



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

Audit Report
For Year Ending October 31, 2012

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, 2012 and 2011. 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, 2012 and 2011, 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 17, 2013, 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 17, 2013

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

Statement of Net Assets
As of October 31, 2012 and 2011

ASSETS:	2012	2011
Current Assets:		
Cash & Cash Equivalents	\$ 364,376	\$ 169,555
Investments	828,882	781,574
Accounts Receivable (Note 2)	16,874	21,038
Other Receivable	33,008	-
Interest Receivable	3,141	3,826
Prepaid Insurance	8,564	7,927
Inventory	35,894	29,401
Total Current Assets	\$ 1,290,739	\$ 1,013,321
Noncurrent Assets:		
Construction in Progress	\$ -	\$ -
Loan Origination Fees	-	-
Capital Assets: (Note 5)		
Land & Water Rights	52,244	52,244
Other Capital Assets, net of depreciation	2,308,303	2,351,795
Total Noncurrent Assets	\$ 2,360,547	\$ 2,404,039
TOTAL ASSETS	\$ 3,651,286	\$ 3,417,360
LIABILITIES AND NET ASSETS:		
Current Liabilities:		
Accounts Payable	\$ 17,551	\$ 13,633
Payroll Taxes Payable	2,295	2,196
Customer Deposits	15,950	15,898
Current Portion of Long-term Liabilities	34,400	32,700
Total Current Liabilities	\$ 70,196	\$ 64,427
Long-Term Liabilities: (Note 9)		
Notes Payable - net of current	\$ 751,633	\$ 786,033
Net Assets:		
Restricted Fund Balance	\$ 78,490	\$ 78,482
Unrestricted Fund Balance	1,399,553	1,207,570
Total Fund Balance	\$ 1,478,043	\$ 1,286,052
Member Investments	241,106	227,056
Donated Assets (Note 6)	211,817	155,301
Grants	898,491	898,491
TOTAL NET ASSETS	\$ 2,829,457	\$ 2,566,900
TOTAL LIABILITIES AND NET ASSETS	\$ 3,651,286	\$ 3,417,360

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, 2012 and 2011

	2012	2011
OPERATING REVENUES:		
Water Sales	\$ 490,166	\$ 454,584
Bulk Water Sales	14,309	3,041
Sale of Supplies	8,162	6,516
Other Service Revenues	5,146	5,573
Miscellaneous Revenues	6,201	4,082
Total Operating Revenues	\$ 523,984	\$ 473,796
OPERATING EXPENSES:		
Salaries	\$ 78,332	\$ 79,779
Depreciation Expense	109,622	110,418
Interest Expense	14,458	16,046
Utilities	20,411	16,521
Supplies	22,465	26,265
Repairs & Maintenance	25,668	49,446
Insurance	11,085	11,957
Legal & Professional Fees	9,006	10,751
Bad Debts	-	-
Employee Benefits	12,375	12,539
Payroll Tax Expense	6,772	6,465
Communication Expense	3,283	3,356
Office Supplies & Postage	4,895	7,829
Employee Retirement	2,181	1,974
Transportation Expense	6,633	7,058
Travel & Per Diem	3,411	3,285
Dues, Testing & Licenses	5,000	4,688
Contract Services	702	714
Miscellaneous Expense	3,225	1,785
Total Operating Expenses	\$ 339,524	\$ 370,876
OPERATING INCOME (LOSS)	\$ 184,460	\$ 102,920
OTHER REVENUES (EXPENSES):		
Investment Revenues	\$ 10,532	\$ 12,607
Penalties	(3,001)	-
Gain on Sale of Assets	-	-
Total Other Revenues(Expenses)	\$ 7,531	\$ 12,607
NET INCOME	\$ 191,991	\$ 115,527

See accompanying notes to the financial statements.

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

Comparative Statement of Changes in Net Assets
For the Years Ended October 31, 2012 and 2011

	2012	2011
Balance, November 1	\$ 2,566,900	\$ 2,435,221
Net Income (Loss)	191,991	115,527
Member Investments	14,050	12,100
Donated Assets	56,516	4,052
Grants	-	-
Total Changes in Net Assets	\$ 262,557	\$ 131,679
Balance, October 31	\$ 2,829,457	\$ 2,566,900

