

RURAL WATER, SEWER, GAS AND SOLID WASTE
MANAGEMENT DISTRICT NO. 6
CHOCTAW COUNTY, OKLAHOMA

INDEPENDENT AUDITOR'S REPORT

AS OF AND FOR THE YEAR ENDED

DECEMBER 31, 2013

VERONICA BROWN DAVIS, CPA
Denison, Texas

RURAL WATER, SEWER, GAS AND SOLID WASTE MANAGEMENT
DISTRICT NO. 6, CHOCTAW COUNTY, OKLAHOMA

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	3-4
MANAGEMENT'S DISCUSSION AND ANALYSIS	5-6
BASIC FINANCIAL STATEMENTS:	
Statements of Net Position - Proprietary Fund	7
Statements of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Fund	8
Statements of Cash Flows - Proprietary Fund	9
Notes to the Basic Financial Statements	10-14
REQUIRED SUPPLEMENTARY INFORMATION:	
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on and Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	15

Veronica Brown Davis, CPA

123 West Main PO Box 1218 Denison, TX 75021
(903) 463-3765 Fax (903) 463-7262

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Rural Water, Sewer, Gas, and Solid Waste
Management District No. 6
Choctaw County, Oklahoma

Report on the Financial Statements

I have audited the accompanying financial statements of the business-type activities of the Rural Water, Sewer, Gas, and Solid Waste Management District No. 6, Choctaw County, Oklahoma (the District) as of and for the year ended December 31, 2013 which comprises their basic financial statements and related notes to the financial statements as listed in the table of contents. The prior year comparative information has been derived from the District's 2012 financial statements and, in my report dated July 15, 2013, I expressed an unqualified opinion on those financial statements.

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

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence 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, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Rural Water, Sewer, Gas, and Solid Waste Management District No. 6, Choctaw County, Oklahoma (the District) as of December 31, 2013, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5-6 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 the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary 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 my inquiries, the basic financial statements, and other knowledge obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, I have also issued my report dated December 4, 2014, on my consideration of the District's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Veronica Brown Davis, CPA
Denison, Texas
December 4, 2014

RURAL WATER, SEWER, GAS AND SOLID WASTE
MANAGEMENT DISTRICT NO. 6, CHOCTAW COUNTY OKLAHOMA

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Rural Water, Sewer, Gas and Solid Waste Management District No. 6, Choctaw County, Oklahoma's (the District) annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year ended December 31, 2013. Please read it in conjunction with the accompanying financial statements and disclosures.

Financial Statements

The first of these statements is the Statement of Net Position. This is the District's statement of financial position presenting information that includes assets and liabilities, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District as a whole is improving or deteriorating.

The second statement is the Statement of Revenues, Expenses, and Changes in Net Position which reports water services provided by the District.

The third statement is the Statement of Cash Flows which shows where the District's cash came from and where it went with a reconciliation to the changes in net assets.

The notes to the financial statements provide information essential to a full understanding of the financial statements.

Financial Highlights

Operating revenue increased to \$302,233 for 2013 from \$237,431 for 2012 and operating expenses increased to \$336,095 from \$274,857 for the same years. There was a net loss from operations for 2013 of \$33,862 compared to \$37,426 for 2012.

The net position decreased from December 31, 2012 to December 31, 2013 by \$83,760 and decreased from December 31, 2011 to December 31, 2012 by \$87,707.

A comparison between years is shown below for selected line items of the financial statements.

<u>Assets</u>	Increase		
	<u>12/31/2012</u>	<u>(Decrease)</u>	<u>12/31/2013</u>
Cash and CD's	\$ 219,299	\$ 15,958	\$ 235,257
Accts receivable, net of allowance	42,515	(2,579)	39,936
Capital assets, net of depreciation	3,487,459	(109,198)	3,378,261
Other assets	1,780	95	1,875
Total assets	\$ 3,751,053	\$ (95,724)	\$ 3,655,329
<u>Liabilities</u>			
Accounts payable	\$ 13,208	\$ 4,347	\$ 17,555
Mortgage payable	1,121,465	(16,326)	1,105,139
Other liabilities	4,942	15	4,957
Total liabilities	\$ 1,139,615	\$ (11,964)	\$ 1,127,651
<u>Net Position</u>			
Invested in capital assets, net of debt	\$ 2,365,994	\$ (96,960)	\$ 2,269,034
Restricted for debt service	66,456	-	66,456
Unrestricted	178,988	13,200	192,188
Total	\$ 2,611,438	\$ (83,760)	\$ 2,527,678

Debt

Most of the District's debt is a long-term note to the Rural Utilities Service agency of the U.S. Department of Agriculture for a loan of \$1,206,500 for water system improvements. The note has been paid down to a balance of \$1,105,139 at December 31, 2013. All payments due in 2013 were paid as required.

