



**Rural Water, Sewer
and Solid Waste
Management Dist. #5,
Garfield Co., Oklahoma**

Audit Report
For Year Ending October 31, 2013

Scott Northrip, CPA

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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 basic financial statements of Rural Water, Sewer, & Solid Waste Management District #5, Garfield County, Oklahoma (District), as of and for the years ended October 31, 2013 and 2012. These financial statements are the responsibility of the District's management. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that the audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Rural Water, Sewer, & Solid Waste Management District #5, Garfield County, Oklahoma, as of October 31, 2013 and 2012, and the results of its operations and its cash flows and its changes in fund balance for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated January 9, 2014, on my consideration of the District's internal control and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grants. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of the audit.

Scott Northrip, CPA

Certified Public Accountant

January 9, 2014

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

Statement of Net Position
As of October 31, 2013 and 2012

ASSETS:	2013	2012
Current Assets:		
Cash & Cash Equivalents	\$ 319,280	\$ 364,376
Investments	842,949	828,882
Accounts Receivable (Note 2)	24,187	16,874
Other Receivable	-	33,008
Interest Receivable	1,619	3,141
Prepaid Insurance	8,885	8,564
Inventory	39,555	35,894
Total Current Assets	\$ 1,236,475	\$ 1,290,739
Noncurrent Assets:		
Construction in Progress	\$ -	\$ -
Loan Origination Fees - Net (Note 9)	25,956	-
Capital Assets: (Note 5)		
Land & Water Rights	52,244	52,244
Other Capital Assets, net of depreciation	2,679,817	2,308,303
Total Noncurrent Assets	\$ 2,758,017	\$ 2,360,547
TOTAL ASSETS	\$ 3,994,492	\$ 3,651,286
LIABILITIES AND NET POSITION:		
Current Liabilities:		
Accounts Payable	\$ 16,892	\$ 17,551
Payroll Taxes Payable	2,202	2,295
Customer Deposits	15,950	15,950
Bond Premium	98,725	-
Current Portion of Long-term Liabilities	47,917	34,400
Total Current Liabilities	\$ 181,686	\$ 70,196
Long-Term Liabilities: (Note 9)		
Notes Payable - net of current	\$ 877,582	\$ 751,633
Net Position:		
Restricted Fund Balance	\$ 82,909	\$ 78,490
Unrestricted Fund Balance	1,467,721	1,399,553
Total Fund Balance	\$ 1,550,630	\$ 1,478,043
Member Investments	259,256	241,106
Donated Assets (Note 6)	226,847	211,817
Grants	898,491	898,491
TOTAL NET POSITION	\$ 2,935,224	\$ 2,829,457
TOTAL LIABILITIES AND NET POSITION	\$ 3,994,492	\$ 3,651,286

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, 2013 and 2012

	2013	2012
OPERATING REVENUES:		
Water Sales	\$ 459,472	\$ 490,166
Bulk Water Sales	21,417	14,309
Sale of Supplies	5,302	8,162
Other Service Revenues	3,739	5,146
Miscellaneous Revenues	4,243	6,201
Total Operating Revenues	\$ 494,173	\$ 523,984
OPERATING EXPENSES:		
Salaries	\$ 94,506	\$ 78,332
Depreciation Expense	116,560	109,622
Interest Expense	27,030	14,458
Utilities	20,755	20,411
Supplies	38,651	22,465
Repairs & Maintenance	57,788	25,668
Insurance	12,588	11,085
Legal & Professional Fees	16,019	9,006
Bad Debts	-	-
Employee Benefits	14,760	12,375
Payroll Tax Expense	7,979	6,772
Communication Expense	4,703	3,283
Office Supplies & Postage	5,572	4,895
Employee Retirement	2,418	2,181
Transportation Expense	11,604	6,633
Travel & Per Diem	3,787	3,411
Dues, Testing & Licenses	5,209	5,000
Contract Services	625	702
Miscellaneous Expense	1,604	3,225
Total Operating Expenses	\$ 442,158	\$ 339,524
OPERATING INCOME (LOSS)	\$ 52,015	\$ 184,460
OTHER REVENUES (EXPENSES):		
Investment Revenues	\$ 12,374	\$ 10,532
Penalties	-	(3,001)
Bond Premium	7,052	-
Amortised Loan Fees	(1,854)	-
Gain on Sale of Assets	3,000	-
Total Other Revenues(Expenses)	\$ 20,572	\$ 7,531
NET INCOME	\$ 72,587	\$ 191,991

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, 2013 and 2012

	2013	2012
Balance, November 1	\$ 2,829,457	\$ 2,566,900
Net Income (Loss)	72,587	191,991
Member Investments	18,150	14,050
Donated Assets	15,030	56,516
Grants	-	-
Total Changes in Net Assets	\$ 105,767	\$ 262,557
Balance, October 31	\$ 2,935,224	\$ 2,829,457

