

**Washita County Rural  
Water District #2**  
*Audit Report*  
For Year Ending December 31, 2014

**Scott Northrip, CPA**

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

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# ***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. #2  
Washita County, Oklahoma

I have audited the accompanying financial statements of Rural Water, Sewer, & Solid Waste Management District #2, Washita 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 #2, Washita 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 January 30, 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

January 30, 2015

**Rural Water, Sewer, & Solid Waste Management  
District #2, Washita County, Oklahoma**

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

<b>ASSETS:</b>	<b>2014</b>	<b>2013</b>
<b>Current Assets:</b>		
Cash & Cash Equivalents	\$ 236,341	\$ 116,847
Investments	179,078	178,173
Accounts Receivable (Note 2)	44,612	39,459
Other Receivable	-	1,500
Interest Receivable	995	990
Prepaid Insurance	8,945	8,235
Inventory	56,495	53,425
<b>Total Current Assets</b>	<b>\$ 526,466</b>	<b>\$ 398,629</b>
<b>Noncurrent Assets:</b>		
Construction in Progress	\$ -	\$ -
Capital Assets: (Note 5)		
Land	191,690	191,690
Other Capital Assets, net of depreciation	1,157,006	1,263,358
<b>Total Noncurrent Assets</b>	<b>\$ 1,348,696</b>	<b>\$ 1,455,048</b>
 <b>TOTAL ASSETS</b>	 <b>\$ 1,875,162</b>	 <b>\$ 1,853,677</b>
 <b>LIABILITIES AND NET POSITION:</b>		
<b>Current Liabilities:</b>		
Accounts Payable	\$ -	\$ -
Interest Payable	1,138	1,658
Customer Deposits	1,850	2,300
Current Portion of Long-term Liabilities	32,727	31,148
<b>Total Current Liabilities</b>	<b>\$ 35,715</b>	<b>\$ 35,106</b>
 <b>Long-Term Liabilities:</b>		
Notes Payable - net of current	\$ 486,451	\$ 518,680
 <b>Net Position:</b>		
Restricted Fund Balance	\$ 57,888	\$ 57,888
Unrestricted Fund Balance	(17,010)	(51,494)
<b>Total Fund Balance</b>	<b>\$ 40,878</b>	<b>\$ 6,394</b>
Member Investments	341,350	330,400
Donated Assets	673,169	665,498
Grants	297,599	297,599
<b>TOTAL NET POSITION</b>	<b>\$ 1,352,996</b>	<b>\$ 1,299,891</b>
 <b>TOTAL LIABILITIES AND NET POSITION</b>	 <b>\$ 1,875,162</b>	 <b>\$ 1,853,677</b>

See accompanying notes to the financial statements.

**Rural Water, Sewer, & Solid Waste Management  
District #2, Washita County, Oklahoma**

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

	2014	2013
<b>OPERATING REVENUES:</b>		
Water Sales	\$ 438,089	\$ 397,068
Late Fees	11,952	9,703
Sale of Supplies	1,820	945
Miscellaneous Revenues	13,921	8,495
<b>Total Operating Revenues</b>	<b>\$ 465,782</b>	<b>\$ 416,211</b>
<b>OPERATING EXPENSES:</b>		
Salaries	\$ 122,070	\$ 119,609
Depreciation Expense	114,023	115,930
Interest Expense	26,719	28,234
Utilities	34,449	31,387
Water Purchases	11,820	10,769
Repairs & Maintenance	19,571	162
Insurance	27,925	25,804
Legal & Professional Fees	8,127	9,912
Transportation Expense	8,522	8,865
Director's Fees	6,800	6,800
Payroll Tax Expense	9,899	9,753
Operating Supplies & Chemicals	27,090	14,451
Office Supplies & Postage	7,108	6,517
Retirement Benefits	3,663	3,417
Dues & Licenses	992	674
Equipment Rent	2,886	2,858
Bad Debts Expense	845	971
FEMA Repairs	-	-
Miscellaneous Expense	1,040	1,226
<b>Total Operating Expenses</b>	<b>\$ 433,549</b>	<b>\$ 397,339</b>
<b>OPERATING INCOME (LOSS)</b>	<b>\$ 32,233</b>	<b>\$ 18,872</b>
<b>OTHER REVENUES (EXPENSES):</b>		
Investment Revenues	\$ 2,251	\$ 1,823
Gain on Sale of Assets	-	-
<b>Total Other Revenues(Expenses)</b>	<b>\$ 2,251</b>	<b>\$ 1,823</b>
<b>NET INCOME</b>	<b>\$ 34,484</b>	<b>\$ 20,695</b>