The following shows a comparison of selected operating revenues and expenses:

<u>Revenues</u>	Increase		
	<u>12/31/2012</u>	<u>(Decrease)</u>	<u>12/31/2013</u>
Water sales	\$ 231,906	\$ 67,928	\$ 299,834
Membership and other	5,525	(3,126)	2,399
	<u>\$ 237,431</u>	<u>\$ 64,802</u>	<u>\$ 302,233</u>
<u>Expenses</u>			
Salaries and benefits	\$ 19,760	\$ (120)	\$ 19,640
Water purchased	93,235	43,638	136,873
Other operating expenses	52,663	17,721	70,384
	<u>\$ 165,658</u>	<u>\$ 61,239</u>	<u>\$ 226,897</u>
Operating income (loss)			
before depreciation	\$ 71,773	\$ 3,563	\$ 75,336
Depreciation	(109,199)	1	(109,198)
Net operating loss	<u>\$ (37,426)</u>	<u>\$ 3,564</u>	<u>\$ (33,862)</u>

Request for Information

This report is designed to provide a general overview of the District's finances for all those with an interest in these matters. If you have questions about this report or would like to request additional information, contact the District Office at PO Box 696, Boswell, Oklahoma 74727.

RURAL WATER, SEWER, GAS AND SOLID WASTE MANAGEMENT
DISTRICT NO. 6, CHOCTAW COUNTY, OKLAHOMA
STATEMENTS OF NET POSITION
PROPRIETARY FUND
DECEMBER 31, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
<u>ASSETS</u>		
Current assets		
Cash on hand and in bank	\$ 35,903	\$ 26,185
Certificates of Deposit	132,898	126,658
Accounts receivable, net of allowance for loss	39,936	42,515
Prepaid and other assets	1,875	1,780
Total current assets	210,612	197,138
Noncurrent assets		
Restricted cash in bank	66,456	66,456
Capital assets, net of accumulated depreciation	3,378,261	3,487,459
Total noncurrent assets	3,444,717	3,553,915
Total assets	\$ 3,655,329	\$ 3,751,053
<u>LIABILITIES</u>		
Current liabilities		
Accounts payable	\$ 17,555	\$ 13,208
Accrued and withheld payroll taxes	869	794
Accrued interest payable	4,088	4,148
Current portion of long-term debt	17,069	16,319
Total current liabilities	39,581	34,469
Long-term liabilities		
Mortgage payable	1,105,139	1,121,465
Less current portion of mortgage payable	(17,069)	(16,319)
Total long-term liabilities	1,088,070	1,105,146
Total liabilities	\$ 1,127,651	\$ 1,139,615
<u>NET POSITION</u>		
Invested in capital assets, net of related debt	2,269,034	2,365,994
Restricted for debt service	66,456	66,456
Unrestricted	192,188	178,988
Total net position	\$ 2,527,678	\$ 2,611,438

RURAL WATER, SEWER, GAS AND SOLID WASTE MANAGEMENT
DISTRICT NO. 6, CHOCTAW COUNTY, OKLAHOMA
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND
FOR THE YEARS ENDED DECEMBER 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Operating revenues		
Water sales	\$ 299,834	\$ 231,906
Membership and other revenue	2,399	5,525
Total operating revenues	<u>302,233</u>	<u>237,431</u>
 Operating expenses		
Accounting services	9,200	8,595
Advertising	-	23
Bad debt expense	7,975	851
Bank fees	111	50
Contract labor	5,240	7,800
Depreciation	109,198	109,199
Dues and fees	346	556
Insurance	4,406	4,180
Licenses and permits	329	318
Materials and supplies	4,933	5,517
Mileage expense	8,456	7,150
Miscellaneous expenses	-	240
Operating supplies	13,803	5,890
Postage and shipping	1,631	1,488
Professional fees	7,200	-
Repairs and maintenance	197	3,592
Salaries and benefits	19,640	19,760
Payroll Taxes	1,609	1,709
Telephone and communications	2,817	2,369
Utilities	1,901	1,997
Water purchased	136,873	93,235
Water testing fees	230	338
Total operating expenses	<u>336,095</u>	<u>274,857</u>
Income (loss) from operations	\$ (33,862)	\$ (37,426)
 Non-operating revenue (expense)		
Interest income	\$ 172	\$ 509
Interest expense	(50,070)	(50,790)
Net non-operating revenue (expense)	<u>(49,898)</u>	<u>(50,281)</u>
Increase (decrease) in net assets	\$ (83,760)	\$ (87,707)
 Net position - beginning of year	<u>2,611,438</u>	<u>2,699,145</u>
Net position - end of year	<u><u>\$ 2,527,678</u></u>	<u><u>\$ 2,611,438</u></u>

