

**Pushmataha County Rural Water District No. 5  
Nashoba, Oklahoma**

Financial Statements and Auditor's Reports

Year Ended December 31, 2013

Audited by

**SANDERS, BLEDSOE & HEWETT  
CERTIFIED PUBLIC ACCOUNTANTS, LLP**

BROKEN ARROW, OK

Pushmataha County Rural Water District No. 5  
Nashoba, Oklahoma  
Board of Directors  
December 31, 2013

**BOARD OF DIRECTORS**

**Chairman**

David Murray

**Vice Chairman**

Juanita Briggs

**Secretary/Treasurer**

Louise Tittsworth

**Members**

Larry Burke

vacant

**Bookkeeper**

Judith Patterson

Pushmataha County Rural Water District No. 5  
Nashoba, Oklahoma  
December 31, 2013

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# SANDERS, BLEDSOE & HEWETT

CERTIFIED PUBLIC ACCOUNTANTS, LLP

## **INDEPENDENT AUDITOR'S REPORT**

Board of Directors  
Pushmataha County Rural Water District No. 5  
Nashoba, Oklahoma

We have audited the accompanying financial statements of the business-type activities of the Pushmataha County Rural Water District No. 5 (the District), Nashoba, Oklahoma, as of and for the year ended December 31, 2013, which collectively comprise the District'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. Management is also responsible for 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 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 we 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 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 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 opinions.

### **Opinions**

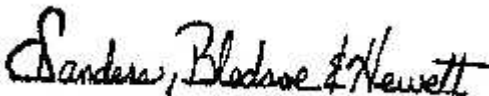
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the District as of December 31, 2013, and the respective changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

### **Other Matters**

The District has not presented the Management's Discussion and Analysis that governmental accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board (GASB), who considers it to be an essential part of the financial reporting for placing the basic 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 our report dated February 27, 2014 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting or on 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 Authority's internal control over financial reporting and compliance.



Sanders, Bledsoe & Hewett  
Certified Public Accountants, LLP



# SANDERS, BLEDSOE & HEWETT

CERTIFIED PUBLIC ACCOUNTANTS, LLP

**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  
Pushmataha County Rural Water District No. 5  
Nashoba, Oklahoma

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 accompanying financial statements of the Pushmataha County Rural Water District No. 5 (the District), Nashoba, Oklahoma, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 27, 2014.

**Internal Control Over Financial Reporting**

Management of the District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting in order to determine our auditing procedures that are appropriate 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 District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

Our consideration of the internal control over financial reporting 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified no deficiencies in the internal controls that we considered to be material weaknesses.

*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 deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District'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.

#### Compliance

As part of obtaining reasonable assurance about whether the District'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 that are required to be reported under *Government Auditing Standards*.

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.



Sanders, Bledsoe & Hewett  
Certified Public Accountants, LLP

February 27, 2014

**PUSHMATAHA COUNTY RURAL DISTRICT NO. 5**  
**Disposition of Prior Year's Reportable Conditions**  
**December 31, 2013**

There were no prior year reportable conditions.



**PUSHMATAHA COUNTY RURAL WATER DISTRICT NO. 5**  
**Schedule of Audit Results**  
**December 31, 2013**

Section 1 – Summary of Auditor’s Results:

1. An unqualified opinion report was issued on the financial statements.
2. The audit disclosed no significant deficiencies in the internal controls that were considered material weaknesses.
3. The audit disclosed no instances of noncompliance.

