

Seminole County Rural Water and
Solid Waste Management District No. 1
Wewoka, Oklahoma

Financial Statements and
Reports of Independent Auditor

For Years Ended October 31, 2013 and 2012

Audited by

SANDERS, BLEDSOE & HEWETT
CERTIFIED PUBLIC ACCOUNTANTS, LLP

BROKEN ARROW, OK

Seminole County Rural Water and Solid
Waste Management District No. 1
Wewoka, Oklahoma

Board of Directors
October 31, 2013

Chairman

Scott Johnson

Vice Chairman

Bobby Shackleford

Secretary/Treasurer

Janice Bryant

Member

Lula Samilton

Member

Vacant

Bookkeeper

Phallis Taylor

Seminole County Rural Water and
Solid Waste Management District No. 1
Wewoka, Oklahoma
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October 31, 2013

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SANDERS, BLEDSOE & HEWETT

CERTIFIED PUBLIC ACCOUNTANTS, LLP

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Seminole County Rural Water and
Solid Waste Management District No. 1
Wewoka, Oklahoma

We have audited the accompanying financial statements of the business-type activities of the Seminole County Rural Water and Solid Waste Management District No. 1 (the District), Wewoka, Oklahoma, as of and for the year ended October 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

As discussed in Note A, the District prepares its financial statements on the basis of cash receipts and disbursements method, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

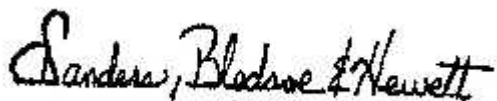
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the District as of June 30, 2013, and the respective changes in financial position and cash flows thereof for the year then ended in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

Other Matters

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 December 20, 2013 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
Seminole County Rural Water and
Solid Waste Management District No. 1
Wewoka, 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 Seminole County Rural Water and Solid Waste Management District No. 1 (the District), Wewoka, Oklahoma, as of and for the years ended October 31, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 20, 2013.

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

December 20, 2013

Seminole County Rural Water and Solid
Waste Management District No. 1
Wewoka, Oklahoma
Disposition of Prior Year's Reportable Conditions
October 31, 2013

There were no prior year reportable conditions.

Seminole County Rural Water and Solid
Waste Management District No. 1
Wewoka, Oklahoma
Schedule of Audit Results and Findings
October 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 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

SEMINOLE COUNTY RURAL WATER AND SOLID
WASTE MANAGEMENT DISTRICT NO. 1
STATEMENT OF ASSETS, LIABILITIES AND NET ASSETS - CASH BASIS
FOR YEARS ENDED OCTOBER 31, 2013 AND 2012

	OCTOBER 31,	
<u>ASSETS</u>	<u>2013</u>	<u>2012</u>
Current Assets:		
Cash-		
Operating account	\$ 80,213	92,181
Restricted Assets:		
Cash-		
Reserve fund - Rural Development loan agreement	4,689	4,679
Fixed Assets:		
Water and sewer system	899,013	899,013
Land	2,300	2,300
Total fixed assets	901,313	901,313
Less accumulated depreciation	(439,621)	(420,107)
Total fixed assets (net)	461,692	481,206
Total Assets	<u>\$ 546,594</u>	<u>578,066</u>
 <u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities:		
Current maturities of long-term debt	\$ 6,264	6,172
Long-Term Debt, less current maturities:		
Notes payable	98,292	103,840
Total Liabilities	104,556	110,012
Net Assets:		
Temporarily Restricted	4,689	4,679
Unrestricted	437,349	463,375
Total fund equity	442,038	468,054
Total Liabilities and Net Assets	<u>\$ 546,594</u>	<u>578,066</u>

The accompanying notes are an integral part of the financial statements

SEMINOLE COUNTY RURAL WATER AND SOLID
WASTE MANAGEMENT DISTRICT NO. 1
STATEMENT OF ASSETS, LIABILITIES AND NET ASSETS - CASH BASIS
FOR YEARS ENDED OCTOBER 31, 2013 AND 2012

