

**Tillman County Rural  
Water District #1**

*Audit Report*  
For Year Ending December 31, 2014

**Scott Northrip, CPA**

P.O. Box 642  
Hobart, OK 73651  
(580) 726-5681

# **SCOTT NORTHRIP, CPA**

P.O. Box 642, Hobart, Oklahoma 73651

## **Independent Auditor's Report**

To The Board of Directors of  
Rural Water, Sewer, & Solid Waste Management Dist. #1  
Tillman County, Oklahoma

I have audited the accompanying financial statements of Rural Water, Sewer, & Solid Waste Management District #1, Tillman County, Oklahoma (District), as of and for the years ended December 31, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair representation of these financial statements in accordance accounting principle 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 the 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 supporting 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, 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.

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

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Rural Water, Sewer, & Solid Waste Management District #1, Tillman County, Oklahoma, as of December 31, 2014 and 2013, and the respective changes in financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### **Other Reporting Requirements by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, I have also issued my report dated February 4, 2015, 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 grants. The purpose of that report is to describe the scope of our 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.

***Scott Northrip, CPA***

Certified Public Accountant

February 4, 2015

# Tillman County Rural Water District #1

Comparative Statement of Net Position  
As of December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
<b>ASSETS:</b>		
Current Assets:		
Cash & Cash Equivalents	\$ 495,404	\$ 331,183
Investments (Note 7)	234,748	234,269
Accounts Receivable (Note 2)	45,295	45,711
Other Receivable	-	-
Prepaid Insurance	9,996	9,932
Inventory	25,000	25,000
<b>Total Current Assets</b>	<u>\$ 810,443</u>	<u>\$ 646,095</u>
Noncurrent Assets:		
Construction in Progress	\$ -	\$ -
Capital Assets: (Note 6)		
Land	60,884	60,884
Other Capital Assets, net of depreciation	1,957,433	2,068,598
<b>Total Noncurrent Assets</b>	<u>\$ 2,018,317</u>	<u>\$ 2,129,482</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 2,828,760</u></u>	<u><u>\$ 2,775,577</u></u>
<b>LIABILITIES AND NET POSITION:</b>		
Current Liabilities:		
Accounts Payable	\$ 16,673	\$ 17,126
Taxes Payable	2,461	2,360
Interest Payable	107	118
Current Portion of Long-term Liabilities	13,614	12,952
<b>Total Current Liabilities</b>	<u>\$ 32,855</u>	<u>\$ 32,556</u>
Long-Term Liabilities: (Note 10)		
Notes Payable - net of current portion	<u>\$ 216,688</u>	<u>\$ 230,275</u>
Net Position:		
Restricted Fund Balance (Note 5)	\$ 24,792	\$ 24,792
Unrestricted Fund Balance	281,666	219,595
<b>Total Fund Balance</b>	<u>\$ 306,458</u>	<u>\$ 244,387</u>
Member Investments	331,804	327,404
Donated Assets (Note 8)	1,538,207	1,538,207
Grants	402,748	402,748
<b>TOTAL NET POSITION</b>	<u>\$ 2,579,217</u>	<u>\$ 2,512,746</u>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<u><u>\$ 2,828,760</u></u>	<u><u>\$ 2,775,577</u></u>

See accompanying notes to the financial statements.

