

Canadian County Rural Water District #4

Canadian County, Oklahoma

Financial Statements

December 31, 2012

Canadian County Rural Water District #4

Table of Contents

Independent Auditor's Report	1 - 2
Balance Sheet	3
Statement of Income, Expenses, and Changes in Equity	4
Statement of Cash Flows	5
Notes to Financial Statements	6 – 7
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	8 - 9
Findings and Questioned Cost	10

**MICHAEL L METTRY CPA**  
**2525 NW EXPRESSWAY STE 200**  
**OKLAHOMA CITY, OK 73112**  
**INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
Canadian County Rural Water District #4,  
Canadian County, OK

El Reno, OK

We have audited the accompanying financial statements of Canadian County Rural Water District #4, Canadian County, Oklahoma, which comprise the balance sheet and the statements of income, expenses, and changes in equity, and cash flows as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the Canadian County Rural Water District #4'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 in accordance with accounting principles generally accepted in the United States of America; 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**

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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

**Opinions**

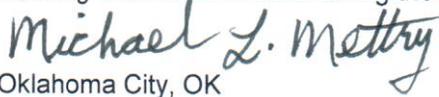
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Canadian County Rural Water District #4, Canadian County, Oklahoma as of December 31, 2012, and the results of operations and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis 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. Management has omitted the Management's Discussion and Analysis. Our opinion is not affected by the missing information.

**Report Issued in Accordance with Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued a report dated July 25, 2013 on our consideration of Canadian County Rural Water District #4's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, 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 the District's internal control over financial reporting and compliance.



Oklahoma City, OK  
July 25, 2013

Canadian County Rural Water District #4  
Balance Sheet  
December 31, 2012

Assets

Cash	\$	3,243
Accounts Receivable		3,836
Other Current Assets		17,366
Total Current Assets		24,444
Investments, Unreserved		1,061,513
Investments, Reserved		42,441
		1,103,954
Water Line and Facilities		1,441,956
Accumulated Depreciation		(739,924)
Equipment		60,539
Accumulated Depreciation		(7,104)
Office equipment		1,856
Accumulated Depreciation		(1,664)
Loan cost		16,864
Accumulated Amortization		(12,932)
Deposits		50
Net Property, Plant, Equipment, and Deposits		759,640
Total Assets	\$	1,888,039
Current Portion Long Term Debt	\$	17,900
Accounts Payable		12,442
Deferred Revenue		-
Accrued payroll taxes		212
Interest payable		305
Total Current Liabilities		30,859
Long Term Debt		189,000
Total Liabilities		219,859
Retained Earnings - Reserved		42,441
Retained Earnings - Unreserved		1,625,740
Total Member's Equity		1,668,181
Total Liabilities and Member's Equity	\$	1,888,039

See independent accountant's report and notes

Canadian County Rural Water District #4  
Statement of Income, Expenses, and Changes in Equity  
for the year ended December 31, 2012

Operating Income	
Water sales	\$ 207,002
Late, Reconnect, & Other Charges	<u>6,944</u>
Total Operating Income	<u>213,946</u>
Operating Expenses	
Salaries and wages	1,800
Payroll tax expense	168
Amortization	586
Depreciation	41,123
Utilities	15,734
Installations, repair, & maintenance	68,005
Meter reading & operating	14,400
Cost of water	33,393
Meeting room expense	100
Bank charges	20
Office supplies	2,913
Returned checks	-
Dues & subscriptions	302
Board member compensation	1,440
Other expenses	4,188
Legal, accounting, & auditing	23,654
Insurance	<u>2,591</u>
Total Operating Expenses	<u>210,416</u>
Net Operating Income (Loss)	3,530
Other Income (Expenses)	
Interest income	16,316
Interest expense	<u>(2,767)</u>
Net Other Income (Loss)	<u>13,549</u>
Net Income (Loss)	17,078
Equity, Beginning	1,627,102
New Member Fees	<u>24,000</u>
Equity, End	<u><u>\$ 1,668,180</u></u>

See independent auditor's report and notes

Canadian County Rural Water District #4  
Statement of Cash Flows  
for the year ended December 31, 2012

Operating Activities	
Water sales	\$ 204,838
Late, Reconnect, Transfer, and Other Charges	6,944
Suppliers and Employees	(167,918)
Interest expense	(2,805)
Net Cash from Operating Activities	<u>41,059</u>
Investing Activities	
Interest income	17,867
Purchase of investments	(3,068)
Purchases of property plant and equipment	(21,913)
Net Cash from (used for) Investing Activities	<u>(7,114)</u>
Financing Activities	
New Member Fees	24,000
Principal Payments on Long Term Debt	(22,350)
Net Cash from (used by) Financing Activities	<u>1,650</u>
Net Change in Cash and Cash Equivalents	35,595
Cash and Cash Equivalents, Beginning	1,029,160
Cash and Cash Equivalents, Ending	<u>\$ 1,064,755</u>

