

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

Financial Statements and Auditor's Reports

Year Ended November 30, 2013

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, 2013

**BOARD OF DIRECTORS**

**Chairman**

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, 2013

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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, 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**

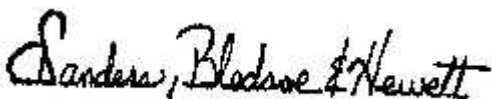
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the District as of November 30, 2013, and the respective changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

## **Other Matters**

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 3, 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

**RURAL WATER DISTRICT NO. 4, ROGERS COUNTY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**NOVEMBER 30, 2013**

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, 2013. 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 \$121,756. Overall, the District's total net assets increased by \$53,653 in the current fiscal year.
- The District earned over \$2,700 in interest earnings during 2013, which is \$3,300 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, 2013 the District had \$5,037,642 invested in fixed assets, net of depreciation, including land, the water system, pump station and vehicles. Additional fixed assets of \$16,812 were added during the 2013 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 \$2,616,928 to \$2,213,847 in 2013.

### **Economic Factors and Next Year's Budget and Rates**

For the upcoming fiscal year ending November 30, 2014, the District's projected budget is fairly consistent with the 2013 fiscal year.

For the fiscal year 2014, 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, 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 3, 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 3, 2014

**ROGERS COUNTY RURAL DISTRICT NO. 4**  
**Disposition of Prior Year's Reportable Conditions**  
**November 30, 2013**

There were no prior year instances of noncompliance.

**ROGERS COUNTY RURAL WATER DISTRICT NO. 4**  
**Schedule of Audit Results**  
**November 30, 2013**

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, 2013

ASSETS

Current assets:	
Cash	\$ 573,970
Investments with fiscal agents	167,476
Current portion of receivables	89,855
Inventory	37,676
Prepaid expenses	23,999
Total current assets	<u>892,976</u>
Noncurrent assets:	
Restricted assets-	
OWRB project funds	132,374
Fixed assets-	
Water system and improvements, net of depreciation	5,037,642
Total noncurrent assets	<u>5,170,016</u>
Other assets:	
Loan costs, net of amortization	<u>7,071</u>
Total Assets	<u>6,070,063</u>

LIABILITIES

Current liabilities:	
Accounts payable	6,963
Accrued interest	14,347
Current maturities of long-term debt	144,866
Total current liabilities	<u>166,176</u>
Noncurrent liabilities:	
Notes payable, net of current liabilities	<u>2,068,981</u>
Total Liabilities	<u>2,235,157</u>

NET ASSETS

Invested in capital assets, net of related debt	2,823,795
Unrestricted assets	<u>1,011,111</u>
Total Net Assets	<u>\$ 3,834,906</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, 2013

Operating Revenues:	
Water sales	\$ 1,189,448
Memberships	35,374
Refunds and reimbursements	57,312
Total revenues from operations	<u>1,282,134</u>
Operating Expenses:	
Water samples	11,902
Salaries and wages	346,924
Chemicals	99,720
Contracted service	34,428
Depreciation	176,045
Amortization	706
Utilities and telephone	77,906
Postage	10,722
Supplies and materials	46,064
Office	30,748
Insurance	162,558
Retirement	20,935
Repairs & maintenance	74,447
Bank and trustee fees	7,126
Professional fees	11,274
Vehicle and travel	30,256
Dues and fees	13,984
Miscellaneous	4,633
Total expenses from operations	<u>1,160,378</u>
Operating Income (Loss)	121,756
Non-Operating Revenues (Expenses):	
Interest income	2,751
Interest expense on debt	(70,854)
Total non-operating revenues (expenses)	<u>(68,103)</u>
Change in Net Assets	53,653
Total Net Assets, beginning of period	<u>3,781,253</u>
Total Net Assets, end of period	<u><u>\$ 3,834,906</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, 2013

