

**Major County Rural  
Water District #1**  
*Audit Report*  
For Year Ending December 31, 2014

3650  
1820  
1700  
1070

P.W.  
P.W.  
225

54 00  
61 70  
69 45  
69 00  
66 30  
46 85

475  
300  
350  
300  
00

169  
1690  
1690  
1690

Scott Northrip, CPA  
P.O. Box 642  
Hobart, OK 73651  
(580) 726-5681

# **SCOTT NORTHRIP, CPA**

P.O. Box 642, Hobart, Oklahoma 73651

## **Independent Auditor's Report**

To The Board of Directors of  
Rural Water, Sewer, and Solid Waste Management District #1  
Major County, Oklahoma

I have audited the accompanying financial statements of Rural Water, Sewer, and Solid Waste Management District #1, Major County, Oklahoma (District), as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair representation of these financial statements in accordance with the modified cash basis of accounting as described in Note 1; 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**

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 involves performing procedures to obtain audit evidence supporting 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

## **Opinions**

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Rural Water, Sewer, and Solid Waste Management District #1, Major County, Oklahoma as of December 31, 2014, and the respective changes in financial position and its cash flows for the year then ended in accordance with the modified cash basis of accounting as described in Note 1 of the financial statements.

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

In accordance with *Government Auditing Standards*, I have also issued my report dated May 28, 2015, on my consideration of the District's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grants. 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 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.

***Scott Northrip, CPA***

Certified Public Accountant

May 28, 2015

**Rural Water Sewer, & Solid Waste Management  
District #1, Major County, OK**

Statement of Net Position (Modified Cash Basis)

As of December 31, 2014

**ASSETS:**

Current Assets:

Cash & CD's (Note 6)	\$ 515,546	
Investments	1,000	
<b>Total Current Assets</b>		\$ 516,546

Noncurrent Assets:

Easements	\$ 13,000	
Capital Assets: (Note 5)		
Other Capital Assets, net of depreciation	1,310,701	
<b>Total Noncurrent Assets</b>		\$ 1,323,701

**TOTAL ASSETS**

**\$ 1,840,247**

**LIABILITIES AND NET POSITION:**

Current Liabilities:

Accounts Payable	\$ -	
Interest Payable	-	
Current Portion of Long-term Liabilities	-	
<b>Total Current Liabilities</b>		\$ -

Long-Term Liabilities:

Notes Payable - net of current portion		\$ -
--	--	------

Net Position:

Invested In Capital Assets	\$ 1,323,701	
Unrestricted Fund Balance	516,546	
<b>TOTAL NET POSITION</b>		\$ 1,840,247

**TOTAL LIABILITIES AND NET POSITION**

**\$ 1,840,247**

See accompanying notes to the financial statements.

**Rural Water Sewer, & Solid Waste Management  
District #1, Major County, OK**

Statement of Revenues, Expenses and Changes in Net Position (Modified Cash Basis)  
For the Year Ended December 31, 2014

**OPERATING REVENUES:**

Water Sales	\$ 316,056	
Late Fees	1,170	
Sale of Supplies	4,153	
Miscellaneous Revenues	1,420	
<b>Total Operating Revenues</b>	<b>322,799</b>	<b>\$ 322,799</b>

**OPERATING EXPENSES:**

Salaries	\$ 69,495	
Depreciation Expense	78,512	
Utilities	33,869	
Repairs & Supplies	26,510	
Insurance	10,349	
Legal & Professional Fees	2,782	
Transportation Expense	9,188	
Contract Services	3,828	
Chemicals	4,217	
Water Contracts	3,138	
Communication Expenses	1,896	
Office Supplies & Postage	4,501	
Dues & Licenses	1,892	
Director's Fees	1,600	
Employee Benefits	13,527	
Travel	618	
Miscellaneous Expense	134	
<b>Total Operating Expenses</b>	<b>266,056</b>	<b>\$ 266,056</b>

**OPERATING INCOME (LOSS) \$ 56,743**

**OTHER REVENUES (EXPENSES):**

Interest Revenues	\$ 1,619	
Proceeds from Benefit Units	9,000	
<b>Total Other Revenues(Expenses)</b>	<b>10,619</b>	<b>\$ 10,619</b>

**NET REVENUES \$ 67,362**

Net Position, beginning of year \$ 1,772,885

**Net Position, end of year \$ 1,840,247**

See accompanying notes to the financial statements.

**Rural Water Sewer, & Solid Waste Management  
District #1, Major County, OK**

Statement of Cash Flows (Modified Cash Basis)  
For the Year Ended December 31, 2014

**CASH FLOWS FROM OPERATING ACTIVITIES:**

Receipts from customers	\$	322,799	
Payments to suppliers		(104,522)	
Payments to employees & benefits		(83,022)	
<b>Net Cash Provided by Operating Activities</b>		<b>135,255</b>	<b>\$ 135,255</b>

**CASH FLOWS FROM CAPITAL AND RELATED  
FINANCING ACTIVITIES:**

Purchase of capital assets	\$	(3,001)	
Payments for construction in progress		-	
Principal payments on notes payable		-	
Interest paid on notes payable		-	
Proceeds from sale of assets		-	
<b>Net Cash Used In Capital &amp; Related Financing Activities</b>		<b>(3,001)</b>	<b>\$ (3,001)</b>