See accompanying notes to the financial statements.

**Rural Water, Sewer, & Solid Waste Management  
District #2, Washita County, Oklahoma**

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>	\$ 1,299,891	\$ 1,236,845
Net Income (Loss)	34,484	20,695
Member Investments	10,950	17,600
Donated Assets	7,671	24,751
Grants	-	-
<b>Total Changes in Net Assets</b>	<u>\$ 53,105</u>	<u>\$ 63,046</u>
<b>Balance, December 31</b>	<u>\$ 1,352,996</u>	<u>\$ 1,299,891</u>

See accompanying notes to the financial statements.

# Rural Water, Sewer & Solid Waste Management District #2, Washita County, Oklahoma

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

	2014	2013
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Receipts from customers	\$ 462,126	\$ 414,132
Payments to suppliers	(149,768)	(114,949)
Payments to employees & benefits	(147,269)	(143,915)
<b>Net Cash Provided by Operating Activities</b>	<b>\$ 165,089</b>	<b>\$ 155,268</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Purchase of fixed assets	\$ (7,671)	\$ (72,583)
Donated Assets	7,671	24,751
Payments for Land	-	-
Proceeds from Grants	-	-
Principal payments on notes payable	(30,650)	(30,199)
Interest paid on notes payable	(27,238)	(27,688)
Proceeds from sale of assets	-	-
<b>Net Cash Used In Capital &amp; Related Financing Activities</b>	<b>\$ (57,888)</b>	<b>\$ (105,719)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Investment Receipts	\$ 2,248	\$ 2,077
Proceeds from memberships	10,950	17,600
<b>Net Cash Provided from Investing Activities</b>	<b>\$ 13,198</b>	<b>\$ 19,677</b>
<b>INCREASE (DECREASE) IN CASH AND INVESTMENTS</b>	<b>\$ 120,399</b>	<b>\$ 69,226</b>
Cash and Investment Balance - Beginning	295,020	225,794
<b>CASH AND INVESTMENT BALANCE - ENDING</b>	<b>\$ 415,419</b>	<b>\$ 295,020</b>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:</b>		
Operating Income (Loss)	\$ 32,233	\$ 18,872
Adjustments to reconcile operating income to net cash provided (used) by Operating Activities:		
Interest Expense	26,719	28,234
Depreciation expense	114,023	115,930
Change in assets and liabilities:		
Accounts Receivable	(5,156)	(2,079)
Other Receivable	1,500	(1,500)
Prepaid Insurance	(710)	(1,079)
Inventory	(3,070)	(3,910)
Accounts Payable	-	-
Customer Deposits	(450)	800
<b>Net Cash Provided from Operating Activities</b>	<b>\$ 165,089</b>	<b>\$ 155,268</b>

See accompanying notes to the financial statements.

# Rural Water, Sewer & Solid Waste Management District #2, Washita County, Oklahoma

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

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

### **Organization:**

Rural Water, Sewer, and Solid Waste Management District #2, Washita County, Oklahoma (District) is an Oklahoma trust formed under the Oklahoma Rural Water Act to provide water, sewer, and solid waste management in a designated area in and around Washita County, Oklahoma to individuals and businesses that purchase a membership. The District served 752 meters and sold 65,968,000 gallons of water for the year ending December 31, 2014 which represented an increase of 9 meters from previous year.

