



**Rural Water, Sewer
and Solid Waste
Management Dist. #5,
Garfield Co., Oklahoma**
Audit Report
For Year Ending October 31, 2015

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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, 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 Rural Water, Sewer, & Solid Waste Management District #5, Garfield County, Oklahoma, as of October 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 January 14, 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

January 14, 2016

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

Statement of Net Position
As of October 31, 2015 and 2014

ASSETS:	2015	2014
Current Assets:		
Cash & Cash Equivalents	\$ 712,800	\$ 578,809
Investments	858,251	850,412
Accounts Receivable (Note 2)	33,830	29,823
Other Receivable	5,080	-
Interest Receivable	1,341	1,769
Prepaid Insurance	6,640	9,629
Inventory	29,619	29,815
Total Current Assets	<u>\$ 1,647,561</u>	<u>\$ 1,500,257</u>
Noncurrent Assets:		
Construction in Progress	\$ -	\$ -
Loan Origination Fees - Net (Note 9)	22,248	24,102
Capital Assets: (Note 5)		
Land & Water Rights	52,244	52,244
Other Capital Assets, net of depreciation	2,599,173	2,579,094
Total Noncurrent Assets	<u>\$ 2,673,665</u>	<u>\$ 2,655,440</u>
TOTAL ASSETS	<u>\$ 4,321,226</u>	<u>\$ 4,155,697</u>
LIABILITIES AND NET POSITION:		
Current Liabilities:		
Accounts Payable	\$ 16,294	\$ 14,984
Payroll Taxes Payable	2,412	2,368
Customer Deposits	15,950	15,950
Bond Premium	84,621	91,673
Current Portion of Long-term Liabilities	52,500	52,500
Total Current Liabilities	<u>\$ 171,777</u>	<u>\$ 177,475</u>
Long-Term Liabilities: (Note 9)		
Notes Payable - net of current	<u>\$ 772,583</u>	<u>\$ 825,083</u>
Net Position:		
Restricted Fund Balance	\$ 82,896	\$ 82,887
Unrestricted Fund Balance	1,830,562	1,665,223
Total Fund Balance	<u>\$ 1,913,458</u>	<u>\$ 1,748,110</u>
Member Investments	275,256	260,256
Donated Assets (Note 6)	289,661	246,282
Grants	898,491	898,491
TOTAL NET POSITION	<u>\$ 3,376,866</u>	<u>\$ 3,153,139</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 4,321,226</u>	<u>\$ 4,155,697</u>

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, 2015 and 2014

	2015	2014
OPERATING REVENUES:		
Water Sales	\$ 591,258	\$ 569,409
Bulk Water Sales	11,595	55,326
Sale of Supplies	6,434	12,377
Other Service Revenues	6,065	5,676
Miscellaneous Revenues	2,705	10,004
Total Operating Revenues	\$ 618,057	\$ 652,792
OPERATING EXPENSES:		
Salaries	\$ 110,424	\$ 104,044
Depreciation Expense	127,100	126,114
Interest Expense	37,518	38,460
Utilities	22,536	23,969
Supplies	22,663	54,766
Repairs & Maintenance	61,331	34,720
Insurance	13,799	12,707
Legal & Professional Fees	10,601	12,242
Bad Debts	1,602	5,606
Employee Benefits	16,953	16,967
Payroll Tax Expense	9,175	8,807
Communication Expense	4,660	5,476
Office Supplies & Postage	6,784	6,615
Employee Retirement	2,846	2,328
Transportation Expense	8,278	11,641
Travel & Per Diem	3,834	2,322
Dues, Testing & Licenses	6,399	3,706
Contract Services	669	712
Miscellaneous Expense	3,185	1,498
Total Operating Expenses	\$ 470,357	\$ 472,700
OPERATING INCOME (LOSS)	\$ 147,700	\$ 180,092
OTHER REVENUES (EXPENSES):		
Investment Revenues	\$ 12,350	\$ 12,190
Penalties	-	-
Bond Premium	7,052	7,052
Amortised Loan Fees	(1,854)	(1,854)
Gain on Sale of Assets	100	-
Total Other Revenues(Expenses)	\$ 17,648	\$ 17,388
NET INCOME	\$ 165,348	\$ 197,480

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, 2015 and 2014

	2015	2014
Balance, November 1	\$ 3,153,139	\$ 2,935,224
Net Income (Loss)	165,348	197,480
Member Investments	15,000	1,000
Donated Assets	43,379	19,435
Grants	-	-
Total Changes in Net Position	\$ 223,727	\$ 217,915
Balance, October 31	\$ 3,376,866	\$ 3,153,139

