

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. #5
Garfield County, Oklahoma

I have audited the accompanying financial statements of Rural Water, Sewer, & Solid Waste Management District #5, Garfield County, Oklahoma (District), as of and for the years ended October 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 #5, Garfield County, Oklahoma, as of October 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 7, 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 7, 2015

**Rural Water, Sewer, & Solid Waste Management
District #5, Garfield County, Oklahoma**

Statement of Net Position
As of October 31, 2014 and 2013

ASSETS:	2014	2013
Current Assets:		
Cash & Cash Equivalents	\$ 578,809	\$ 319,280
Investments	850,412	842,949
Accounts Receivable (Note 2)	29,823	24,187
Other Receivable	-	-
Interest Receivable	1,769	1,619
Prepaid Insurance	9,629	8,885
Inventory	29,815	39,555
Total Current Assets	\$ 1,500,257	\$ 1,236,475
Noncurrent Assets:		
Construction in Progress	\$ -	\$ -
Loan Origination Fees - Net (Note 9)	24,102	25,956
Capital Assets: (Note 5)		
Land & Water Rights	52,244	52,244
Other Capital Assets, net of depreciation	2,579,094	2,679,817
Total Noncurrent Assets	\$ 2,655,440	\$ 2,758,017
TOTAL ASSETS	\$ 4,155,697	\$ 3,994,492
 LIABILITIES AND NET POSITION:		
Current Liabilities:		
Accounts Payable	\$ 14,984	\$ 16,892
Payroll Taxes Payable	2,368	2,202
Customer Deposits	15,950	15,950
Bond Premium	91,673	98,725
Current Portion of Long-term Liabilities	52,500	47,917
Total Current Liabilities	\$ 177,475	\$ 181,686
Long-Term Liabilities: (Note 9)		
Notes Payable - net of current	\$ 825,083	\$ 877,582
Net Position:		
Restricted Fund Balance	\$ 82,887	\$ 82,909
Unrestricted Fund Balance	1,665,223	1,467,721
Total Fund Balance	\$ 1,748,110	\$ 1,550,630
Member Investments	260,256	259,256
Donated Assets (Note 6)	246,282	226,847
Grants	898,491	898,491
TOTAL NET POSITION	\$ 3,153,139	\$ 2,935,224
 TOTAL LIABILITIES AND NET POSITION	\$ 4,155,697	\$ 3,994,492

See accompanying notes to the financial statements.

**Rural Water, Sewer, & Solid Waste Management
District #5, Garfield County, Oklahoma**

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

	2014	2013
OPERATING REVENUES:		
Water Sales	\$ 569,409	\$ 459,472
Bulk Water Sales	55,326	21,417
Sale of Supplies	12,377	5,302
Other Service Revenues	5,676	3,739
Miscellaneous Revenues	10,004	4,243
Total Operating Revenues	\$ 652,792	\$ 494,173
OPERATING EXPENSES:		
Salaries	\$ 104,044	\$ 94,506
Depreciation Expense	126,114	116,560
Interest Expense	38,460	27,030
Utilities	23,969	20,755
Supplies	54,766	38,651
Repairs & Maintenance	34,720	57,788
Insurance	12,707	12,588
Legal & Professional Fees	12,242	16,019
Bad Debts	5,606	-
Employee Benefits	16,967	14,760
Payroll Tax Expense	8,807	7,979
Communication Expense	5,476	4,703
Office Supplies & Postage	6,615	5,572
Employee Retirement	2,328	2,418
Transportation Expense	11,641	11,604
Travel & Per Diem	2,322	3,787
Dues, Testing & Licenses	3,706	5,209
Contract Services	712	625
Miscellaneous Expense	1,498	1,604
Total Operating Expenses	\$ 472,700	\$ 442,158
OPERATING INCOME (LOSS)	\$ 180,092	\$ 52,015
OTHER REVENUES (EXPENSES):		
Investment Revenues	\$ 12,190	\$ 12,374
Penalties	-	-
Bond Premium	7,052	7,052
Amortised Loan Fees	(1,854)	(1,854)
Gain on Sale of Assets	-	3,000
Total Other Revenues(Expenses)	\$ 17,388	\$ 20,572
NET INCOME	\$ 197,480	\$ 72,587

See accompanying notes to the financial statements.

**Rural Water, Sewer, & Solid Waste Management
District #5, Garfield County, Oklahoma**

Comparative Statement of Changes in Net Position
For the Years Ended October 31, 2014 and 2013

	2014	2013
Balance, November 1	\$ 2,935,224	\$ 2,829,457
Net Income (Loss)	197,480	72,587
Member Investments	1,000	18,150
Donated Assets	19,435	15,030
Grants	-	-
Total Changes in Net Position	\$ 217,915	\$ 105,767
Balance, October 31	\$ 3,153,139	\$ 2,935,224

See accompanying notes to the financial statements.

