

**Rogers County Rural Water District No. 4
Oologah, Oklahoma**

Financial Statements and Auditor's Reports

Year Ended November 30, 2014

Audited by

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

BROKEN ARROW, OK

Rogers County Rural Water District No. 4
Oologah, Oklahoma
Board of Directors
November 30, 2014

BOARD OF DIRECTORS

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Allen Carter

Vice-Chairman

Edward Wofford Jr.

Secretary/Treasurer

Dusty Harper

Members

Mel Dainty

Ken McMains

PLANT SUPERVISOR

Melvin Hart

BOOKKEEPER

Julie Hendrix

Rogers County Rural Water District No. 4
Oologah, Oklahoma
November 30, 2014

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SANDERS, BLEDSOE & HEWETT

CERTIFIED PUBLIC ACCOUNTANTS, LLP

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Rogers County Rural Water District No. 4
Oologah, Oklahoma

We have audited the accompanying financial statements of the business-type activities of the Wagoner County Rural Water District No. 5 (the District), Coweta, Oklahoma, as of and for the year ended November 30, 2014, 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

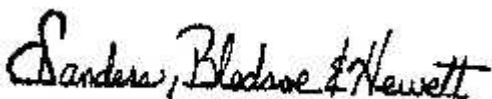
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the District as of November 30, 2014, and the respective changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 and 6 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. We have applied certain limited procedures to the required supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 4, 2015 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

RURAL WATER DISTRICT NO. 4, ROGERS COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
NOVEMBER 30, 2014

Our discussion and analysis of the Rural Water District No. 4, Rogers County's financial performance provides an overview of the District's financial activities for the fiscal year ended November 30, 2014. Please read it in conjunction with the District's financial statements that begin on page 11.

FINANCIAL HIGHLIGHTS:

- The District's total operating revenues exceeded total operating expenses by \$92,152. Overall, the District's total net assets increased by \$75,288 in the current fiscal year.
- The District earned over \$2,200 in interest earnings during 2013, which is \$500 less than the prior year.
- The District continued to pay on their existing debt.

Using This Report

This report is presented in a format consistent with the presentation requirements of the Governmental Accounting Standards Board (GASB) Statement No. 34, as applicable to the District's basis of accounting.

Basis of Accounting

The District has elected to present its financial statements in the accrual basis of accounting. According to the accrual basis, revenues are recorded when earned and expenses are recognized when incurred. This policy is in accordance with generally accepted accounting principles.

The Financial Statements

One of the most important questions asked about the District's finances is, "Is the District as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets, the Statement of Activities, and the Statement of Cash Flows report information about the District and about its activities in a way that helps answer this question.

These three statements report the District's net assets and the changes in them. You can think of the District's net assets – the difference between assets and liabilities – as one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in water rates paid or charged and the condition of the District's water system, to assess the overall health of the District.

The District has only one type of fund or activity, which is defined as *Business-type activities*. This is considered a proprietary fund. This means the District charges a fee to customers to help it cover all or most of the cost of certain services it provides.

Fixed Assets

At November 30, 2014 the District had \$4,883,254 invested in fixed assets, net of depreciation, including land, the water system, pump station and vehicles. Additional fixed assets of \$25,070 were added during the 2014 fiscal year.

Long-Term Debt

The District has two notes with the Oklahoma Water Resources Board, a 28 year, 1.50% interest, \$1,465,000 mortgage received in 1996 and a 20 year, 3.55% interest, \$2,105,000 mortgage received in 2006. The total outstanding loan balances decreased from \$2,213,847 to \$2,054,463 in 2014.

Economic Factors and Next Year's Budget and Rates

For the upcoming fiscal year ending November 30, 2015, the District's projected budget is fairly consistent with the 2014 fiscal year.

For the fiscal year 2015, the District may have to increase rates to users to meet the demands of the struggling economy. If demand is increased on existing lines and equipment, or additional memberships are substantially increased, it may be necessary for the District to incur some long-term debt to meet these demands.

Contacting the District

This report is designed to provide our customers and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact the District Office at P.O. Box 198, Oologah, OK 74053, or call (918) 443-2542.



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
Rogers County Rural Water District No. 4
Oologah, 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 Rogers County Rural Water District No. 4 (the District), Oologah, Oklahoma, as of and for the year ended November 30, 2014, 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 4, 2015.

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 4, 2015

ROGERS COUNTY RURAL DISTRICT NO. 4
Disposition of Prior Year's Reportable Conditions
November 30, 2014

There were no prior year instances of noncompliance.

