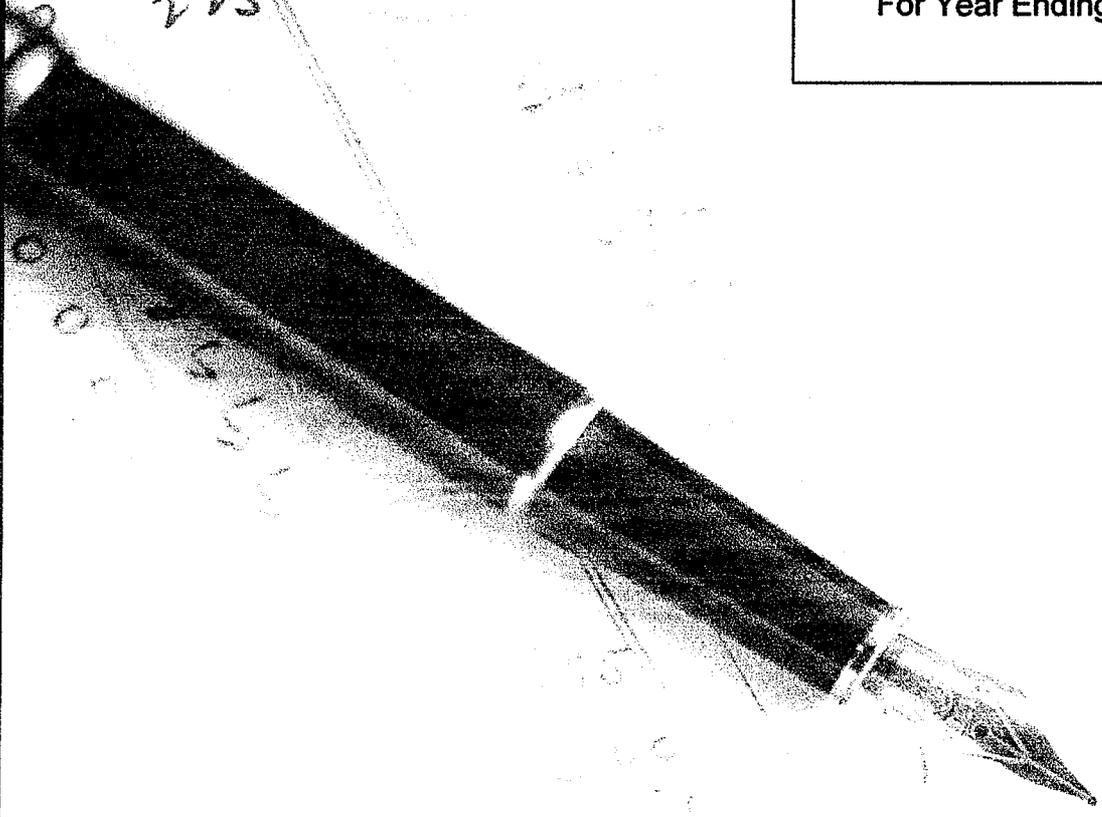


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**Logan County Rural  
Water District #1**  
*Audit Report*  
For Year Ending July 31, 2015



**Scott Northrip, CPA**  
P.O. Box 642  
Hobart, OK 73651  
(580) 726-5681

# ***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. #1  
Logan County, Oklahoma

I have audited the accompanying financial statements of Rural Water, Sewer, & Solid Waste Management District #1, Logan County, Oklahoma (District), as of and for the years ended July 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 #1, Logan County, Oklahoma, as of July 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 August 28, 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