**CASH FLOWS FROM INVESTING ACTIVITIES:**

Investment Receipts	\$	1,619	
Proceeds from benefit units		9,000	
<b>Net Cash Provided from Investing Activities</b>		<b>10,619</b>	<b>\$ 10,619</b>

<b>INCREASE (DECREASE) IN CASH AND INVESTMENTS</b>	\$	-	<b>\$ 142,873</b>
--	----	---	-------------------

Cash and Investment Balance - Beginning		372,673	
---	--	---------	--

<b>CASH AND INVESTMENT BALANCE - ENDING</b>		<b>515,546</b>	<b>\$ 515,546</b>
---	--	----------------	-------------------

**Reconciliation of Operating Income (Loss) to Net Cash Provided  
by Operating Activities:**

Operating Income (Loss)	\$	56,743	
Adjustments to reconcile operating income to net cash provided (used) by Operating Activities:			
Interest Expense		-	
Depreciation expense		78,512	
<b>Net Cash Provided from Operating Activities</b>		<b>135,255</b>	<b>\$ 135,255</b>

See accompanying notes to the financial statements.

# Rural Water, Sewer, and Solid Waste Management District #1, Major County, OK

Notes to the Financial Statements  
For the Year Ended December 31, 2014

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

### **Organization:**

Rural Water, Sewer, and Solid Waste Management District #1, Major County, OK, was formed under the provisions of the Rural Water District Act, Title 82 of the laws of the State of Oklahoma. The District was formed for the purpose of constructing a water and distribution system to provide water for the designated area in Major County, OK to all members that have purchased a benefit unit. The District is governed by a board of directors elected by the members of the District.

### **Basis of Accounting:**

The District is a proprietary fund type of entity and uses the modified cash basis of accounting which reports revenues when received and expenses when paid. The District is not required by state law to adopt a budget or report on budget comparisons in this report. This basis of accounting is considered as a comprehensive basis other than accounting principles generally accepted in the United States of America.

### **Capital Assets and Depreciation:**

The District records its capital assets at their historical cost. 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 4 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.

## **Note 2 - Prior Period Adjustment**

There were no prior period adjustments in the financial statements for the year ending December 31, 2014.

## **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 entered into a Consent Order with the Water Quality Division of DEQ to eliminate effluent permit violation on water system. The District agreed to pursue all possible options to bring system into compliance.

**Rural Water, Sewer, and Solid Waste Management  
District #1, Major County, OK**

Notes to the Financial Statements  
For the Year Ended December 31, 2014

**Note 5 - Capital Assets**

	Balance 1/1/2014	Additions	Discarded	Balance 12/31/2014
Water System	\$ 2,420,507	-	-	\$ 2,420,507
Machinery & Equipment	81,531	3,001	-	84,532
Equipment	40,487	-	-	40,487
Vehicles	84,532	-	-	84,532
Plant Expansion	7,052	-	-	7,052
<b>Total Assets</b>	<b>2,634,109</b>	<b>3,001</b>	<b>-</b>	<b>2,637,110</b>
Less: Accumulated Depreciation	1,247,897	78,512	-	1,326,409
<b>Net Fixed Assets</b>	<b>\$ 1,386,212</b>	<b>(75,511)</b>	<b>-</b>	<b>\$ 1,310,701</b>

**Note 6 - Components of Cash and Investments**

	Date of Maturity	Interest Rate	Balance
Petty Cash	-	0.00%	\$ 26
Checking - CNB of Okarche	-	0.00%	71,027
Money Market - CNB of Okarche	-	0.20%	174,374
Money Market - CNB of Okarche(Isabella)	-	0.17%	68,286
Savings - CNB of Okarche (CDBG)	-	0.17%	531
CD - CNB	11/15/2015	0.60%	100,651
CD - CNB	11/15/2015	0.60%	100,651
<b>Total Cash and Investments</b>			<b>\$ 515,546</b>

**Note 7 - Retirement Benefits**

The District contributes to the participating employees retirement plan at a rate of 3% of the gross wages. The District contributed \$2,064 during the year ending December 31, 2014.

**Note 8 - Evaluation of Subsequent Events**

The District's subsequent events have been evaluated through May 28, 2015, the date of the financial statements.

# **SCOTT NORTHRIP, CPA**

P.O. Box 642, Hobart, Oklahoma 73651

## **INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND INTERNAL CONTROL OVER FINANCIAL REPORTING PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors of  
Rural Water, Sewer, and Solid Waste Management District #1  
Major County, Oklahoma

I 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 basic financial statements of Rural Water, Sewer, and Solid Waste Management District #1 (District), as of and for the year ending December 31, 2014, and have issued my report thereon dated May 28, 2015.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, I performed test 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, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Internal Control over Financial Reporting**

In planning and performing my audit of the financial statements, I considered the District's internal control over financial reporting (internal control) to determine the auditing procedures that are appropriate in the circumstances 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.

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.

## Report on Compliance and Internal Controls-Continued

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. Given these limitations, during our audit we did identify deficiencies in internal control that we consider to be material weaknesses. We considered the deficiencies described in the accompanying schedule of findings and responses to be material.

### 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 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.

*Scott Northrip*

Certified Public Accountant

May 28, 2015