ROGERS COUNTY RURAL WATER DISTRICT NO. 4
Schedule of Audit Results
November 30, 2014

Section 1 – Summary of Auditor’s Results:

1. An unqualified opinion report was issued on the financial statements.
2. The audit disclosed no reportable conditions in the internal controls.
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

ROGERS COUNTY RURAL WATER DISTRICT NO. 4
Statement of Net Assets
November 30, 2014

ASSETS

Current assets:	
Cash	\$ 558,756
Investments with fiscal agents	219,519
Current portion of receivables	98,239
Inventory	45,314
Prepaid expenses	24,899
Total current assets	<u>946,727</u>
Noncurrent assets:	
Restricted assets-	
OWRB project funds	149,123
Fixed assets-	
Water system and improvements, net of depreciation	4,883,254
Total noncurrent assets	<u>5,032,377</u>
Other assets:	
Loan costs, net of amortization	<u>6,365</u>
Total Assets	<u>5,985,469</u>

LIABILITIES

Current liabilities:	
Accounts payable	18,429
Accrued interest	2,383
Current maturities of long-term debt	201,918
Total current liabilities	<u>222,730</u>
Noncurrent liabilities:	
Notes payable, net of current liabilities	<u>1,852,545</u>
Total Liabilities	<u>2,075,275</u>

NET ASSETS

Invested in capital assets, net of related debt	2,828,791
Unrestricted assets	<u>1,081,403</u>
Total Net Assets	<u>\$ 3,910,194</u>

The accompanying notes to the financial statements are an integral part of this statement

ROGERS COUNTY RURAL WATER DISTRICT NO. 4
Statement of Activities
For The Year Ended November 30, 2014

Operating Revenues:	
Water sales	\$ 1,214,726
Memberships	56,926
Refunds and reimbursements	70,039
Total revenues from operations	<u>1,341,691</u>
Operating Expenses:	
Water samples	9,436
Salaries and wages	358,540
Chemicals	103,233
Contracted service	40,483
Depreciation	179,458
Amortization	706
Utilities and telephone	118,771
Postage	13,242
Supplies and materials	64,537
Office	20,698
Insurance	171,110
Retirement	21,069
Repairs & maintenance	76,369
Bank and trustee fees	157
Professional fees	19,302
Vehicle and travel	25,945
Dues and fees	17,854
Miscellaneous	8,629
Total expenses from operations	<u>1,249,539</u>
Operating Income (Loss)	92,152
Non-Operating Revenues (Expenses):	
Interest income	2,205
Interest expense on debt	<u>(19,069)</u>
Total non-operating revenues (expenses)	<u>(16,864)</u>
Change in Net Assets	75,288
Total Net Assets, beginning of period	<u>3,834,906</u>
Total Net Assets, end of period	<u><u>\$ 3,910,194</u></u>

The accompanying notes to the financial statements are an integral part of this statement

ROGERS COUNTY RURAL WATER DISTRICT NO. 4
Statement of Cash Flows
For Year Ended November 30, 2014

Cash Flows from Operating Activities:	
Receipts from customers	\$ 1,333,307
Payments to employees	(358,540)
Payments to vendors	(707,907)
Net Cash Provided by Operating Activities	<u>266,860</u>
Cash Flows from Financial Activities:	
Capital assets purchased	(25,070)
Principal paid on debt	(159,384)
Interest paid on debt	(31,033)
Net cash provided by (used in) financial activities	<u>(215,487)</u>
Cash Flows from Investing Activities:	
Interest revenue	<u>2,205</u>
Net Increase (Decrease) in Cash and Equivalents	53,578
Cash and cash equivalents, beginning of period	<u>873,820</u>
Cash and cash equivalents, end of period	<u><u>\$ 927,398</u></u>

Reconciliation of operating income (loss) to net cash provided by operating activities:	
Operating Income (loss)	\$ 92,152
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation and amortization expenses	180,164
(Increase) decrease in accounts receivable	(8,384)
(Increase) decrease in prepaid expenses	(900)
(Increase) decrease in inventory	(7,638)
Increase (decrease) in accounts payable	11,466
Net Cash Provided by Operating Activities	<u><u>\$ 266,860</u></u>

The accompanying notes to the financial statements are an integral part of this statement

ROGERS COUNTY RURAL WATER DISTRICT NO. 4
Notes to Financial Statements
November 30, 2014

Note A – Significant Accounting Policies

Nature of Organization

The Rogers County Rural Water District No. 4 (the District) was created under the provisions of Title 82 of Oklahoma Statutes, Section 1324.1 – 1324.35 and the Laws of the State of Oklahoma. The purpose of this District is to provide water services to users.