August 28, 2015

# Rural Water, Sewer, & Solid Waste Management District #1, Logan County, Oklahoma

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

<b>ASSETS:</b>	<b>2015</b>	<b>2014</b>
<b>Current Assets:</b>		
Cash & Cash Equivalents	\$ 118,152	\$ 330,578
Investments	1,971,769	2,467,954
Accounts Receivable (Note 2)	115,470	140,624
Other Receivable	-	-
Interest Receivable	9,405	11,224
Prepaid Insurance	26,519	24,251
Inventory	52,887	47,169
<b>Total Current Assets</b>	<b>\$ 2,294,202</b>	<b>\$ 3,021,800</b>
<b>Noncurrent Assets:</b>		
Construction in Progress (Note 12)	\$ 1,867,943	\$ 93,981
Capital Assets: (Note 5)		
Land & Water Rights	396,575	396,575
Other Capital Assets, net of depreciation (Note 5)	8,179,954	8,428,999
<b>Total Noncurrent Assets</b>	<b>\$ 10,444,472</b>	<b>\$ 8,919,555</b>
<b>TOTAL ASSETS</b>	<b>\$ 12,738,674</b>	<b>\$ 11,941,355</b>
<b>LIABILITIES AND NET POSITION:</b>		
<b>Current Liabilities:</b>		
Accounts Payable	\$ 19,007	\$ 13,947
Interest Payable	7,169	1,124
Customer Deposits	145,706	138,990
Settlement Payable (Note 4)	-	332,108
Current Portion of Long-term Liabilities	174,571	120,338
<b>Total Current Liabilities</b>	<b>\$ 346,453</b>	<b>\$ 606,507</b>
Long-Term Liabilities: (Note 9)		
Notes Payable, net of current	\$ 2,820,294	\$ 1,874,993
<b>Net Position:</b>		
Restricted Fund Balance (Note 11)	\$ 64,640	\$ 83,488
Unrestricted Fund Balance	2,107,422	2,389,527
<b>Total Fund Balance</b>	<b>\$ 2,172,062</b>	<b>\$ 2,473,015</b>
Member Investments	2,885,951	2,667,951
Donated Assets (Note 6)	3,067,448	2,949,673
Grants	1,107,441	1,107,441
Impact Fees	339,025	261,775
<b>TOTAL NET POSITION</b>	<b>\$ 9,571,927</b>	<b>\$ 9,459,855</b>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$ 12,738,674</b>	<b>\$ 11,941,355</b>

See accompanying notes to the financial statements.

**Rural Water, Sewer, & Solid Waste Management**  
**District #1, Logan County, Oklahoma**  
Comparative Statement of Activities  
For the Years Ended July 31, 2015 and 2014

	<b>2015</b>	<b>2014</b>
<b>OPERATING REVENUES:</b>		
Water Sales	\$ 1,085,392	\$ 1,145,110
Sewer Service Revenues	92,680	78,850
Late Fees	117,875	59,793
Connection Charges	15,840	15,802
Miscellaneous Revenues	16,063	32,315
<b>Total Operating Revenues</b>	<b>\$ 1,327,850</b>	<b>\$ 1,331,870</b>
<b>OPERATING EXPENSES:</b>		
Salaries	\$ 253,848	\$ 243,933
Depreciation Expense	313,488	297,516
Interest Expense	62,083	65,231
Utilities	77,382	67,866
Supplies	57,805	50,894
Repairs & Maintenance	71,167	63,890
Insurance	32,852	38,581
Legal & Professional Fees	483,842	236,153
Transportation Expense	12,131	13,295
Employee Benefits	48,175	44,971
Payroll Tax Expense	20,288	19,611
Communication Expense	5,455	5,185
Office Supplies & Postage	29,612	31,695
Bad Debt Expense	134,333	-
Director's Fees	6,400	7,300
Dues & Licenses	7,576	3,637
Equipment Rent	8,175	8,488
Credit Card Fees	5,172	4,722
Web Host Expense	22,449	-
Settlement Trust	-	332,108
Miscellaneous Expense	5,873	5,107
<b>Total Operating Expenses</b>	<b>\$ 1,658,106</b>	<b>\$ 1,540,183</b>
<b>OPERATING INCOME (LOSS)</b>	<b>\$ (330,256)</b>	<b>\$ (208,313)</b>
<b>OTHER REVENUES (EXPENSES):</b>		
Investment Revenues	\$ 23,804	\$ 24,347
Gain on Sale of Assets	5,500	-
<b>Total Other Revenues(Expenses)</b>	<b>\$ 29,304</b>	<b>\$ 24,347</b>
<b>NET INCOME</b>	<b>\$ (300,952)</b>	<b>\$ (183,966)</b>

See accompanying notes to the financial statements.

**Rural Water, Sewer, & Solid Waste Management**  
**District #1, Logan County, Oklahoma**  
 Comparative Statement of Changes in Net Assets  
 For the Years Ended July 31, 2015 and 2014

	<b>2015</b>	<b>2014</b>
<b>Balance, August 1</b>	\$ 9,459,855	\$ 9,102,269
Net Income (Loss)	(300,952)	(183,966)
Member Investments	218,000	190,400
Donated Assets	117,774	33,153
Impact Fees	77,250	17,000
Grants	-	300,999
<b>Total Changes in Net Assets</b>	<b>\$ 112,072</b>	<b>\$ 357,586</b>
<b>Balance, July 31</b>	<b>\$ 9,571,927</b>	<b>\$ 9,459,855</b>

See accompanying notes to the financial statements.