RURAL WATER, SEWER, GAS AND SOLID WASTE
MANAGEMENT DISTRICT NO. 6, CHOCTAW COUNTY, OKLAHOMA
STATEMENTS OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEARS ENDED DECEMBER 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
CASH FLOW FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 304,812	\$ 210,840
Cash paid for goods and services	(202,930)	(142,368)
Cash paid to employees	<u>(19,640)</u>	<u>(19,760)</u>
Net cash provided by operating activities	82,242	48,712
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Cost of water line relocation at Boggy Creek Bridge	(34,388)	-
Reimbursement from State of Oklahoma for water line relocation	34,388	
Interest paid on mortgage payable	(50,130)	(50,848)
Principal paid on mortgage payable	<u>(16,326)</u>	<u>(15,609)</u>
Net cash provided by capital and related financing activities	(66,456)	(66,457)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received on cash	<u>172</u>	<u>524</u>
Net cash provided by investing activities	<u>172</u>	<u>524</u>
Net increase (decrease) in cash and cash equivalents	15,958	(17,221)
Cash and equivalents - beginning of year	<u>219,299</u>	<u>236,520</u>
Cash and equivalents - end of year	<u><u>\$ 235,257</u></u>	<u><u>\$ 219,299</u></u>
RECONCILIATION OF OPERATING (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES:		
Income (loss) from operations	\$ (33,862)	\$ (37,426)
Adjustments to reconcile operating loss to net cash provided by (used for) operating activities:		
Depreciation	109,198	109,199
Changes in assets and liabilities		
(Increase) decrease in accounts receivable	(5,396)	(27,442)
Increase (decrease) in allowance for bad debts	7,975	851
(Increase) decrease in prepaid expenses	(95)	(93)
Increase (decrease) in accounts payable	4,347	3,734
Increase (decrease) in payroll taxes payable	<u>75</u>	<u>(111)</u>
Net cash provided by operating activities	<u><u>\$ 82,242</u></u>	<u><u>\$ 48,712</u></u>

RURAL WATER, SEWER, GAS AND SOLID WASTE
MANAGEMENT DISTRICT NO. 6, CHOCTAW COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2013 and 2012

Note 1 - Summary of Significant Accounting Policies

The Rural Water, Sewer, Gas, and Solid Waste Management District No. 6, Choctaw County, Oklahoma (the District) was incorporated on April 21, 1997. It provides water to its members within its geographic boundaries. The District is governed by a five member Board of Directors who are elected by the participating members. These financial statements include all of the funds under the control of the Board of Directors relevant to the operations of the District.

The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America, herein referred to as generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District applies Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989 unless they conflict with GASB guidance.

Basis of Accounting

The District is financed and operated in a manner similar to a private business enterprise, where the intent of the governing body is that the costs of providing water to the general public on a continuing basis be financed or recovered primarily through user charges, or where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, management control, accountability, or other purposes.

The accounting of governmental entities are organized on the basis of funds, each of which is considered to be a separate accounting entity. The District uses one fund which is a proprietary fund of a business-type activity as described above. This fund is reported on the accrual basis of accounting; consequently, all revenue is included when earned, and all expenses are recognized when the obligation is incurred.

Proprietary fund equity is reported as restricted net assets (funds that are restricted to a particular use), unrestricted net assets, and investments in capital assets net of related debt.

Operating revenues and expenses for proprietary funds are those that result from providing water, sewer, gas and solid waste collection services.

The preparation of financial statements requires management to make estimates and assumptions that affect certain reported amounts in various funds. Actual results could differ from those estimates.