Basis of Accounting

The accrual basis of accounting is followed for all accounts. Revenues are recorded when earned and liabilities are recognized when incurred. This policy is in accordance with generally accepted accounting principles.

The District follows GASB issued Statement No. 34 “Basic Financial Statements and Management’s Discussion and Analysis for State and Local Government.” This statement establishes financial reporting requirements for state and local governments throughout the United States.

Cash

The District’s accounts are with the Lakeside State Bank, Oologah, Oklahoma, and are detailed as follows:

	November 30,	
	2014	2013
Revenue Account	\$ 118,467	66,822
Employee Insurance Account	18,772	24,927
Improvement Account	9,796	9,781
Operation and Maint. Account	28,998	100,992
Impact Account	1,308	21,367
Impact II Account	-	50,421
Impact III Account	443,876	353,456
Add: Deposits in transit	109,348	41,398
Less: Outstanding checks	(171,809)	(95,194)
Total	<u>\$ 558,756</u>	<u>573,970</u>

ROGERS COUNTY RURAL WATER DISTRICT NO. 4
Notes to Financial Statements
November 30, 2014

Note A – Significant Accounting Policies – cont'd

Cash and Cash Equivalents

For the purposes of preparing the statement of cash flows, cash on hand, reconciled cash in savings and checking, and certificates of deposit that can be converted into cash (if necessary) are considered cash equivalents.

Investments

The District had the following outstanding investments:

	November 30,	
	2014	2013
Bank of the Lakes, Oologah, OK- Certificate of Deposit no. 60001850, dated 2/17/14, matures 2/17/15, at .75%	\$ 219,519	167,476

Accounts Receivable

Billings for accounts receivable at November 30, 2014 were \$98,239. Allowance for doubtful accounts was not computed on this balance because uncollectibles do not have a material effect on the balance sheet.

Collateral Pledged

All District funds were adequately insured by FDIC or other secured collateral as of November 30, 2014.

Fixed Assets

The fixed asset information for the District is shown below:

	11/30/2013			11/30/2014
	Amount	Additions	Deletions	Amount
Land	\$ 20,803	-	-	20,803
Water system	8,318,102	9,070	-	8,327,172
Buildings	205,397	-	-	205,397
Equipment and autos	362,082	16,000	-	378,082
Total Fixed Assets	8,906,384	25,070	-	8,931,454
Less: Accumulated Depreciation	(3,868,742)	(179,458)	-	(4,048,200)
Total	\$ 5,037,642	(154,388)	-	4,883,254

ROGERS COUNTY RURAL WATER DISTRICT NO. 4
Notes to Financial Statements
November 30, 2014

Note A – Significant Accounting Policies – cont’d

Federal Income Tax

The District is exempt from Federal and State income taxes.

Accumulated Unpaid Vacation and Sick Pay

At November 30, 2014, no determination of the aggregate dollar value of vacation or sick pay had been made.

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 B – Long-Term Debt

Long-Term Debt consists of two notes:

The District has a promissory note in the amount of \$1,465,000 with the Oklahoma Water Resources Board (OWRB) for a period of 28 years. The District makes monthly deposits into the trust account at BancFirst. The trust account then makes the variable semi-annual payments of principal and interest to the OWRB. The current interest rate on this note is 1.45%. The water system and future water revenues are used as security for this note.

The District has a promissory note in the amount of \$2,105,000 with the Oklahoma Water Resources Board (OWRB) in 2006 for continued improvements on their water system. The interest rate is 3.55%, and the District is required to make semi-annual payments of principal, interest and administrative fees of \$74,158. The water system and future water revenues are used as security for this note.

The District has an OWRB debt service reserve and debt service of \$131,869 and \$17,254, respectively, on deposit with BancFirst in a trustee account for use in retiring the note. The reserve is not available for any other purposes.

ROGERS COUNTY RURAL WATER DISTRICT NO. 4
Notes to Financial Statements
November 30, 2014

Note B – Notes Payable – cont'd

	November 30,	
	2014	2013
Oklahoma Water Resources Board note payable, issued for \$1,465,000, at 1.32% interest, due in monthly installments, until paid;	\$ 594,300	637,250
Oklahoma Water Resources Board note payable, issued for \$2,105,000, at 3.05% interest, due in semi-annual installments, until paid;	<u>1,460,163</u>	<u>1,576,597</u>
Long-Term Debt Outstanding	2,054,463	2,213,847
Less: Current maturities of long-term debt	<u>(201,918)</u>	<u>(144,866)</u>
Total Long-Term Debt, Net	<u><u>\$ 1,852,545</u></u>	<u><u>2,068,981</u></u>

