provisions. Accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that require to be reported under *Government Auditing Standards*.

### **Internal Control**

In planning and performing the audit, I considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing my 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, I 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 and correct misstatements on a timely basis.

## Report on Compliance and Internal Controls-Continued

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.

My consideration of the 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. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

This report is intended for the information of the Board of Directors, Oklahoma Water Resources Board and the State of Oklahoma. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

*Scott Northrip*

Certified Public Accountant

December 30, 2013