Section 2 – Findings relating to the financial statements required to be reported in accordance with GAGAS:

NONE

PUSHMATAHA COUNTY RURAL WATER DISTRICT NO. 5  
STATEMENT OF NET ASSETS  
DECEMBER 31, 2013

ASSETS:

Current assets:

Cash	\$ 7,761
Investments	26,950
Accounts receivable	9,105
Prepaid assets	2,195
Total current assets	<u>46,011</u>

Noncurrent assets:

Restricted cash and cash equivalents	21,425
Capital assets:	
Water distribution system-net	1,743,827
Building-net	30,458
Total noncurrent assets	<u>1,795,710</u>

Total Assets	<u>1,841,721</u>
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LIABILITIES:

Current liabilities:

Accounts/wages payable	7,830
Accrued interest on long-term debt	1,083
Current portion of long-term debt	9,418
Total current liabilities	<u>18,331</u>

Noncurrent liabilities:

Long-term notes payable	<u>404,190</u>
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Total Liabilities	<u>422,521</u>
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NET ASSETS:

Invested in capital assets, net of related debt	1,360,677
Unrestricted	<u>58,523</u>

Total Net Assets	<u>\$ 1,419,200</u>
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The accompanying notes are an integral part of the financial statements

PUSHMATAHA COUNTY RURAL WATER DISTRICT NO. 5  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2013

Operating Revenues:	
Water revenue	<u>\$ 113,070</u>
Operating Expenses:	
Salaries and taxes	29,740
Water purchases	32,276
Utilities and telephone	2,619
Depreciation	63,304
Supplies and materials	6,683
Office	1,541
Insurance	4,474
Contract labor	6,762
Professional fees	1,775
Postage	1,315
Mileage and travel	3,865
Testing	2,685
Dues and fees	250
Miscellaneous	718
Total expenses from operations	<u>158,007</u>
Operating Income (Loss)	(44,937)
Non-Operating Revenues (Expenses):	
Interest income	556
Interest paid on long-term debt	<u>(19,282)</u>
Total Non-Operating Revenues (Expenses)	<u>(18,726)</u>
Change in Net Assets	(63,663)
Total Net Assets, beginning of period	<u>1,482,863</u>
Total Net Assets, end of period	<u><u>\$ 1,419,200</u></u>

The accompanying notes are an integral part of the financial statements

PUSHMATAHA COUNTY RURAL WATER DISTRICT NO. 5  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2013

Cash Flows from Operating Activities:

Receipts from customers	\$ 114,588
Payments to employees	(29,710)
Payments to vendors	<u>(63,527)</u>
Net Cash Provided by (used in) Operating Activities	<u>21,351</u>

Cash Flows from Financing Activities:

Principal paid on long-term debt	(8,983)
Interest paid on long-term debt	<u>(19,325)</u>
Net Cash Provided by (used in) Financing Activities	<u>(28,308)</u>

Cash Flows from Investing Activities:

Interest earned on investments	<u>556</u>
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Net increase (decrease) in cash and cash equivalents (6,401)

Cash and cash equivalents, beginning of period 62,537

Cash and cash equivalents, end of period \$ 56,136

Reconciliation of operating income (loss) to net cash provided  
by operating activities:

Operating Income (loss)	\$ (44,937)
Adjustments to reconcile net income to net cash provided (used) by operating activities:	
Depreciation Expense	63,304
Change in assets and liabilities:	
(Increase) decrease in accounts receivable	1,518
(Increase) decrease in prepaid assets	(63)
Increase (decrease) in accounts payable	<u>1,529</u>
Net cash provided by operating activities	<u><u>\$ 21,351</u></u>

The accompanying notes are an integral part of the financial statements

PUSHMATAHA COUNTY RURAL WATER DISTRICT NO. 5  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013

**Note A – Significant Accounting Policies**

Business Activity

Pushmataha County Rural Water District No. 5 (the District) was formed under the provisions of Title 82, O.S. 1981, Sections 1324.1-1324.26 inclusive. The District operates as a nontaxable government agency to service residents of the Pushmataha County Rural Water District No. 5. The District's primary income is from the sale of water to its members in an area around Nashoba, Oklahoma.

Basis of Accounting

The financial statements are prepared on an accrual basis of accounting, which is in compliance with accounting principles generally accepted in the United States of America (GAAP), and which recognizes revenues when earned and expenses as incurred. Interest earnings on certificates of deposit are recorded when such interest is actually received by the District. Generally accepted accounting principles include all relevant Government Accounting Standards Board (GASB) pronouncements.