# Tillman County Rural Water District #1

Comparative Statement of Activities  
For the Years Ended December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
<b>OPERATING REVENUES:</b>		
Water Sales	\$ 609,549	\$ 535,756
Sale of Meters & Supplies	20,931	28,153
Miscellaneous Revenues	10,557	16,380
<b>Total Operating Revenues</b>	<u><b>\$ 641,037</b></u>	<u><b>\$ 580,289</b></u>
<b>OPERATING EXPENSES:</b>		
Salaries	\$ 115,102	\$ 108,179
Depreciation Expense	114,296	115,450
Interest Expense	11,857	12,486
Utilities	27,325	25,521
Water Purchases	105,799	106,363
Repairs & Supplies	92,430	111,461
Insurance	19,811	19,232
Legal & Professional Fees	10,304	10,108
Transportation Expense	16,801	16,494
Employee Benefits	21,315	20,435
Payroll Tax Expense	8,911	8,470
Communications Expense	4,965	4,866
Office Supplies & Postage	6,867	7,512
Retirement Benefits	14,899	14,605
Dues & Licenses	2,972	2,361
Bank Charges	2,202	1,501
Bad Debts Expense	-	-
Test Drilling	-	-
Water Analysis	3,344	4,939
Miscellaneous Expense	4,591	5,335
<b>Total Operating Expenses</b>	<u><b>\$ 583,791</b></u>	<u><b>\$ 595,318</b></u>
<b>OPERATING INCOME (LOSS)</b>	<u><b>\$ 57,246</b></u>	<u><b>\$ (15,029)</b></u>
<b>OTHER REVENUES (EXPENSES):</b>		
Investment Revenues	\$ 685	\$ 772
Farm & Tower Rent	4,140	4,140
Gain on Sale of Assets	-	-
<b>Total Other Revenues(Expenses)</b>	<u><b>\$ 4,825</b></u>	<u><b>\$ 4,912</b></u>
<b>NET INCOME</b>	<u><u><b>\$ 62,071</b></u></u>	<u><u><b>\$ (10,117)</b></u></u>

See accompanying notes to the financial statements.

**Tillman County Rural Water District #1**  
**Comparative Statement of Changes in Net Position**  
**For the Years Ended December 31, 2014 and 2013**

	<u>2014</u>	<u>2013</u>
<b>Balance, January 1</b>	<u>\$ 2,512,746</u>	<u>\$ 1,895,663</u>
Net Income (Loss)	62,071	(10,117)
Prior Period Adjustment (Note 11)	-	-
Member Investments	4,400	5,200
Donated Assets (Note8)	-	622,000
Grants	<u>-</u>	<u>-</u>
<b>Total Changes in Net Position</b>	<u>\$ 66,471</u>	<u>\$ 617,083</u>
<b>Balance, December 31</b>	<u><u>\$ 2,579,217</u></u>	<u><u>\$ 2,512,746</u></u>

See accompanying notes to the financial statements.

# Tillman County Rural Water District #1

## Comparative Statement of Cash Flows For the Years Ended December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Receipts from customers	\$ 641,452	\$ 583,328
Payments to suppliers	(297,928)	(315,613)
Payments to employees	(160,126)	(151,689)
<b>Net Cash Provided by Operating Activities</b>	<u><b>\$ 183,398</b></u>	<u><b>\$ 116,026</b></u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Purchase of capital assets	\$ (3,130)	\$ (687,209)
Donated Assets	-	622,000
Payments for Construction in Progress	-	-
Proceeds from Grants	(12,925)	(12,296)
Principal payments on notes payable	(11,868)	(12,496)
Interest paid on notes payable	-	-
Prior period adjustments	-	-
Proceeds from sale of assets	-	-
<b>Net Cash Used In Capital &amp; Related Financing Activities</b>	<u><b>\$ (27,923)</b></u>	<u><b>\$ (90,001)</b></u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Investment Receipts	\$ 685	\$ 772
Rent Proceeds	4,140	4,140
Proceeds from memberships	4,400	5,200
<b>Net Cash Provided from Investing Activities</b>	<u><b>\$ 9,225</b></u>	<u><b>\$ 10,112</b></u>
<b>INCREASE (DECREASE) IN CASH AND INVESTMENTS</b>	<b>\$ 164,700</b>	<b>\$ 36,137</b>
Cash and Investment Balance - Beginning	565,452	529,315
<b>CASH AND INVESTMENT BALANCE - ENDING</b>	<u><b>\$ 730,152</b></u>	<u><b>\$ 565,452</b></u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:</b>		
Operating Income (Loss)	\$ 57,246	\$ (15,029)
Adjustments to reconcile operating income to net cash provided (used) by Operating Activities:		
Interest Expense	11,857	12,486
Depreciation expense	114,296	115,450
Change in assets and liabilities:		
Accounts Receivable	416	3,039
Other Receivables	-	-
Prepaid Insurance	(65)	(192)
Inventory	-	-
Accounts Payable	(453)	(144)
Taxes Payable	101	416
<b>Net Cash Provided from Operating Activities</b>	<u><b>\$ 183,398</b></u>	<u><b>\$ 116,026</b></u>

See accompanying notes to the financial statements.