Cash Flows from Operating Activities:	
Receipts from customers	\$ 1,283,838
Payments to employees	(346,924)
Payments to vendors	(657,328)
Net Cash Provided by Operating Activities	<u>279,586</u>
Cash Flows from Financial Activities:	
Capital assets purchased	(16,812)
Principal paid on debt	(403,081)
Interest paid on debt	(70,335)
Net cash provided by (used in) financial activities	<u>(490,228)</u>
Cash Flows from Investing Activities:	
Interest revenue	<u>2,751</u>
Net Increase (Decrease) in Cash and Equivalents	(207,891)
Cash and cash equivalents, beginning of period	<u>1,081,711</u>
Cash and cash equivalents, end of period	<u><u>\$ 873,820</u></u>

Reconciliation of operating income (loss) to net cash provided by operating activities:	
Operating Income (loss)	\$ 121,756
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation and amortization expenses	176,751
(Increase) decrease in accounts receivable	1,704
(Increase) decrease in prepaid expenses	(13,276)
(Increase) decrease in inventory	(716)
Increase (decrease) in accounts payable	(6,633)
Net Cash Provided by Operating Activities	<u><u>\$ 279,586</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, 2013**

**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,	
	2013	2012
Revenue Account	\$ 66,822	142,308
Employee Insurance Account	24,927	30,959
Improvement Account	9,781	9,764
Operation and Maint. Account	100,992	94,272
Impact Account	21,367	21,321
Impact II Account	50,421	50,291
Impact III Account	353,456	232,846
Add: Deposits in transit	41,398	26,481
Less: Outstanding checks	(95,194)	(85,800)
Total	<u>\$ 573,970</u>	<u>522,442</u>

**ROGERS COUNTY RURAL WATER DISTRICT NO. 4**  
**Notes to Financial Statements**  
**November 30, 2013**

**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,	
	2013	2012
Bank of the Lakes, Oologah, OK- Certificate of Deposit no. 60001850, dated 2/17/13, matures 2/17/14, at .95%	\$ 167,476	166,025

Accounts Receivable

Billings for accounts receivable at November 30, 2013 were \$89,855. 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, 2013.

Fixed Assets

The fixed asset information for the District is shown below:

	11/30/2012			11/30/2013
	Amount	Additions	Deletions	Amount
Land	\$ 20,803	-	-	20,803
Water system	8,309,889	8,213	-	8,318,102
Buildings	205,397	-	-	205,397
Equipment and autos	353,483	8,599	-	362,082
Total Fixed Assets	8,889,572	16,812	-	8,906,384
Less: Accumulated Depreciation	(3,692,697)	(176,045)	-	(3,868,742)
Total	\$ 5,196,875	(159,233)	-	5,037,642



**ROGERS COUNTY RURAL WATER DISTRICT NO. 4**  
**Notes to Financial Statements**  
**November 30, 2013**

**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, 2013, 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 Bank of New York. 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 1.50%. 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 \$74,243. 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 \$131,864 and \$510, respectively, on deposit with Bank of New York 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, 2013**

**Note B – Notes Payable – cont'd**

	November 30,	
	2013	2012
Oklahoma Water Resources Board note payable, issued for \$1,465,000, at 1.32% interest, due in monthly installments, until paid;	\$ 637,250	951,000
Oklahoma Water Resources Board note payable, issued for \$2,105,000, at 3.05% interest, due in semi-annual installments, until paid;	<u>1,576,597</u>	<u>1,665,928</u>
Long-Term Debt Outstanding	2,213,847	2,616,928
Less: Current maturities of long-term debt	<u>(144,866)</u>	<u>(129,131)</u>
Total Long-Term Debt, Net	<u><u>\$ 2,068,981</u></u>	<u><u>2,487,797</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
2014	\$ 88,694	56,170	144,864
2015	91,872	57,021	148,893
2016	95,161	57,882	153,043
2017	98,570	58,756	157,326
2018	102,100	59,644	161,744
2018-2022	568,043	312,006	880,049
2023-2027	<u>532,157</u>	<u>35,771</u>	<u>567,928</u>
Total	<u><u>\$ 1,576,597</u></u>	<u><u>637,250</u></u>	<u><u>2,213,847</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, 2013.