Cash and equivalents

For the purpose of the Statement of Net Assets, "cash and equivalents" include all demand, savings accounts, and certificates of deposits of the District. For the purpose of the proprietary fund Statement of Cash Flows, "cash and equivalents" include all demand and savings accounts, certificates of deposit, and investments with an original maturity of three months or less.

Deposits are classified into the following three categories: (1) Insured or collateralized with securities held by the entity or by its agent or in the entity's name (Category 1); (2) Collateralized with securities held by the pledging financial institutions trust department or agent in the entity's name (Category 2); and (3) Uncollateralized, including any bank balance that is collateralized with securities held by the pledging institution, or by its trust department or agent but not in the entity's name (Category 3).

All of the District's cash accounts are considered Category 1. At December 31, 2013 and 2012 all accounts were covered by federal depository insurance.

Accounts Receivables

Receivables consist of all revenues earned at year-end and not yet received. Allowances for losses on receivables are recorded when management believes a receivable is uncollectible. Management periodically reviews its receivables to determine what is collectible. At December 31, 2013 and 2012, management established an allowance for loss of \$21,949 and \$13,974, respectively.

Accrued Compensated Absences

The District does not have any full-time employees and has not established a compensated absences policy.

RURAL WATER, SEWER, GAS AND SOLID WASTE
MANAGEMENT DISTRICT NO. 6, CHOCTAW COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2013 and 2012

Capital Assets

Capital assets used in the District's operations are stated at cost less accumulated depreciation. Depreciation is provided on the straight-line method at various rates based on the estimated useful lives of the assets. Estimated useful lives of ten to thirty years for office buildings and improvements, three to seven years for office equipment, forty years for water lines and improvements, and ten to forty years for the standpipe and water tower. During 2010 an agreed settlement with a contractor reduced the original amount charged to water lines.

Liabilities

Liabilities are considered current if they are due and payable within the year subsequent to the balance sheet date.

Equity Classifications

Equity is classified as net assets and displayed in three components:

Invested in capital assets, net of related debt - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted net assets - Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) laws through constitutional provisions or enabling legislation.

Unrestricted net assets - All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

Operating Revenue and Expenses

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services.

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect certain reported amounts in various funds. Actual results could differ from those estimates.

Budget

The District prepares an annual estimated budget of cash receipts and disbursements for the purpose of adjusting water rates if necessary and as a forecast of cash receipts and disbursements required by the USDA Rural Development. This does not meet the definition of a legally required and adopted budget and accordingly is not presented.

Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District purchases commercial insurance to cover these possible liabilities.

RURAL WATER, SEWER, GAS AND SOLID WASTE
MANAGEMENT DISTRICT NO. 6, CHOCTAW COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2013 and 2012

Note 2 - Changes in Capital Assets

Changes in capital assets for the years ended September 30, 2013 and 2012 are as follows:

	Balance				Balance		
	<u>12/31/2012</u>	<u>Additions</u>		<u>Reductions</u>		<u>12/31/2013</u>	
Office bldg & improvements	\$ 55,224	\$ -	\$ -	-	\$ -	\$ 55,224	
Office equipment	1,698	-	-	-	-	1,698	
Water lines & improvements	3,978,075	-	-	-	-	3,978,075	
Standpipe & water tower	264,976	-	-	-	-	264,976	
Water tower - land	1,500	-	-	-	-	1,500	
Totals	<u>4,301,473</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,301,473</u>	
Less accumulated depreciation							
Office bldg & improvements	(12,238)	(1,841)	-	-	-	(14,079)	
Office equipment	(1,698)	-	-	-	-	(1,698)	
Water lines & improvements	(738,712)	(99,452)	-	-	-	(838,164)	
Standpipe & water tower	(61,366)	(7,905)	-	-	-	(69,271)	
Totals	<u>(814,014)</u>	<u>(109,198)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(923,212)</u>	
Net capital assets	<u>\$ 3,487,459</u>	<u>\$ (109,198)</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>\$ 3,378,261</u>	