The scheduled maturities for the next five (5) years, and in total thereafter, are detailed as follows:

Year	OWRB-06	OWRB-96	Total
2015	\$ 141,084	60,834	201,918
2016	141,555	61,722	203,277
2017	142,083	62,623	204,706
2018	142,610	63,537	206,147
2019	143,156	64,465	207,621
2020-2024	724,670	281,119	1,005,789
2025-2029	<u>25,005</u>		<u>25,005</u>
Total	<u><u>\$ 1,460,163</u></u>	<u><u>594,300</u></u>	<u><u>2,054,463</u></u>

Note C – Insurance and Surety Bond Coverage

The District appears to have had adequate insurance to cover all major perils at November 30, 2014.

Note D – Subsequent Events

Management has evaluated subsequent events through February 4, 2015, 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.

ROGERS COUNTY RURAL WATER DISTRICT NO. 4

Balance Sheet November 30, 2014

	NOVEMBER 30,	
	2014	(memo only) 2013
<u>ASSETS</u>		
Current Assets:		
Cash in bank	\$ 558,756	573,970
Investments	219,519	167,476
Accounts receivable	98,239	89,855
Inventory	45,314	37,676
Prepaid insurance	24,899	23,999
Total current assets	<u>946,727</u>	<u>892,976</u>
Restricted Assets:		
OWRB Project trust funds-		
Debt service account	17,254	510
Debt service reserve account	131,869	131,864
Total restricted assets	<u>149,123</u>	<u>132,374</u>
Fixed Assets:		
Land	20,803	20,803
Water system and improvements	8,327,172	8,318,102
Buildings and improvements	206,397	205,397
Equipment and automobiles	377,082	362,082
Total fixed assets	<u>8,931,454</u>	<u>8,906,384</u>
Less: accumulated depreciation	<u>(4,048,200)</u>	<u>(3,868,742)</u>
Total fixed assets (net)	<u>4,883,254</u>	<u>5,037,642</u>
Other Assets:		
Loan costs, net of amortization	<u>6,365</u>	<u>7,071</u>
Total Assets	<u>\$ 5,985,469</u>	<u>6,070,063</u>
<u>LIABILITIES AND FUND EQUITY</u>		
Current Liabilities:		
Accounts payable	\$ 18,429	6,963
Accrued interest	2,383	14,347
Current maturities of long-term debt	201,918	144,866
Total current liabilities	<u>222,730</u>	<u>166,176</u>
Long-Term Debt, less current maturities-		
Notes payable	<u>1,852,545</u>	<u>2,068,981</u>
Total Liabilities	<u>2,075,275</u>	<u>2,235,157</u>
Fund Equity:		
Retained earnings	<u>3,910,194</u>	<u>3,834,906</u>
Total Liabilities and Fund Equity	<u>\$ 5,985,469</u>	<u>6,070,063</u>

ROGERS COUNTY RURAL WATER DISTRICT NO. 4
Statement of Revenue, Expenses and Changes in Retained Earnings
For Years Ended November 30, 2014

	2013-14	(memo only) 2012-13
Revenue from Operations:		
Water sales	\$ 1,187,567	1,162,701
Late charges	27,159	26,747
Memberships	56,926	35,374
Collection and reconnect fees	12,581	17,065
Other income and fees	57,458	40,247
Total revenue from operations	<u>1,341,691</u>	<u>1,282,134</u>
Expenses from Operations:		
Water samples	9,436	11,902
Salaries and wages	358,540	346,924
Chemicals	103,233	99,720
Contracted service	40,483	34,428
Depreciation	179,458	176,045
Amortization	706	706
Utilities and telephone	118,771	77,906
Postage	13,242	10,722
Supplies and materials	64,537	46,064
Office	20,698	30,748
Insurance	171,110	162,558
Retirement	21,069	20,935
Repairs & maintenance	76,369	74,447
Bank and trustee fees	157	7,126
Professional fees	19,302	11,274
Vehicle and travel	25,945	30,256
Dues and fees	17,854	13,984
Miscellaneous	8,629	4,633
Total expenses from operations	<u>1,249,539</u>	<u>1,160,378</u>
Net Income (Loss) from Operations	92,152	121,756
Other Income:		
Interest earnings	<u>2,205</u>	<u>2,751</u>
Other Expenses:		
Interest on debt	<u>(19,069)</u>	<u>(70,854)</u>
Net Income (Loss)	75,288	53,653
Retained earnings, beginning of period	<u>3,834,906</u>	<u>3,781,253</u>
Retained earnings, end of period	<u><u>\$ 3,910,194</u></u>	<u><u>3,834,906</u></u>