**Note D – Subsequent Events**

Management has evaluated subsequent events through February 3, 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.

# ROGERS COUNTY RURAL WATER DISTRICT NO. 4

## Balance Sheet November 30, 2013

	NOVEMBER 30,	
	2013	(memo only) 2012
<u>ASSETS</u>		
Current Assets:		
Cash in bank	\$ 573,970	522,442
Investments	167,476	166,025
Accounts receivable	89,855	91,559
Inventory	37,676	24,400
Prepaid insurance	23,999	24,715
Total current assets	<u>892,976</u>	<u>829,141</u>
Restricted Assets:		
OWRB Project trust funds-		
Project account	0	261,359
Debt service account	510	51
Debt service reserve account	131,864	131,834
Total restricted assets	<u>132,374</u>	<u>393,244</u>
Fixed Assets:		
Land	20,803	20,803
Water system and improvements	8,318,102	8,309,889
Buildings and improvements	205,397	205,397
Equipment and automobiles	362,082	353,483
Total fixed assets	<u>8,906,384</u>	<u>8,889,572</u>
Less: accumulated depreciation	<u>(3,868,742)</u>	<u>(3,692,697)</u>
Total fixed assets (net)	<u>5,037,642</u>	<u>5,196,875</u>
Other Assets:		
Loan costs, net of amortization	<u>7,071</u>	<u>7,777</u>
Total Assets	<u>\$ 6,070,063</u>	<u>6,427,037</u>
<u>LIABILITIES AND FUND EQUITY</u>		
Current Liabilities:		
Accounts payable	\$ 6,963	13,596
Accrued interest	14,347	15,260
Current maturities of long-term debt	144,866	129,131
Total current liabilities	<u>166,176</u>	<u>157,987</u>
Long-Term Debt, less current maturities-		
Notes payable	<u>2,068,981</u>	<u>2,487,797</u>
Total Liabilities	<u>2,235,157</u>	<u>2,645,784</u>
Fund Equity:		
Retained earnings	<u>3,834,906</u>	<u>3,781,253</u>
Total Liabilities and Fund Equity	<u>\$ 6,070,063</u>	<u>6,427,037</u>

ROGERS COUNTY RURAL WATER DISTRICT NO. 4  
Statement of Revenue, Expenses and Changes in Retained Earnings  
For Years Ended November 30, 2013

	2012-13	(memo only) 2011-12
Revenue from Operations:		
Water sales	\$ 1,162,701	1,215,082
Late charges	26,747	26,966
Memberships	35,374	26,953
Collection and reconnect fees	17,065	35,192
Other income and fees	40,247	46,807
Total revenue from operations	<u>1,282,134</u>	<u>1,351,000</u>
Expenses from Operations:		
Water samples	11,902	10,796
Salaries and wages	346,924	351,886
Chemicals	99,720	82,741
Contracted service	34,428	35,302
Depreciation	176,045	182,179
Amortization	706	706
Utilities and telephone	77,906	84,093
Postage	10,722	9,792
Supplies and materials	46,064	68,823
Office	30,748	21,676
Insurance	162,558	162,663
Retirement	20,935	15,819
Repairs & maintenance	74,447	65,849
Bank and trustee fees	7,126	5,596
Professional fees	11,274	11,915
Vehicle and travel	30,256	30,972
Dues and fees	13,984	18,164
Miscellaneous	4,633	21,621
Total expenses from operations	<u>1,160,378</u>	<u>1,180,593</u>
Net Income (Loss) from Operations	121,756	170,407
Other Income:		
Interest earnings	<u>2,751</u>	<u>6,114</u>
Other Expenses:		
Interest on debt	<u>(70,854)</u>	<u>(73,362)</u>
Net Income (Loss)	53,653	103,159
Retained earnings, beginning of period	<u>3,781,253</u>	<u>3,678,094</u>
Retained earnings, end of period	<u><u>\$ 3,834,906</u></u>	<u><u>3,781,253</u></u>