Cash

The District's cash accounts are with the Shamrock Bank, Coalgate, Oklahoma, and are detailed as follows:

	December 31,	
	2013	2012
Operating Account	\$ 9,752	19,385
Construction Account	-	543
Less: Outstanding checks	(1,991)	(1,859)
Totals	<u>\$ 7,761</u>	<u>18,069</u>

Collateral Pledged

It appears that all funds were adequately insured by \$250,000 FDIC coverage as of December 31, 2013.

PUSHMATAHA COUNTY RURAL WATER DISTRICT NO. 5  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013

**Note A – Significant Accounting Policies – cont'd**

Investments

The District's investment accounts (which are restricted) are with the Shamrock Bank, Coalgate, Oklahoma, and are detailed as follows:

	December 31,	
	2013	2012
Money Market Account	\$ 17,897	14,516
Certificates of Deposits	9,053	9,034
Total Investments	<u>\$ 26,950</u>	<u>23,550</u>

Restricted Asset – Investment Reserves

In compliance with Rural Economic and Community Development regulations, cash reserves have been established to collect up to one year's payments on the notes payable, or \$16,212, at which time deposits into the reserve can be suspended. The reserve account funds have been deposited in a certificate of deposit at Shamrock Bank, Coalgate, Oklahoma, which is insured by the federal government. At December 31, 2013 the restricted asset-investment reserve balance was \$21,425.

Accounts Receivable

Billings for accounts receivable at December 31, 2013 were \$9,105. Allowance for doubtful accounts was not estimated, since the amount is considered immaterial.

Fixed Assets

Fixed assets obtained prior to December 31, 1995, are carried at estimated cost, which is equivalent to the loan proceeds and grants obtained to finance the purchase of property, plant, and equipment. Subsequent additions are recorded at cost. Depreciation of the waterworks system and improvements is provided using the straight-line method based on a forty-year life. Equipment is depreciated over a five-year life. Depreciation expense for the year is presented as an operating expense and closed, along with other operating expenses, directly to retained earnings.

PUSHMATAHA COUNTY RURAL WATER DISTRICT NO. 5  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013

**Note B – Long-Term Debt**

The District is indebted to the USDA Rural Development Program on two notes obtained to finance system improvements. The notes are secured by system revenues and property, plant and equipment. Long-term debt at December 31, is summarized as follows:

	<u>2013</u>	<u>2012</u>
Note No. 91-01, issued for \$275,000, dated 9-7-93, at 5% interest, due in monthly installments of \$1,351, until paid;	\$ 202,018	207,967
Note No. 91-01, issued for \$230,000, dated 2-14-06, at 4.25% interest, due in monthly installments of \$1,008, until paid;	211,590	214,623
Less: Current maturities of long-term debt	<u>(9,418)</u>	<u>(8,985)</u>
Total Long-Term Debt, Less Current Maturities	<u>\$ 404,190</u>	<u>413,605</u>

The estimated maturities for the next five (5) years, plus the total amount due thereafter, based on the required monthly payments, are detailed as follows:

	<u>Rural Development</u>
2014	\$ 9,418
2015	9,575
2016	10,354
2017	10,857
2018	11,384
2019-23	65,777
2024-28	83,413
2029-33	98,805
2034-38	40,309
2039+	<u>73,716</u>
Total	<u>\$ 413,608</u>

PUSHMATAHA COUNTY RURAL WATER DISTRICT NO. 5  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013

**Note C- Contributed Capital**

Contributed capital of \$674,036 was provided by grants from the Rural Economic and Community Development and other sources to assist in building and improving the water system. In 2006 and 2007, the District received grants from Rural Development (\$905,551), ORWB (\$119,000) and the Choctaw Nation (\$50,000), as well as a KEDDO Grant (\$10,751) and ODOC Grant (\$250,000) which were administered through Pushmataha County. These grants, along with the loan proceeds received in 2006 and 2007, were used to complete the water distribution system in Snow and assist in the building of an office building.