	Balance				Balance		
	<u>12/31/2011</u>	<u>Additions</u>		<u>Reductions</u>		<u>12/31/2012</u>	
Office bldg & improvements	\$ 55,224	\$ -	\$ -	-	\$ -	\$ 55,224	
Office equipment	1,698	-	-	-	-	1,698	
Water lines & improvements	3,978,075	-	-	-	-	3,978,075	
Standpipe & water tower	264,976	-	-	-	-	264,976	
Water tower - land	1,500	-	-	-	-	1,500	
Totals	<u>4,301,473</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,301,473</u>	
Less accumulated depreciation							
Office bldg & improvements	(10,397)	(1,841)	-	-	-	(12,238)	
Office equipment	(1,698)	-	-	-	-	(1,698)	
Water lines & improvements	(639,260)	(99,452)	-	-	-	(738,712)	
Standpipe & water tower	(53,460)	(7,906)	-	-	-	(61,366)	
Totals	<u>(704,815)</u>	<u>(109,199)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(814,014)</u>	
Net capital assets	<u>\$ 3,596,658</u>	<u>\$ (109,199)</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>\$ 3,487,459</u>	

RURAL WATER, SEWER, GAS AND SOLID WASTE
MANAGEMENT DISTRICT NO. 6, CHOCTAW COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2013 and 2012

Note 3 - Mortgage Payable

On December 2, 2002, the District financed their water distribution system by borrowing \$1,206,500 from the Rural Utilities Service agency of the United States Department of Agriculture. The promissory note calls for annual payments of interest only on November 1, 2005, and November 1, 2006, then monthly payments of principal and interest of \$5,538 beginning on December 1, 2006. The promissory note was executed on November 1, 2004 and matures in forty (40) years. The promissory note carries a fixed rate of interest of 4.5%. The note is secured by a pledge and assignment of revenues and receipts derived by the District from its water system and other revenue producing utility systems. It is also secured by a mortgage and security agreement on the system.

Changes in the District's long-term debt are as follows:

	Year ended December 31,	
	<u>2013</u>	<u>2012</u>
Beginning balance	\$ 1,121,465	\$ 1,137,074
Principal reductions	(16,326)	(15,609)
Totals	<u>\$ 1,105,139</u>	<u>\$ 1,121,465</u>

Requirements to amortize the mortgage payable at December 31, 2013 are:

<u>Year ending Dec 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2014	17,069	49,387	66,456
2015	17,853	48,603	66,456
2016	18,673	47,783	66,456
2017	19,531	46,925	66,456
2018	20,428	46,028	66,456
2019-2023	117,111	215,169	332,280
2024-2028	146,600	185,680	332,280
2029-2033	183,513	148,767	332,280
2034-2038	229,721	102,559	332,280
2039-2043	287,565	44,715	332,280
2044	47,075	971	48,046
Totals	<u>\$ 1,105,139</u>	<u>\$ 936,587</u>	<u>\$ 2,041,726</u>

Note 4 - Restricted Net Assets

The United States Department of Agriculture requires an amount equal to the note payments for one year be set aside and controlled by them. That amount has been invested in a reserve account and in certificates of deposit and is included in restricted assets. One year's note payments at \$5,538 per month totals \$66,456, and this amount is reported as restricted cash on the financial statements. The cash is held in a separate demand deposit account and in a certificate of deposit.

RURAL WATER, SEWER, GAS AND SOLID WASTE
MANAGEMENT DISTRICT NO. 6, CHOCTAW COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2013 and 2012

Note 5 - Commitments and Contingencies

The District participates in state and federally assisted grant programs. These programs are subject to program compliance audits by grantors or their representatives. Accordingly, the District's compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenses which may be disallowed by the granting agencies cannot be determined at this time although the District expects such amounts, if any, to be immaterial.

Note 6 - Subsequent Events

The District has evaluated subsequent events through December 4, 2014, the date the financial statements were available to be issued.

Veronica Brown Davis, CPA

123 West Main PO Box 1218 Denison, TX 75021

(903) 463-3765 Fax (903) 463-7262

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
Rural Water, Sewer, Gas and
Solid Waste Management District No. 6
Choctaw County, Oklahoma

I 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 the Rural Water, Sewer, Gas and Solid Waste Management District No. 6, Choctaw County, Oklahoma (the District) 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 my report thereon dated December 4, 2014.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, I do not express an opinion on the effectiveness of the organization'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.

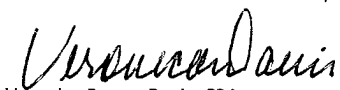
My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during my audit I did not identify any deficiencies in internal control that I 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 the District's financial statements are free from material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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 organization'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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Veronica Brown Davis, CPA

Denison, Texas

December 4, 2014