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, 2013 and 2012

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers	\$ 519,868	\$ 495,140
Payments to suppliers	(183,546)	(118,845)
Payments to employees	(119,756)	(99,660)
Net Cash Provided by Operating Activities	\$ 216,566	\$ 276,635
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Purchase of fixed assets	\$ (488,075)	\$ (66,130)
Donated assets	15,030	56,516
Payment of loan origination fees	(27,810)	-
Proceeds from bond premium	105,777	-
Principal payments on notes payable	(40,733)	(32,700)
Interest paid on notes payable	(27,030)	(14,458)
Proceeds from sale of assets	3,000	-
Proceeds from loans	180,200	-
Net Cash Used In Capital & Related Financing Activities	\$ (279,641)	\$ (56,772)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest Received	\$ 13,896	\$ 11,217
Penalties Paid	-	(3,001)
Proceeds from memberships	18,150	14,050
Net Cash Provided from Investing Activities	\$ 32,046	\$ 22,266
INCREASE (DECREASE) IN CASH AND INVESTMENTS	\$ (31,029)	\$ 242,129
Cash and Investment Balance - Beginning	1,193,258	951,129
CASH AND INVESTMENT BALANCE - ENDING	\$ 1,162,229	\$ 1,193,258
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:		
Operating Income (Loss)	\$ 52,015	\$ 184,460
Adjustments to reconcile operating income to net cash provided (used) by Operating Activities:		
Interest Expense	27,030	14,458
Depreciation expense	116,560	109,622
Change in assets and liabilities:		
Accounts Receivable	(7,313)	4,164
Other Receivable	33,008	(33,008)
Prepaid Insurance	(321)	(637)
Inventory	(3,661)	(6,493)
Accounts Payable	(659)	3,918
Payroll Taxes Payable	(93)	99
Customer Deposits		52
Net Cash Provided from Operating Activities	\$ 216,566	\$ 276,635

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, 2013 and 2012

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 773 and 755 meters at October 31, 2013 and 2012, 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, 2013 and 2012 amounted to \$24,586 and \$17,273, 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, 2013 and 2012

Note 5 - Changes in Fixed Assets

	Balance 11/1/2012	Additions	Disposed	Balance 10/31/2013
Water System Plant Assets	\$ 3,209,811	\$ 459,496	\$ -	\$ 3,669,307
Green Valley Plant Assets	844,124	-	-	844,124
Office Furniture & Fixtures	28,311	-	-	28,311
Equipment	9,524	460	-	9,984
Vehicles	23,188	28,119	-	51,307
Buildings	54,429	-	-	54,429
Total Assets	\$ 4,169,387	\$ 488,075	\$ -	\$ 4,657,462
Less: Accumulated Depreciation	1,861,085	116,560	-	1,977,645
Net Fixed Assets	\$ 2,308,302	\$ 371,515	\$ -	\$ 2,679,817

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, 2013 and 2012 were \$15,030 and \$56,516, respectively.

Note 7 - Components of Cash and Investments

	Date of Maturity	Interest Rate	Balance 10/31/2013	
Checking - Interbank	-	0.10%	\$ 115,795	
Petty Cash	-	0.00%	145	
Hi-Fi Account - ACB Bank	-	0.20%	1,479	
Money Market - State Farm Bank	-	0.65%	201,861	
CD - Alva State Bank	6/14/2016	2.10%	208,568	
CD - Liberty Federal	12/14/2014	0.65%	132,371	
CD - Liberty Federal	12/15/2013	0.600%	112,397	
CD - Interbank	6/29/2014	0.75%	101,480	
CD - 1st State Bank	3/25/2014	0.60%	204,764	
OWRB Reserve Acct - Central National Bank	-	0.02%	70,686	Restricted
OWRB Reserve Acct - Central National Bank	-	0.02%	12,223	Restricted
Investment in CoBank	-	0.00%	460	
Total Cash and Investments			\$ 1,162,229	

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.

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

Notes to the Financial Statements
For the Years Ended October 31, 2013 and 2012

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
9/1/2011	11/1/2011	1.32%	2,331.80
12/1/2011	2/28/2012	1.32%	2,326.10
3/1/2012	5/31/2012	1.17%	2,333.42
6/1/2012	8/31/2012	1.17%	2,328.13
9/1/2012	11/1/2012	1.17%	2,389.70
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

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		
10/1/2011	3/31/2012	4.150%	954.50
4/1/2012	9/30/2012	3.795%	950.20
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

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

Notes to the Financial Statements
For the Years Ended October 31, 2013 and 2012

Note 9 - Long Term Liabilities - Continued

	Balance 10/31/2013	Balance 10/31/2012
OWRB - 2013	\$ 702,083	\$ 551,033
Dept of Commerce	52,500	60,000
OWRB - 07	170,916	175,000
	\$ 925,499	\$ 786,033
Less: Current Portion	47,917	34,400
Net Long-term Liabilities	\$ 877,582	\$ 751,633

		OWRB-13	Dept Com	OWRB-07	TOTAL
Current Portion:					
Year Ending	10/31/2014	35,417	7,500	5,000	47,917
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	5,000	52,500

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 \$2,418 and 2,181 for the years ending October 31, 2013 and 2012.

SCOTT NORTHRIP, CPA

P.O. Box 642, Hobart, Oklahoma 73651

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND INTERNAL CONTROL OF THE FINANCIAL STATEMENTS 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 the basic financial statements of Rural Water, Sewer, and Solid Waste Management District #5, Garfield County, Oklahoma (District), as of and for the year ending October 31, 2013 and 2012, and have issued my report thereon dated January 9, 2014. 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.

Compliance

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, I performed test of the District's compliance with certain laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, my objective was not to provide an opinion on overall compliance with such provisions. Accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that require to be reported under *Government Auditing Standards*.

Internal Control

In planning and performing the audit, I considered the District's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the District's internal control over financial reporting.

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.

Report on Compliance and Internal Controls-Continued

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.

My consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

This report is intended for the information of the Board of Directors, Oklahoma Water Resources Board, Department of Commerce, and the State of Oklahoma. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

Scott Northrip, CPA

Certified Public Accountant

January 9, 2014