### **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 reserve method to account for bad debts. No provision was made during the years 2014 or 2013 even though it was less than the accounts receivable balances over 90 days old. The accounts receivable balances at December 31, 2014 and 2013 amounted to \$47,685 and \$42,532, respectively with the allowance in the amount of \$3,073 and \$3,073, respectively.

## **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.



**Rural Water, Sewer & Solid Waste Management  
District #2, Washita County, Oklahoma**

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

**Note 5 - Changes in Fixed Assets**

	Balance 1/1/2014	Additions	Disposed	Balance 12/31/2014
Water System Plant Assets	\$ 2,748,518	\$ 7,671	\$ -	\$ 2,756,189
Extensions	656,139	-	-	656,139
Office Furniture & Fixtures	17,657	-	-	17,657
Equipment	156,528	-	-	156,528
Vehicles	16,012	-	-	16,012
Buildings	179,325	-	-	179,325
<b>Total Assets</b>	<b>\$ 3,774,179</b>	<b>\$ 7,671</b>	<b>\$ -</b>	<b>\$ 3,781,850</b>
 <u>Accumulated Depreciation:</u>				
Water System Plant Assets	\$ 2,084,963	\$ 72,451	\$ -	\$ 2,157,414
Extensions	278,891	16,824	-	295,715
Office Furniture & Fixtures	17,227	145	-	17,372
Equipment	63,481	11,634	-	75,115
Vehicles	2,002	4,003	-	6,005
Buildings	64,257	8,966	-	73,223
<b>Total Accumulated Deprec.</b>	<b>\$ 2,510,821</b>	<b>\$ 114,023</b>	<b>\$ -</b>	<b>\$ 2,624,844</b>
 <b>Net Fixed Assets</b>	 <b>\$ 1,263,358</b>	 <b>\$ (106,352)</b>	 <b>\$ -</b>	 <b>\$ 1,157,006</b>

**Note 6 - 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 December 31, 2014 and 2013 were \$7,671 and \$24,751, respectively.

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

	Date of Maturity	Interest Rate	12/31/2014 Balance
Checking - Bank of Cordell	-	0.50%	\$ 236,041
Petty Cash	-	0.00%	300
CD - Bank of Hydro	4/19/2014	0.75%	58,000
CD - Bank of Cordell	3/16/2014	0.75%	121,078
			-
<b>Total Cash and Investments</b>			<b>\$ 415,419</b>
 <b>Designation:</b>			
Operating			\$ 136,341
Reserved for System Improvements			221,190
Restricted for Debt Service - Rural Development			57,888
			<b>\$ 415,419</b>

**Rural Water, Sewer & Solid Waste Management  
District #2, Washita County, Oklahoma**

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

**Note 8 - Retirement**

The District provides a Simple IRA retirement plan for its participating employees. The District matches contributions up to 3% of the employee wages.

**Note 9 - Long Term Liabilities**

The District has two 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
91-11	2/21/1983	32,664	193,413	215,629
91-13	5/23/1997	25,224	325,765	334,199
		<u>\$ 57,888</u>	<u>\$ 519,178</u>	<u>\$ 549,828</u>
Less: Current Portion			32,727	29,627
Net Long-Term Liabilities			<u>\$ 486,451</u>	<u>\$ 520,201</u>

Current Portion:		Note 91-11	Note 91-13
Year Ending	12/31/2015	-	9,156
Year Ending	12/31/2016	-	9,630
Year Ending	12/31/2017	-	10,118
Year Ending	12/31/2018	-	10,655
Year Ending	12/31/2019	-	11,187

**Note 10 - 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. #2  
Washita 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 #2, Washita County, Oklahoma (District), as of and for the years ending December 31, 2014 and 2013, and have issued my report thereon dated January 30, 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

January 30, 2015