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, 2015 and 2014

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers	\$ 608,970	\$ 647,156
Payments to suppliers	(161,802)	(168,726)
Payments to employees	(139,398)	(132,146)
Net Cash Provided by Operating Activities	\$ 307,770	\$ 346,284
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Purchase of fixed assets	\$ (147,179)	\$ (25,390)
Donated assets	43,379	19,435
Payment of loan origination fees	-	-
Proceeds from bond premium	-	-
Principal payments on notes payable	(52,500)	(47,917)
Interest paid on notes payable	(37,518)	(38,460)
Proceeds from sale of assets	100	-
Proceeds from loans	-	-
Net Cash Used in Capital & Related Financing Activities	\$ (193,718)	\$ (92,332)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest Received	\$ 12,778	\$ 12,040
Penalties Paid	-	-
Proceeds from memberships	15,000	1,000
Net Cash Provided from Investing Activities	\$ 27,778	\$ 13,040
INCREASE (DECREASE) IN CASH AND INVESTMENTS	\$ 141,830	\$ 266,992
Cash and Investment Balance - Beginning	1,429,221	1,162,229
CASH AND INVESTMENT BALANCE - ENDING	\$ 1,571,051	\$ 1,429,221
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:		
Operating Income (Loss)	\$ 147,700	\$ 180,092
Adjustments to reconcile operating income to net cash provided (used) by Operating Activities:		
Interest Expense	37,518	38,460
Depreciation expense	127,100	126,114
Change in assets and liabilities:		
Accounts Receivable	(4,007)	(5,636)
Other Receivable	(5,080)	-
Prepaid Insurance	2,989	(744)
Inventory	196	9,740
Accounts Payable	1,310	(1,908)
Payroll Taxes Payable	44	166
Customer Deposits	-	-
Net Cash Provided from Operating Activities	\$ 307,770	\$ 346,284

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, 2015 and 2014

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 775 and 770 meters at October 31, 2015 and 2014, 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, 2015 and 2014 amounted to \$34,229 and \$30,222, 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, 2015 and 2014

Note 5 - Changes in Fixed Assets

	Balance 11/1/2014	Additions	Disposed	Balance 10/31/2015
Total Fixed Assets:				
Water System Plant Assets	\$ 3,693,915	\$ 120,099	\$ -	\$ 3,814,014
Green Valley Plant Assets	844,124	-	-	844,124
Office Furniture & Fixtures	29,093	-	-	29,093
Equipment	9,984	27,080	-	37,064
Vehicles	51,307	-	-	51,307
Buildings	54,429	-	-	54,429
Total Assets	\$ 4,682,852	\$ 147,179	\$ -	\$ 4,830,031
Total Accumulated Depreciation:				
Water System Plant Assets	1,661,002	95,504	-	1,756,506
Green Valley Plant Assets	325,339	21,103	-	346,442
Office Furniture & Fixtures	23,226	986	-	24,212
Equipment	7,079	1,807	-	8,886
Vehicles	33,733	7,030	-	40,763
Buildings	53,379	670	-	54,049
Total Accumulated Deprec.	2,103,758	127,100	-	2,230,858
Net Fixed Assets	\$ 2,579,094	\$ 20,079	\$ -	\$ 2,599,173

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, 2015 and 2014 were \$43,379 and \$19,435, respectively.

Note 7 - Components of Cash and Investments

	Date of Maturity	Interest Rate	Balance 10/31/2015	
Checking - Interbank	-	0.10%	\$ 127,153	
Petty Cash	-	0.00%	120	
Hi-Fi Account - ACB Bank	-	0.20%	232,140	
Money Market - State Farm Bank	-	0.65%	244,549	
Hi-Fi Account - Community State Bank	-	0.10%	108,839	
CD - Alva State Bank	6/14/2016	2.10%	217,490	
CD - Liberty Federal	6/14/2016	0.65%	133,926	
CD - Liberty Federal	12/15/2015	0.55%	113,879	
CD - Interbank	6/29/2016	0.40%	102,363	
CD - 1st State Bank	3/25/2016	0.60%	207,236	
OWRB Reserve Acct - Central National Bank	-	0.02%	70,703	Restricted
OWRB Reserve Acct - Central National Bank	-	0.02%	12,193	Restricted
Investment in CoBank	-	0.00%	460	
Total Cash and Investments			\$ 1,571,051	

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

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

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 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
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
3/16/2015	9/15/2015	2.81%	5,889.44
9/16/2015	3/15/2016	2.81%	5,793.30

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 Begin	End	Interest Rate	Monthly Payment
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
4/1/2015	9/30/2015	3.795%	996.42
10/1/2015	3/31/2016	3.795%	977.16

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

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

Note 9 - Long Term Liabilities - Continued

	Balance 10/31/2015	Balance 10/31/2014
OWRB - 2013	\$ 626,667	\$ 666,667
Dept of Commerce	37,500	45,000
OWRB - 07	160,916	165,916
	\$ 825,083	\$ 877,583
Less: Current Portion	52,500	52,500
Net Long-term Liabilities	\$ 772,583	\$ 825,083

		OWRB-13	Dept Com	OWRB-07	TOTAL
Current Portion:					
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
Year Ending	10/31/2020	45,000	7,500	6,000	58,500

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 \$2,468 and 2,328 for the years ending October 31, 2015 and 2014.

Note 11 - Evaluation of Subsequent Events

The subsequent events of the District were evaluated through January 14, 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
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, 2015 and 2014, and have issued my report thereon dated January 14, 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

January 14, 2016