

**RURAL WATER DISTRICT NO. 3
GRADY COUNTY, OKLAHOMA**

ANNUAL FINANCIAL STATEMENTS

YEAR ENDED OCTOBER 31, 2018

RURAL WATER DISTRICT NO. 3,
GRADY COUNTY
TABLE OF CONTENTS
YEAR ENDED OCTOBER 31, 2018

	Page
INTRODUCTORY SECTION:	
Table of Contents	i
FINANCIAL SECTION:	
Accountant's Compilation Report	1
Financial Statements:	
Statement of Net Assets –Modified Cash Basis	2
Statement of Revenues and Expenses and Changes in Net Assets – Modified Cash Basis	3
Statement of Cash Flows – Modified Cash Basis	4
Notes to Financial Statements	5-7

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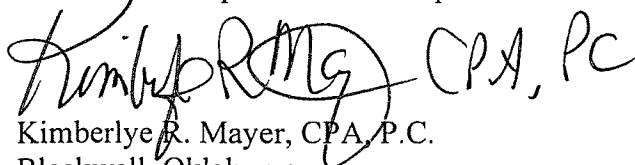
Accountant's Compilation Report

Board of Directors
Rural Water District No. 3, Grady County, Oklahoma

Management is responsible for the accompanying financial statements of the Rural Water District No. 3, Grady County, Oklahoma which comprise the statement of assets, liabilities and net position as of October 31, 2018 and the related statements of revenues and expenses and changes in net position and of cash flows for the year then ended, and the related notes to the financial statements in accordance with the modified cash basis of accounting. Management is responsible to determine that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the financial statements nor were we required to perform any procedures to verify the accuracy and completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared in accordance with the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

We are not independent with respect to Rural Water District No. 3, Grady County, Oklahoma.


Kimberlye R. Mayer, CPA, P.C.
Blackwell, Oklahoma
September 19, 2019

RURAL WATER DISTRICT NO. 3, GRADY COUNTY
STATEMENT OF ASSETS, LIABILITIES AND NET POSITION
MODIFIED CASH BASIS
OCTOBER 31, 2018

ASSETS

Current Assets:	
Operating accounts	\$ 7,593
Reserves savings account	8,456
Savings account	<u>10,267</u>
Total Cash and Cash Equivalents (Note 1)	26,316
Waterline system (net of accumulated depreciation (Note 2))	223,164
Work in progress	<u> </u>
Total Assets	<u><u>\$ 249,480</u></u>

LIABILITIES AND NET POSITION

Liabilities:	
Current Liabilities:	
Meter deposits	\$ 1,670
Net Position:	
Net investment in capital assets	223,164
Restricted	
Unrestricted	<u>24,646</u>
Total Net Position	<u>247,810</u>
Total Liabilities and Net Position	<u><u>\$ 249,480</u></u>

RURAL WATER DISTRICT NO. 3, GRADY COUNTY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
MODIFIED CASH BASIS
YEAR ENDED OCTOBER 31, 2018

Operating Revenues:	
Water sales	\$ 48,071
Operating Expenses:	
Payroll	16,500
Payroll taxes	1,409
Repairs, maintenance and fuel	1,544
Chemicals	1,059
Water costs	11,722
Depreciation expense	11,553
Insurance	3,287
Professional fees	1,395
Licenses, fees and memberships	2,794
Office expense and postage	594
Telephone and utilities	4,247
Other expenses	473
Total Operating Expenses	56,577
Operating Income (Loss)	(8,506)
Non-operating Revenues (Expenses):	
Interest income	52
Interest expense	52
Total Non-operating Revenue (Expense)	52
Changes in Net Position	(8,454)
Net Position, beginning of year	256,264
Net Position, end of year	\$ 247,810

See accountant's compilation report and notes.

RURAL WATER DISTRICT NO. 3, GRADY COUNTY
STATEMENT OF CASH FLOWS
MODIFIED CASH BASIS
YEAR ENDED OCTOBER 31, 2018

Cash Flows From Operating Activities:	
Cash received from customers	\$ 48,071
Cash payments to employees	(16,500)
Cash payments to suppliers for goods and services	(28,524)
Net cash provided (used) by operating activities	<u>3,047</u>
Cash flows from capital and related financing activities:	
Interest paid on notes	
Principle payments	
Acquisition and construction of capital assets	(993)
Grant income	
Net cash provided (used) by financing activities	<u>(993)</u>
Cash flows from investing activities:	
Interest income	52
Net cash provided (used) by investing activities	<u>52</u>
Net increase (decrease) in cash and cash equivalents	2,106
Beginning cash and cash equivalents	24,210
Ending cash and cash equivalents	<u><u>\$ 26,316</u></u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	\$ (8,506)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	11,553
Net cash provided (used) by operating activities	<u><u>\$ 3,047</u></u>

See accountant's compilation report and notes.