	OCTOBER 31,	
	2013	2012
Revenue from Operations:		
Water sales	\$ 56,616	56,823
Sewer services	27,587	26,753
Late charges	3,229	3,777
Cut-off & connect charges	3,255	2,495
Benefit units	175	460
Miscellaneous	1,009	1,120
Total revenue from operations	<u>91,871</u>	<u>91,428</u>
Expenses from Operations:		
Contracted labor	36,440	36,665
Contracted computer services	1,446	1,424
Depreciation	19,514	19,515
Water purchases	21,697	27,311
Sewer maintenance	11,120	10,898
Office & postage	864	536
Insurance	1,979	1,943
Utilities	3,830	3,566
Miscellaneous	715	220
Professional fees	975	925
Repairs & maintenance	15,048	7,557
Dues & fees	1,446	2,659
Total expenses from water operations	<u>115,074</u>	<u>113,219</u>
Net Income (Loss) from Operations	(23,203)	(21,791)
Other Income:		
Interest earnings	<u>58</u>	<u>146</u>
Other Expenses:		
Interest paid on debt	<u>(2,871)</u>	<u>(2,957)</u>
Net Income (Loss)	(26,016)	(24,602)
Net Assets, beginning of period	<u>468,054</u>	<u>492,656</u>
Net Assets, end of period	<u>\$ 442,038</u>	<u>468,054</u>

The accompanying notes are an integral part of the financial statements

Seminole County Rural Water and Solid
Waste Management District No. 1
Wewoka, Oklahoma
Notes to Financial Statements
For the Years Ended October 31, 2013 and 2012

Note A – Significant Accounting Policies

Basis of Accounting

The cash basis of accounting is followed for all accounts. Revenues are recorded when received and expenditures are recognized when paid. This basis of accounting is not in accordance with generally accepted accounting principles.

Cash

The District's accounts are with First United Bank and Security State Bank, Wewoka, Oklahoma, and at October 31, 2013, are detailed as follows:

Maintenance and operation account (checking)	\$ 80,213
Reserve account	<u>4,689</u>
Total	<u>\$ 84,902</u>

Investments

All investments are stated at cost, which approximates market value unless otherwise indicated. The District had no outstanding investments at October 31, 2013.

Restricted Assets

In accordance with the loan agreement with Rural Development, the District is required to maintain a reserve fund in an amount equal to one year's loan payments. Accordingly, the District was required to have \$4,668 in the reserve account at October 31, 2013. The balance in the reserve account was \$4,689 at October 31, 2013.

Seminole County Rural Water and Solid
Waste Management District No. 1
Wewoka, Oklahoma
Notes to Financial Statements
For the Years Ended October 31, 2013 and October 31, 2012

Note A – Significant Accounting Policies – cont'd

Fixed Assets

Fixed assets are valued at cost, depreciation is computed by use of the straight-line method. The estimated useful lives for fixed assets are detailed as follows:

Water System	40 years
Sewer System	40 years
Office and Other Equipment	10 years

Federal Income Tax

The District is exempt from all federal and state income taxes.

Collateral Pledged

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

Note B – Long-term Debt

At October 31, 2013, long-term debt is summarized as follows:

Note 92-01, 5.00% mortgage payable to Rural Development, \$389 per month, October 27, 1999, maturing in 2032	\$ 56,431
Promissory note, 0% mortgage payable to Dept. of Commerce, \$365 per month, November 1, 2004, maturing in 2024	<u>48,125</u>
	\$ <u>104,556</u>

Seminole County Rural Water and Solid
Waste Management District No. 1
Wewoka, Oklahoma
Notes to Financial Statements
For the Years Ended October 31, 2013 and October 31, 2012

Note B – Long-term Debt – cont'd

The estimated maturities for this debt are as follows:

	<u>Rural Development</u>	<u>Department of Corrections</u>
2013 – 14	\$ 1,889	4,375
2014 – 15	1,986	4,375
2015 – 16	2,088	4,375
2016 – 17	2,194	4,375
2017 – 18	2,307	4,375
2018 – 23	13,429	21,875
2023 – 28	17,235	4,375
Thereafter	<u>15,303</u>	<u>0</u>
Total	\$ <u>56,431</u>	<u>48,125</u>

Note E – Insurance and Surety Bond Coverage

The District appears to have had adequate insurance to cover all major perils at October 31, 2012.

Note F – Subsequent Events

Management has evaluated subsequent events through December 20, 2013, 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.