**Rural Water, Sewer & Solid Waste Management
District #5, Garfield County, Oklahoma**

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

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers	\$ 647,156	\$ 519,868
Payments to suppliers	(168,726)	(183,546)
Payments to employees	(132,146)	(119,756)
Net Cash Provided by Operating Activities	\$ 346,284	\$ 216,566
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Purchase of fixed assets	\$ (25,390)	\$ (488,075)
Donated assets	19,435	15,030
Payment of loan origination fees	-	(27,810)
Proceeds from bond premium	-	105,777
Principal payments on notes payable	(47,917)	(40,733)
Interest paid on notes payable	(38,460)	(27,030)
Proceeds from sale of assets	-	3,000
Proceeds from loans	-	180,200
Net Cash Used In Capital & Related Financing Activities	\$ (92,332)	\$ (279,641)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest Received	\$ 12,040	\$ 13,896
Penalties Paid	-	-
Proceeds from memberships	1,000	18,150
Net Cash Provided from Investing Activities	\$ 13,040	\$ 32,046
INCREASE (DECREASE) IN CASH AND INVESTMENTS	\$ 266,992	\$ (31,029)
Cash and Investment Balance - Beginning	1,162,229	1,193,258
CASH AND INVESTMENT BALANCE - ENDING	\$ 1,429,221	\$ 1,162,229
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:		
Operating Income (Loss)	\$ 180,092	\$ 52,015
Adjustments to reconcile operating income to net cash provided (used) by Operating Activities:		
Interest Expense	38,460	27,030
Depreciation expense	126,114	116,560
Change in assets and liabilities:		
Accounts Receivable	(5,636)	(7,313)
Other Receivable	-	33,008
Prepaid Insurance	(744)	(321)
Inventory	9,740	(3,661)
Accounts Payable	(1,908)	(659)
Payroll Taxes Payable	166	(93)
Customer Deposits	-	-
Net Cash Provided from Operating Activities	\$ 346,284	\$ 216,566

See accompanying notes to the financial statements.

Rural Water, Sewer & Solid Waste Management District #5, Garfield County, Oklahoma

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

Note 1 - Significant Accounting Policies

Organization:

Rural Water, Sewer, and Solid Waste Management District #5, Garfield 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 Garfield County, Oklahoma to individuals and businesses that purchase a membership. The District served 770 and 773 meters at October 31, 2014 and 2013, respectively.

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 October plus any unpaid balances from the previous months. The District uses the reserve method to account for bad debts. No provision was made since the allowance is more than the the accounts receivable balances over 90 days old. The accounts receivable balances at October 31, 2014 and 2013 amounted to \$30,222 and \$24,586, respectively with the allowance in the amount of \$399 for both years.

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 #5, Garfield County, Oklahoma

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

Note 5 - Changes in Fixed Assets

	Balance 11/1/2013	Additions	Disposed	Balance 10/31/2014
Total Fixed Assets:				
Water System Plant Assets	\$ 3,669,307	\$ 24,608	\$ -	\$ 3,693,915
Green Valley Plant Assets	844,124	-	-	844,124
Office Furniture & Fixtures	28,311	782	-	29,093
Equipment	9,984	-	-	9,984
Vehicles	51,307	-	-	51,307
Buildings	54,429	-	-	54,429
Total Assets	\$ 4,657,462	\$ 25,390	\$ -	\$ 4,682,852
Total Accumulated Depreciation:				
Water System Plant Assets	1,567,381	93,621	-	1,661,002
Green Valley Plant Assets	304,236	21,103	-	325,339
Office Furniture & Fixtures	22,040	1,186	-	23,226
Equipment	6,626	453	-	7,079
Vehicles	26,703	7,030	-	33,733
Buildings	50,658	2,721	-	53,379
Total Accumulated Deprec.	1,977,644	126,114	-	2,103,758
Net Fixed Assets	\$ 2,679,818	\$ (100,724)	\$ -	\$ 2,579,094

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 October 31, 2014 and 2013 were \$19,435 and \$15,030, respectively.

