



**Tillman County Rural
Water District #1**
Audit Report
For Year Ending December 31, 2015

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Independent Auditor's Report

To The Board of Directors of
Tillman County Rural Water District #1
Chattanooga, Oklahoma

I have audited the accompanying financial statements of Tillman County Rural Water District #1, (District), as of and for the years ended December 31, 2015 and 2014, 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.

Auditor's Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Tillman County Rural Water District #1, as of December 31, 2015 and 2014, 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 10, 2016, 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 10, 2016

Tillman County Rural Water District #1

Comparative Statement of Net Position

As of December 31, 2015 and 2014

ASSETS:	2015	2014
Current Assets:		
Cash & Cash Equivalents	\$ 535,883	\$ 495,404
Investments (Note 7)	235,091	234,748
Accounts Receivable (Note 2)	47,944	45,295
Other Receivable	-	-
Prepaid Insurance	13,549	9,996
Inventory	25,000	25,000
Total Current Assets	\$ 857,467	\$ 810,443
Noncurrent Assets:		
Construction in Progress	\$ -	\$ -
Capital Assets: (Note 6)		
Land	60,884	60,884
Other Capital Assets, net of depreciation	2,011,874	1,957,433
Total Noncurrent Assets	\$ 2,072,758	\$ 2,018,317
TOTAL ASSETS	\$ 2,930,225	\$ 2,828,760
 LIABILITIES AND NET POSITION:		
Current Liabilities:		
Accounts Payable	\$ 13,941	\$ 16,673
Taxes Payable	3,134	2,461
Interest Payable	85	107
Current Portion of Long-term Liabilities	14,311	13,614
Total Current Liabilities	\$ 31,471	\$ 32,855
Long-Term Liabilities: (Note 10)		
Notes Payable - net of current portion	\$ 202,405	\$ 216,688
Net Position:		
Restricted Fund Balance (Note 5)	\$ 24,792	\$ 24,792
Unrestricted Fund Balance	248,123	281,666
Total Fund Balance	\$ 272,915	\$ 306,458
Member Investments	334,404	331,804
Donated Assets (Note 8)	1,538,207	1,538,207
Grants	550,823	402,748
TOTAL NET POSITION	\$ 2,696,349	\$ 2,579,217
TOTAL LIABILITIES AND NET POSITION	\$ 2,930,225	\$ 2,828,760

See accompanying notes to the financial statements.

Tillman County Rural Water District #1

Comparative Statement of Activities
For the Years Ended December 31, 2015 and 2014

	2015	2014
OPERATING REVENUES:		
Water Sales	\$ 568,266	\$ 609,549
Sale of Meters & Supplies	8,575	20,931
Miscellaneous Revenues	5,354	10,557
Total Operating Revenues	\$ 582,195	\$ 641,037
OPERATING EXPENSES:		
Salaries	\$ 158,421	\$ 115,102
Depreciation Expense	111,560	114,296
Interest Expense	11,184	11,857
Utilities	25,681	27,325
Water Purchases	82,289	105,799
Repairs & Supplies	83,253	92,430
Insurance	23,716	19,811
Legal & Professional Fees	5,429	10,304
Transportation Expense	16,566	16,801
Employee Benefits	30,097	21,315
Payroll Tax Expense	12,201	8,911
Communications Expense	5,071	4,965
Office Supplies & Postage	8,947	6,867
Retirement Benefits	20,902	14,899
Dues & Licenses	2,121	2,972
Bank Charges	1,699	2,202
Bad Debts Expense	3,060	-
Test Drilling	39,940	-
Water Analysis	4,749	3,344
Miscellaneous Expense	5,320	4,591
Total Operating Expenses	\$ 652,206	\$ 583,791
OPERATING INCOME (LOSS)	\$ (70,011)	\$ 57,246
OTHER REVENUES (EXPENSES):		
Investment Revenues	\$ 613	\$ 685
Farm & Tower Rent	4,420	4,140
Gain on Sale of Assets	31,435	-
Total Other Revenues(Expenses)	\$ 36,468	\$ 4,825
NET INCOME (LOSS)	\$ (33,543)	\$ 62,071

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, 2015 and 2014

	2015	2014
Balance, January 1	\$ 2,579,217	\$ 2,512,746
Net Income (Loss)	(33,543)	62,071
Prior Period Adjustment (Note 11)	-	-
Member Investments	2,600	4,400
Donated Assets (Note8)	-	-
Grants	148,075	-
Total Changes in Net Position	\$ 117,132	\$ 66,471
Balance, December 31	\$ 2,696,349	\$ 2,579,217

See accompanying notes to the financial statements.

Tillman County Rural Water District #1

Comparative Statement of Cash Flows
For the Years Ended December 31, 2015 and 2014