# **Tillman County Rural Water District #1**

Notes to the Financial Statements  
For the Years Ended December 31, 2014 and 2013

## **Note 1 - Significant Accounting Policies**

### **Organization:**

Tillman County Rural Water District #1, (District) is an Oklahoma trust formed under the Oklahoma Rural Water Act to provide water in a designated area in and around Tillman County, Oklahoma to individuals and businesses that purchase a membership. The District served 740 and 725 meters for the years ending December 31, 2014 and 2013.

### **Basis of Accounting:**

The District is a proprietary fund type of entity and uses the accrual method of accounting which reports revenues when earned and expenses when incurred. The District is not legally required to adopt a budget or report on budget comparisons in this report.

### **Fixed Assets and Depreciation:**

The District records its fixed assets at their historical cost or donated value. Depreciation is calculated on each individual asset using the straight-line method of depreciation at the asset's estimated useful life. The District estimates the useful lives of the assets based on the type of asset. The lives range from 5 to 40 years.

### **Income Tax:**

The District is exempt from federal and state income taxes under IRS Code Section 115 (a) as an agency of the State of Oklahoma.

## **Note 2 - Accounts Receivable**

The accounts receivable represents the water usage and service revenues for December plus any unpaid balances from the previous months. The District uses the direct method to account for bad debts. No provision for an allowance has been made based on the history of the District's bad debts being very small or nonexistent. The accounts receivable balances at December 31, 2014 and 2013 amounted to \$45,295 and \$45,711. The meters are read monthly.

## **Note 3 - Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that effect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

## **Note 4 - Contingencies**

The District didn't have any contingencies as of the date of the audit.

## **Note 5 - Restricted Assets**

The District has restricted certificates of deposit in the amount of \$24,792 and \$24,792 for debt service as required by Rural Development's mortgage as of December 31, 2014 and 2013, respectively.

# Tillman County Rural Water District #1

Notes to the Financial Statements  
For the Years Ended December 31, 2014 and 2013

## **Note 6 - Changes in Capital Assets**

	Balance 1/1/2014	Additions	Disposed	Balance 12/31/2014
<b>Capital Assets:</b>				
Water System Plant Assets	\$ 4,048,493	\$ -	\$ -	\$ 4,048,493
Office Furniture & Fixtures	14,781	3,130	(1,795)	16,116
Equipment	197,643	-	-	197,643
Buildings	70,323	-	-	70,323
<b>Total Capital Assets</b>	<b>\$ 4,331,240</b>	<b>\$ 3,130</b>	<b>\$ (1,795)</b>	<b>\$ 4,332,575</b>
 <b>Accumulated Depreciation:</b>				
Water System Plant Assets	\$ 2,120,098	\$ 83,545		\$ 2,203,643
Office Furniture & Fixtures	11,691	969	(1,795)	10,865
Equipment	87,901	26,265		114,166
Buildings	42,952	3,516		46,468
<b>Total Accumulated Depreciation</b>	<b>2,262,642</b>	<b>114,295</b>	<b>(1,795)</b>	<b>2,375,142</b>
 <b>Net Capital Assets</b>	<b>\$ 2,068,598</b>	<b>\$ (111,165)</b>	<b>\$ -</b>	<b>\$ 1,957,433</b>