Reconciliation of Cash Flow from Operations  
to Net Income from Operations

Operating Activity Reconciliation	
Operating income	\$ 3,530
Adjustments to reconcile operating income to net cash from operating activities	
Depreciation expense	41,123
Amortization expense	586
Interest expense	(2,767)
Changes in assets and liabilities	
Change in decrease in accounts receivable	(798)
Change in accounts payable	577
Change in deferred revenue	(1,365)
Change in accrued payroll taxes	212
Change in accrued interest expense	(39)
Net Cash from Operating Activities	<u>\$ 41,059</u>

See independent auditor's report and notes

Canadian County Rural Water District No. 4  
Canadian County, Oklahoma  
Notes to Financial Statements  
For the year ended December 31, 2012

**1. Organization and Nature of Operations**

Canadian County Rural Water District #4, Canadian County, Oklahoma (District) is organized under Title 60 of the Oklahoma Statutes. It operates under a Board of Directors elected by the land owners within the District. The purpose of the District is to provide water to the residents of its service area. The District currently provides rural water service. It does not provide waste management service. The District is recognized as a tax exempt organization under Section 501( c ) (12) of the Internal Revenue Code and is exempt from Federal and State income tax.

**2. Summary of Significant Accounting Policies**

The financial statements are prepared on the accrual basis of accounting, which recognizes revenue when earned and expense when incurred. Revenue earned but not received is shown as a receivable. Expense incurred but not paid is shown as a payable.

Property, plant, and equipment are recorded at cost and depreciated. Depreciation is computed straight line over the estimated useful lives. Assets lives are estimated to be between ten and forty years. Loan application costs are being amortized over a period of 28.8 years.

**3. Cash and Investments**

The following details the cash and investment balances as of December 31,

	2012	2011
Cash in bank, checking	\$ 3,042	\$ 2,428
Cash on hand	200	200
	<u>\$ 3,242</u>	<u>\$ 2,628</u>
MidFirst Bank, CD	\$ 95,000	\$ 95,000
Bank of Union, CD	108,674	107,320
Canadian State Bank, CD	-	99,164
Community National, CD	63,105	62,465
First Bank of Okarche, CD	-	99,335
Interbank MMA	204,137	121,762
ORWA reserve certificate	2,000	2,000
Wells Fargo, Investment Account	488,441	439,486
Bank of Commerce, CD	100,155	-
	<u>\$ 1,061,512</u>	<u>\$ 1,026,532</u>
Bank One, Loan Reserve Account	<u>\$ 42,441</u>	<u>\$ 42,357</u>

Canadian County Rural Water District No. 4  
 Canadian County, Oklahoma  
 Notes to Financial Statements  
 For the year ended December 31, 2012

All the District's cash and investment accounts are insured by the Federal Depositors Insurance Corporation. At December 31, 2012 and 2011 deposits in any bank did not exceed the \$250,000 Federal Depositors Insurance Corporation limit.

Cash and cash equivalents includes cash and unreserved investments.

**4. Long Term Debt**

The long term debt of the District consists of an Oklahoma Water Resources Board note dated November 28, 1990 in the amount of \$450,000 with a variable interest rate. The Bank of New York Trust Company is trustee for the note. The note requires a reserve account to be maintained with the trustee. The note is to be paid with periodic payments with the final payment on August 15, 2019. The note is secured by assets of the corporation. Balances as of:

		December 31,	
		2012	2011
Total long term debt		\$ 206,900	\$ 229,250
Less current portion		(17,900)	(21,900)
		<u>\$ 189,000</u>	<u>\$ 207,350</u>
Principle maturities for the next five years			
	2013	\$ 17,900	
	2014	25,700	
	2015	27,700	
	2016	30,000	
	2017	32,400	
	thereafter	73,200	
		<u>\$ 206,900</u>	

**MICHAEL L METTRY CPA**  
**2525 NW EXPRESSWAY STE 200**  
**OKLAHOMA CITY, OK 73112**

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*

To the Board of Directors  
Canadian County Rural Water District #4,  
Canadian County, OK

P. O. Box 386  
El Reno, OK

We have audited, in accordance with the 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 Canadian County Rural Water District #4, Canadian County, Oklahoma as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise Canadian County Rural Water District #4's basic financial statements, and have issued our report thereon dated July 25, 2013.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Canadian County Rural Water District #4'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 Canadian County Rural Water District #4's internal control. Accordingly, we do not express an opinion on the effectiveness of Canadian County Rural Water District #4'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.

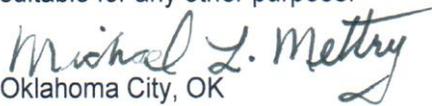
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not 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 Canadian County Rural Water District #4's financial statements are free from 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 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.

  
Oklahoma City, OK  
July 25, 2013

Canadian County Rural Water District No. 4  
Canadian County, Oklahoma  
Findings and Questioned Cost  
December 31, 2012

FINDINGS AND QUESTIONED COST

There were no findings or questioned cost.

Canadian County Rural Water District No. 4  
Canadian County, Oklahoma  
Findings and Questioned Cost  
December 31, 2012

FINDINGS AND QUESTIONED COST

There were no findings or questioned cost.