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers	\$ 579,546	\$ 641,452
Payments to suppliers	(314,126)	(297,928)
Payments to employees	(220,948)	(160,126)
Net Cash Provided by Operating Activities	\$ 44,472	\$ 183,398
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Purchase of capital assets	\$ (168,066)	\$ (3,130)
Donated Assets	-	-
Payments for Construction in Progress	-	-
Proceeds from Grants	148,075	-
Principal payments on notes payable	(13,586)	(12,925)
Interest paid on notes payable	(11,206)	(11,868)
Prior period adjustments	-	-
Proceeds from sale of assets	33,500	-
Net Cash Used In Capital & Related Financing Activities	\$ (11,283)	\$ (27,923)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment Receipts	\$ 613	\$ 685
Rent Proceeds	4,420	4,140
Proceeds from memberships	2,600	4,400
Net Cash Provided from Investing Activities	\$ 7,633	\$ 9,225
INCREASE (DECREASE) IN CASH AND INVESTMENTS	\$ 40,822	\$ 164,700
Cash and Investment Balance - Beginning	730,152	565,452
CASH AND INVESTMENT BALANCE - ENDING	\$ 770,974	\$ 730,152
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:		
Operating Income (Loss)	\$ (70,011)	\$ 57,246
Adjustments to reconcile operating income to net cash provided (used) by Operating Activities:		
Interest Expense	11,184	11,857
Depreciation expense	111,560	114,296
Change in assets and liabilities:		
Accounts Receivable	(2,649)	416
Other Receivables	-	-
Prepaid Insurance	(3,553)	(65)
Inventory	-	-
Accounts Payable	(2,732)	(453)
Taxes Payable	673	101
Net Cash Provided from Operating Activities	\$ 44,472	\$ 183,398

See accompanying notes to the financial statements.

Tillman County Rural Water District #1

Notes to the Financial Statements
For the Years Ended December 31, 2015 and 2014

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 737 and 740 meters for the years ending December 31, 2015 and 2014.

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, 2015 and 2014 amounted to \$47,944 and \$45,295. 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, 2015 and 2014, respectively.

Tillman County Rural Water District #1

Notes to the Financial Statements

For the Years Ended December 31, 2015 and 2014

Note 6 - Changes in Capital Assets

	Balance 1/1/2015	Additions	Disposed	Balance 12/31/2015
Capital Assets:				
Water System Plant Assets	\$ 4,048,493	\$ 38,825	\$ -	\$ 4,087,318
Office Furniture & Fixtures	16,116	-	-	16,116
Equipment	197,643	129,241	(67,376)	259,508
Buildings	70,323	-	-	70,323
Total Capital Assets	\$ 4,332,575	\$ 168,066	\$ (67,376)	\$ 4,433,265
Accumulated Depreciation:				
Water System Plant Assets	\$ 2,203,643	\$ 71,279	\$ -	\$ 2,274,922
Office Furniture & Fixtures	10,865	1,012	-	11,877
Equipment	114,166	35,753	(65,311)	84,608
Buildings	46,468	3,516	-	49,984
Total Accumulated Depreciation	2,375,142	111,560	(65,311)	2,421,391
Net Capital Assets	\$ 1,957,433	\$ 56,506	\$ (2,065)	\$ 2,011,874

Note 7 - Components of Cash and Investments

	Date of Maturity	Interest Rate	Balance
Petty Cash	-	0.00%	\$ 100
Checking - Bancfirst	-	0.05%	428,489
Checking - Bancfirst (CNGB Proj)	0	0.05%	107,294
CD - Bancfirst	3/17/2016	0.05%	13,829
CD - Bancfirst	10/12/2016	0.05%	8,019
CD - Bancfirst	2/12/2016	0.05%	52,028
CD - Bancfirst	3/11/2016	0.05%	2,340
CD - Bancfirst	3/31/2016	0.05%	51,117
CD - Valor Bank	5/25/2016	0.40%	13,598
CD - Valor Bank	4/13/2016	0.40%	4,030
CD - Valor Bank	6/20/2016	0.40%	3,999
CD - Valor Bank	3/11/2016	0.25%	3,977
CD - Valor Bank	5/23/2016	0.40%	19,766
CD - Valor Bank	4/8/2016	0.40%	3,888
CD - Valor Bank	1/11/2016	0.25%	3,856
CD - Valor Bank	3/9/2016	0.25%	3,845
CD - Valor Bank	5/19/2016	0.40%	3,822
CD - Valor Bank	2/12/2016	0.25%	3,793
CD - Valor Bank	5/17/2016	0.40%	3,695
CD - Valor Bank	2/5/2016	0.25%	3,663
CD - Valor Bank	2/19/2016	0.25%	32,087
CD - Valor Bank	6/30/2016	0.40%	3,739
Total Cash and Investments			\$ 770,974

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, 2015 and 2014

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, 2015 and 2014 were \$0 and \$0, 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 \$20,902 and \$14,899 for the years ending December 31, 2015 and 2014, 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 12/31/2015	Balance 12/31/2014
91-10	9/6/1978	2,028	2,299	4,161
91-11	6/29/1989	16,272	153,304	161,683
91-13	6/29/1989	6,492	61,113	64,458
		<u>\$ 24,792</u>	<u>\$ 216,716</u>	<u>\$ 230,302</u>
Less: Current Portion			14,311	13,614
Net Long-term Balance			<u>\$ 202,405</u>	<u>\$ 216,688</u>

Current Portion:		Note 9110	Note 9111	Note 9113
Year Ending	12/31/2016	1,961	8,826	3,524
Year Ending	12/31/2017	338	9,277	3,704
Year Ending	12/31/2018	-	9,752	3,893
Year Ending	12/31/2019	-	10,250	4,093
Year Ending	12/31/2020	-	10,775	4,302

Note 11 - Prior Period Adjustments

There were no prior period adjustments in the financial statements for the years ending December 31, 2015 or 2014.

Note 12 - Evaluation of Subsequent Events

The subsequent events of the District were evaluated through February 10, 2016, the date of the report.

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
Tillman County Rural Water District #1
Chattanooga, 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 Tillman County Rural Water District #1 (District), as of and for the years ending December 31, 2015 and 2014, and have issued my report thereon dated February 10, 2016.

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 10, 2016