## **Note 7 - Components of Cash and Investments**

	Date of Maturity	Interest Rate	Balance
Petty Cash	-	0.00%	\$ 100
Checking - Bancfirst	-	0.05%	495,304
CD - Bancfirst	3/17/2015	0.05%	13,822
CD - Bancfirst	10/12/2015	0.05%	8,015
CD - Bancfirst	2/12/2015	0.05%	52,002
CD - Bancfirst	3/11/2015	0.05%	2,339
CD - Bancfirst	1/1/2015	0.05%	51,085
CD - First State Bank	5/28/2014	0.25%	13,564
CD - First State Bank	4/16/2014	0.25%	4,020
CD - First State Bank	6/23/2014	0.25%	3,989
CD - First State Bank	3/14/2014	0.25%	3,967
CD - First State Bank	5/26/2014	0.25%	19,717
CD - First State Bank	4/11/2014	0.25%	3,878
CD - First State Bank	1/13/2014	0.25%	3,846
CD - First State Bank	3/12/2014	0.25%	3,835
CD - First State Bank	5/22/2014	0.25%	3,813
CD - First State Bank	2/14/2014	0.25%	3,784
CD - First State Bank	5/20/2014	0.25%	3,686
CD - First State Bank	2/14/2014	0.25%	3,654
CD - First State Bank	2/21/2014	0.25%	32,007
CD - First State Bank	1/2/2014	0.25%	3,725
<b>Total Cash and Investments</b>			<b>\$ 730,152</b>

Bancfirst has pledged securities to cover account balances over \$250,000.

# Tillman County Rural Water District #1

## Notes to the Financial Statements For the Years Ended December 31, 2014 and 2013

### **Note 8 - Donated Assets**

Donated assets are the estimated value of water lines installed by members from the existing lines of the system to the member's meter. The value of the lines donated to the District for the years ending October 31, 2014 and 2013 were \$0 and \$622,000, respectively.

### **Note 9 - Retirement**

The District provides a retirement plan for its participating employees with the Oklahoma Public Employees Retirement System. The District makes a contribution of 10.5% of the employee's wages since July, 2007 and 10.2% since July, 2006. The rate was 8.5% before July, 2006 while the employee contributes 6.5%. The District contributed \$14,899 and \$14,605 for the years ending December 31, 2014 and 2013, respectively.

### **Note 10 - Long Term Liabilities**

The District has three 40 year notes with Rural Development, an agency of the United States Department of Agriculture. The loans are all 5% fixed interest notes. The notes are secured by the assets of the District. Rural Development requires the District to reserve enough funds to pay an amount equal to a year's total payments. The District makes monthly payments on each of the notes.

Note Number	Date of Note	Annual Payment	Balance 12/31/2014	Balance 12/31/2013
91-10	9/6/1978	2,028	4,161	5,933
91-11	6/29/1989	16,272	161,683	169,654
91-13	6/29/1989	6,492	64,458	67,640
		<u>\$ 24,792</u>	<u>\$ 230,302</u>	<u>\$ 243,227</u>
Less: Current Portion			13,614	12,952
Net Balance			<u>\$ 216,688</u>	<u>\$ 230,275</u>

Current Portion:		Note 9110	Note 9111	Note 9113
Year Ending	12/31/2015	1,866	8,396	3,352
Year Ending	12/31/2016	1,961	8,826	6,524
Year Ending	12/31/2017	334	9,277	3,704
Year Ending	12/31/2018	-	9,752	3,893
Year Ending	12/31/2019	-	10,250	4,093

### **Note 11 - Prior Period Adjustments**

There were no prior period adjustments in the financial statements for the years ending December 31, 2014 or 2013.

# **SCOTT NORTHRIP, CPA**

P.O. Box 642, Hobart, Oklahoma 73651

## **INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND INTERNAL CONTROL OVER FINANCIAL REPORTING PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors of  
Rural Water, Sewer, and Solid Waste Management Dist. #1  
Tillman County, Oklahoma

I 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 basic financial statements of Rural Water, Sewer, and Solid Waste Management District #1, Tillman County, Oklahoma (District), as of and for the years ending December 31, 2014 and 2013, and have issued my report thereon dated February 4, 2015.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, I performed test 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, 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*.

### **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 auditing 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.

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.

## Report on Compliance and Internal Controls-Continued

Our 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 our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

*Scott Northrip*

Certified Public Accountant

February 4, 2015