RURAL WATER DISTRICT NO. 3, GRADY COUNTY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED OCTOBER 31, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Nature of Organization

Rural Water District No. 3, Grady County, was created under the Rural Water District Act, Title 82, as amended, of the laws of the State of Oklahoma. The District is exempt from Federal and State income taxes of the United States Internal Revenue code. The purpose of the District is to provide water and limited sewer services to the owners and occupants of land located within the District, and others as authorized by law.

The District is a governed entity by a Board of Directors that acts as the authoritative and legislative body of the entity. The Board of Directors is comprised of elected board members.

Basis of Accounting

The District is classified as an Enterprise Fund. The costs of providing the water services to the public are financed mainly through user charges. The financial statements of the District have been prepared using the modified cash basis of accounting. This basis recognized assets, liabilities, net assets/fund equity, revenues, and expenditures/expenses when they result from cash transactions with a provision for depreciation. This basis is a basis of accounting other than accounting principles generally accepted in the United States of America.

As a result of the use of the modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

Cash and Deposits

Cash is maintained in financial institutions, which provide coverage to depositors through the Federal Deposit Insurance Corporation.

Cash and Cash Equivalents

The District considers all checking and savings accounts and deposits with a maturity of three months or less to be cash equivalents for purposes of the cash flow statement.

The State of Oklahoma allows government entities to invest in the following: direct obligations of the United States Government, its agencies or instrumentalities; collateralized or insured certificates of deposit; insured savings accounts or savings certificates; or county, municipal or school district direct debt.

RURAL WATER DISTRICT NO. 3, GRADY COUNTY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED OCTOBER 31, 2018

NOTE 2 – WATERLINE SYSTEM:

The original waterline system was recorded at cost. Waterline extensions and additions are capitalized and depreciated over their estimated useful lives. Annual depreciation is calculated on a straight-line basis. Total depreciation for the year ended October 31, 2017 was \$11,682. The balances for depreciable assets by major category at October 31, 2017 are as follows:

	Balance 10/31/17	(Additions)	Balance 10/31/18
Waterline system	\$ 403,427	\$	\$ 403,427
Buildings and equipment	25,650	993	26,643
Accumulated depreciation	(195,353)	(11,553)	(206,906)
Totals	\$ 233,724	\$ (10,560)	\$ 223,164

NOTE 3 – NET POSITION:

Net position presents the difference between assets and liabilities in the statement of net position. Net investment in capital assets is reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are legal limitations imposed on their use by District legislation or external restrictions by creditors, grantors, laws or regulations of other governments.

NOTE 4 – RISK MANAGEMENT:

The District is exposed to various risks of losses related to torts; thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District manages this risk through the purchase of commercial insurance policies. Claims are recognized when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. In determining claims, events that might create claims, but for which none have been reported, are considered. There were no claims during the year ended October 31, 2018.

NOTE 5 – CONTINGENCIES:

As of October 31, 2018, the District did not have any pending litigation or potential non-disclosed liabilities that management believes would have a material effect on the financial statements.

RURAL WATER DISTRICT NO. 3, GRADY COUNTY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED OCTOBER 31, 2018

NOTE 6 – ESTIMATES:

The preparation of financial statements in conformity with the modified cash basis of accounting requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

NOTE 7 – FAIR VALUES OF FINANCIAL INSTRUMENTS:

The definition of fair value for financial reporting, establishes a framework for measuring fair value, and requires additional disclosure about the use of fair value measurements in an effort to make the measurement of fair value more consistent and comparable.

Level 1: Quoted prices in active markets for identical securities.

Level 2: Other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment spread and credit risk).

Level 3: Significant unobservable inputs (including the District's own assumptions in determining the fair value of investments).

The District's financial instruments include cash and cash equivalents. The District's estimate of the fair value of all financial instruments does not differ materially from the aggregate carrying value of its financial instruments recorded in the accompanying statement of net position. The carrying amount of these financial instruments approximates fair value because of the short maturity of these instruments.

NOTE 8 – EVALUATION OF SUBSEQUENT EVENTS:

The District has evaluated subsequent events through September 19, 2019, the date which the financial statements were available to be issued.