**Note D - Prior Year Information**

Prior year information is shown on the financial statements for comparative purposes only. No assurance is given on prior year amounts.

**Note E – Subsequent Events**

Management has evaluated subsequent events through February 27, 2014, which is the date the financial statements were available to be issued and have determined that no additional information needs to be added to the financial statements.



PUSHMATAHA COUNTY RURAL WATER DISTRICT NO. 5  
BALANCE SHEET  
DECEMBER 31, 2013

	DECEMBER 31,	
	2013	(memo only) 2012
<u>ASSETS</u>		
Current Assets:		
Cash in bank	\$ 7,761	18,069
Investments	26,950	23,550
Accounts receivable	9,105	10,623
Prepaid Insurance	2,195	2,132
Total Current Assets	<u>46,011</u>	<u>54,374</u>
Fixed Assets:		
Water distribution system	2,478,013	2,478,013
Building	40,611	40,611
Equipment	14,648	14,648
Office equipment	2,721	2,721
Total Fixed Assets	<u>2,535,993</u>	<u>2,535,993</u>
Less: accumulated depreciation	<u>(761,708)</u>	<u>(698,404)</u>
Total Fixed Assets (net of depreciation)	<u>1,774,285</u>	<u>1,837,589</u>
Restricted Assets:		
Investment reserves	<u>21,425</u>	<u>20,918</u>
Total Assets	<u><u>\$ 1,841,721</u></u>	<u><u>1,912,881</u></u>
<u>LIABILITIES AND EQUITY</u>		
Current Liabilities:		
Accounts payable	\$ 5,635	4,136
Accrued wages	1,640	1,802
Payroll taxes payable	555	363
Accrued interest	1,083	1,127
Current maturities of long-term debt	9,418	8,985
Total Current Liabilities	<u>18,331</u>	<u>16,413</u>
Long-Term Debt, less current maturities:		
Notes payable	<u>404,190</u>	<u>413,605</u>
Total Liabilities	<u>422,521</u>	<u>430,018</u>
Equity:		
Contributed capital	2,009,338	2,009,338
Retained earnings (deficit)	<u>(590,138)</u>	<u>(526,475)</u>
Total Equity	<u>1,419,200</u>	<u>1,482,863</u>
Total Liabilities and Equity	<u><u>\$ 1,841,721</u></u>	<u><u>1,912,881</u></u>

PUSHMATAHA COUNTY RURAL WATER DISTRICT NO. 5  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS  
FOR YEARS ENDED DECEMBER 31, 2013

	2013	(memo only) 2012
Revenue from operations:		
Water revenue	\$ 102,423	103,737
Memberships	3,853	5,670
Miscellaneous	6,794	8,739
Total revenue from operations	<u>113,070</u>	<u>118,146</u>
Expenses from operations:		
Salaries and taxes	29,740	27,500
Water purchases	32,276	28,161
Utilities and telephone	2,619	2,926
Depreciation	63,304	63,304
Supplies and materials	6,683	5,615
Office	1,541	1,821
Insurance	4,474	4,097
Contract labor	6,762	6,580
Professional fees	1,775	2,166
Postage	1,315	1,269
Mileage and reimbursements	3,865	4,674
Testing	2,685	2,201
Dues and fees	250	867
Miscellaneous	718	705
Total expenses from operations	<u>158,007</u>	<u>151,886</u>
Net Income (Loss) From Operations	(44,937)	(33,740)
Non-operating revenue:		
Interest earnings	<u>556</u>	<u>577</u>
Non-operating expenses:		
Interest paid on long-term debt	<u>(19,282)</u>	<u>(19,735)</u>
Net Income (Loss)	(63,663)	(52,898)
Retained earnings, beginning of period (deficit)	<u>(526,475)</u>	<u>(473,577)</u>
Retained earnings, end of period (deficit)	<u><u>\$ (590,138)</u></u>	<u><u>(526,475)</u></u>