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, 2012 and 2011

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers	\$ 495,140	\$ 479,981
Payments to suppliers	(118,845)	(141,739)
Payments to employees	(99,660)	(100,757)
Net Cash Provided by Operating Activities	\$ 276,635	\$ 237,485
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Purchase of fixed assets	\$ (66,130)	\$ (23,056)
Donated assets	56,516	4,052
Proceeds from grants	-	-
Principal payments on notes payable	(32,700)	(31,033)
Interest paid on notes payable	(14,458)	(16,046)
Proceeds from loans	-	-
Net Cash Used In Capital & Related Financing Activities	\$ (56,772)	\$ (66,083)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest Received	\$ 11,217	\$ 10,921
Penalties Paid	(3,001)	-
Proceeds from memberships	14,050	12,100
Net Cash Provided from Investing Activities	\$ 22,266	\$ 23,021
INCREASE (DECREASE) IN CASH AND INVESTMENTS	\$ 242,129	\$ 194,423
Cash and Investment Balance - Beginning	951,129	756,706
CASH AND INVESTMENT BALANCE - ENDING	\$ 1,193,258	\$ 951,129
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:		
Operating Income (Loss)	\$ 184,460	\$ 102,920
Adjustments to reconcile operating income to net cash provided (used) by Operating Activities:		
Interest Expense	14,458	16,046
Depreciation expense	109,622	110,418
Amortization of Loan Fees	-	-
Change in assets and liabilities:		
Accounts Receivable	4,164	6,182
Other Receivable	(33,008)	-
Prepaid Insurance	(637)	11
Inventory	(6,493)	(5,273)
Accounts Payable	3,918	6,214
Payroll Taxes Payable	99	967
Customer Deposits	52	-
Net Cash Provided from Operating Activities	\$ 276,635	\$ 237,485

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, 2012 and 2011

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 755 and 743 meters at October 31, 2012 and 2011, 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, 2012 and 2011 amounted to \$17,273 and \$21,437, 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, 2012 and 2011

Note 5 - Changes in Fixed Assets

	Balance 11/1/2011	Additions	Disposed	Balance 10/31/2012
Water System Plant Assets	\$ 3,993,653	\$ 60,283	\$ -	\$ 4,053,936
Office Furniture & Fixtures	23,362	4,949	-	28,311
Equipment	8,626	898	-	9,524
Vehicles	23,188	-	-	23,188
Buildings	54,429	-	-	54,429
Total Assets	\$ 4,103,258	\$ 66,130	\$ -	\$ 4,169,388
Less: Accumulated Depreciation	1,751,463	109,622	-	1,861,085
Net Fixed Assets	\$ 2,351,795	\$ (43,492)	\$ -	\$ 2,308,303

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, 2012 and 2011 were \$60,283 and \$4,052, respectively.

Note 7 - Components of Cash and Investments

	Date of Maturity	Interest Rate	Balance 10/31/2012	
Checking - Interbank	-	0.10%	\$ 119,876	
Petty Cash	-	0.00%	46	
Hi-Fi Account - ACB Bank	-	0.25%	43,943	
Money Market - State Farm Bank	-	0.70%	200,511	
CD - Alva State Bank	6/14/2016	2.10%	204,245	
CD - Liberty Federal	6/14/2013	1.15%	130,000	
CD - Liberty Federal	12/15/2012	0.945%	111,341	
CD - Interbank	6/29/2013	0.50%	100,933	
CD - 1st State Bank	3/25/2013	0.75%	203,413	
OWRB Reserve Acct - Central National Bank	-	0.02%	66,301	Restricted
OWRB Reserve Acct - Central National Bank	-	0.02%	12,189	Restricted
Investment in CoBank	-	0.00%	460	
Total Cash and Investments			\$ 1,193,258	

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, 2012 and 2011

Note 9 - Long Term Liabilities

OWRB

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.

<u>Semi-annual Period</u>		<u>Interest</u>	<u>Monthly</u>
<u>Begin</u>	<u>End</u>		
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

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.

<u>Semi-annual Period</u>		<u>Interest</u>	<u>Monthly</u>
<u>Begin</u>	<u>End</u>		
10/1/2010	3/31/2011	4.15%	968.32
4/1/2011	9/30/2011	4.15%	967.90
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

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

Notes to the Financial Statements
For the Years Ended October 31, 2012 and 2011

Note 9 - Long Term Liabilities - Continued

	Balance 10/31/2012	Balance 10/31/2011
OWRB	\$ 551,033	\$ 572,233
Dept of Commerce	60,000	67,500
OWRB - 07	175,000	179,000
	\$ 786,033	\$ 818,733
Less: Current Portion	34,400	32,700
Net Long-term Liabilities	\$ 751,633	\$ 786,033

		OWRB	Dept Com	OWRB-07	TOTAL
Current Portion:					
Year Ending	10/31/2013	22,900	7,500	4,000	34,400
Year Ending	10/31/2014	24,833	7,500	5,000	37,333
Year Ending	10/31/2015	26,834	7,500	5,000	39,334
Year Ending	10/31/2016	29,000	7,500	5,000	41,500
Year Ending	10/31/2017	31,400	7,500	5,000	43,900

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 \$2,181 and 1,974 for the years ending October 31, 2012 and 2011.

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, 2012, and have issued my report thereon dated January 17, 2013. 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 17, 2013