Note 7 - Components of Cash and Investments

	Date of Maturity	Interest Rate	Balance 10/31/2014	
Checking - Interbank	-	0.10%	\$ 123,861	
Petty Cash	-	0.00%	98	
Hi-Fi Account - ACB Bank	-	0.20%	231,673	
Money Market - State Farm Bank	-	0.65%	223,177	
CD - Alva State Bank	6/14/2016	2.10%	212,982	
CD - Liberty Federal	12/14/2014	0.65%	133,059	
CD - Liberty Federal	12/15/2014	0.55%	113,073	
CD - Interbank	6/29/2015	0.40%	101,955	
CD - 1st State Bank	3/25/2015	0.60%	205,996	
OWRB Reserve Acct - Central National Bank	-	0.02%	70,695	Restricted
OWRB Reserve Acct - Central National Bank	-	0.02%	12,192	Restricted
Investment in CoBank	-	0.00%	460	
Total Cash and Investments			\$ 1,429,221	

Rural Water, Sewer & Solid Waste Management District #5, Garfield County, Oklahoma

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

Note 8 - Budget Comparison

The District is a proprietary fund type of governmental entity and is not legally required to adopt a budget or include a report on budget comparison to actual expenditures in this basic financial statement.

Note 9 - Long Term Liabilities

OWRB - Series 2013

The District borrowed \$740,000 from Oklahoma Water Resources Board for system improvements to the Green Valley area of the District. The loan was financed through the sale of bonds administered by the Central National Bank of Enid, Oklahoma. Note payments are made to the Bank monthly. Interest is variable and is adjusted semi-annually which changes the amount of the monthly payments since the principle is fixed. The note is secured by the system assets of the District. The note was refinanced and increased to fund line extension project during 2013. The note is extended until 9-15-2028. The interest is fixed but will increase to 5.4% in 2021.

Begin	End	Interest Rate	Monthly Payment
12/1/2012	2/28/2013	1.12%	2,361.50
3/1/2013	4/30/2013	1.63%	2,647.18
5/1/2013	9/15/2013	2.81%	4,932.63
9/16/2013	3/15/2014	2.81%	5,543.30
3/16/2014	9/15/2014	2.81%	5,543.05
9/16/2014	3/15/2015	2.81%	5,889.96

Dept. of Commerce

The District borrowed \$150,000 from the Oklahoma Department of Commerce for funding of the Carrier Project. The note is a non-interest bearing note payable in monthly installments of \$625 for 20 years beginning in November, 2000.

OWRB -07

The District borrowed \$195,000 from Oklahoma Water Resources Board for system improvements to the District. The loan was financed through the sale of bonds administered by the Central National Bank of Enid, Oklahoma. Note payments are made to the Bank monthly. Interest is variable and is adjusted semi-annually which changes the amount of the monthly payments since the principle is fixed. The note is secured by the system assets of the District. The District began making payments in January, 2008 until the final payment in September, 2036.

Semi-annual Period		Interest Rate	Monthly Payment
Begin	End		
10/1/2012	3/31/2013	3.795%	941.85
4/1/2013	9/30/2013	3.795%	941.77
10/1/2013	3/31/2014	3.795%	1,012.53
4/1/2014	9/30/2014	3.795%	1,012.47
10/1/2014	3/31/2015	3.795%	996.51

**Rural Water, Sewer & Solid Waste Management
District #5, Garfield County, Oklahoma**

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

Note 9 - Long Term Liabilities - Continued

	Balance 10/31/2014	Balance 10/31/2013
OWRB - 2013	\$ 666,667	\$ 702,083
Dept of Commerce	45,000	52,500
OWRB - 07	165,916	170,916
	\$ 877,583	\$ 925,499
Less: Current Portion	52,500	47,917
Net Long-term Liabilities	\$ 825,083	\$ 877,582

		OWRB-13	Dept Com	OWRB-07	TOTAL
Current Portion:					
Year Ending	10/31/2015	40,000	7,500	5,000	52,500
Year Ending	10/31/2016	40,000	7,500	5,000	52,500
Year Ending	10/31/2017	40,000	7,500	5,000	52,500
Year Ending	10/31/2018	40,000	7,500	5,500	53,000
Year Ending	10/31/2019	40,417	7,500	6,000	53,917

Amortization of Loan Origination fees and Bond Premium

The District paid loan origination fees on the OWRB Series 2013 note of \$27,810 which will be amortized over the life of the note or 15 years. Each year's amortization amounts to \$1,854. The District also received a bond premium on the refinance with OWRB of \$105,777 which will also be amortized over the life of the note and each year's premium will be \$7,052.

Note 10 - Retirement

The District provides a SIMPLE-IRA retirement plan for its participating employees. The District matches up to 3% of the wages of the employees. The District matched contributions to the plan in the amounts of \$2,328 and 2,418 for the years ending October 31, 2014 and 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. #5
Garfield 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 #5, Garfield County, Oklahoma (District), as of and for the years ending October 31, 2014 and 2013, and have issued my report thereon dated January 7, 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 7, 2015