# Rural Water, Sewer & Solid Waste Management District #1, Logan County, Oklahoma

Comparative Statement of Cash Flows  
For the Years Ended July 31, 2015 and 2014

	2015	2014
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Receipts from customers	\$ 1,353,004	\$ 1,373,953
Payments to suppliers	(1,288,542)	(520,186)
Payments to employees	(322,311)	(308,515)
<b>Net Cash Provided by Operating Activities</b>	<b>\$ (257,849)</b>	<b>\$ 545,252</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Purchase of fixed assets	\$ (64,443)	\$ (838,569)
Payments for Construction in Progress	(1,767,750)	(23,610)
Donated Assets	117,774	-
Principal payments on notes payable	(119,956)	(145,828)
Interest paid on notes payable	(62,250)	(74,686)
Proceeds from long-term notes	1,119,490	-
Proceeds from grants	-	300,999
Proceeds from sale of assets	5,500	-
<b>Net Cash Used In Capital &amp; Related Financing Activities</b>	<b>\$ (771,635)</b>	<b>\$ (781,694)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Investment Receipts	\$ 25,623	\$ 25,202
Proceeds from impact fees	77,250	17,000
Proceeds from memberships	218,000	190,400
<b>Net Cash Provided from Investing Activities</b>	<b>\$ 320,873</b>	<b>\$ 232,602</b>
<b>INCREASE (DECREASE) IN CASH AND INVESTMENTS</b>	<b>\$ (708,611)</b>	<b>\$ (3,840)</b>
Cash and Investment Balance - Beginning	2,798,532	2,802,372
<b>CASH AND INVESTMENT BALANCE - ENDING</b>	<b>\$ 2,089,921</b>	<b>\$ 2,798,532</b>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:</b>		
Operating Income (Loss)	\$ (330,256)	\$ (208,313)
Adjustments to reconcile operating income to net cash provided (used) by Operating Activities:		
Interest Expense	62,083	65,231
Depreciation expense	313,488	297,516
Change in assets and liabilities:		
Accounts Receivable	25,154	46,805
Prepaid Insurance	(2,268)	3,373
Inventory	(5,718)	1,979
Accounts Payable	5,060	1,650
Settlement Payable	(332,108)	332,108
Customer Deposits	6,716	4,903
<b>Net Cash Provided from Operating Activities</b>	<b>\$ (257,849)</b>	<b>\$ 545,252</b>

See accompanying notes to the financial statements.

# Rural Water, Sewer & Solid Waste Management District #1, Logan County, Oklahoma

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

## **Note 1 - Significant Accounting Policies**

### **Organization:**

Rural Water, Sewer, and Solid Waste Management District #1, Logan 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 Logan County, Oklahoma to individuals and businesses that purchase a benefit unit. The District served 2,816 and 2,736 meters at July 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 4 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 July 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 July 31, 2015 and 2014 amounted to \$117,056 and \$142,209, respectively with the allowance in the amount of \$1,585 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 has filed a suit against the City of Guthrie for encroachment into the District's service area. The District is seeking compensation to offset the loss of income from the meters served by the City of Guthrie. The District's legal counsel does not anticipate any losses to be recognized in the financial statements as of the date of the audit.

# Rural Water, Sewer & Solid Waste Management District #1, Logan County, Oklahoma

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

## **Note 5 - Changes in Fixed Assets**

	Balance 8/1/2014	Additions	Disposed	Balance 7/31/2015
Water System - Constructed	\$ 8,695,610	\$ -	\$ -	\$ 8,695,610
Water System - Acquired	2,832,799	8,682		2,841,481
Equipment	127,997	29,500	-	157,497
Vehicles	69,588	26,261	(27,895)	67,954
Buildings	192,429	-	-	192,429
<b>Total Assets</b>	<b>\$ 11,918,423</b>	<b>\$ 64,443</b>	<b>\$ (27,895)</b>	<b>\$ 11,954,971</b>
Less: Accumulated Depreciation	3,489,424	313,488	(27,895)	3,775,017
<b>Net Fixed Assets</b>	<b>\$ 8,428,999</b>	<b>\$ (249,045)</b>	<b>\$ -</b>	<b>\$ 8,179,954</b>

## **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 July 31, 2015 and 2014 were \$117,774 and \$332,153, respectively. The donation during 2015 was a cash donation to extend lines on Highway 33 project.

## **Note 7 - Components of Cash and Investments**

	Date of Maturity	Interest Rate	7/31/2015 Balance	7/31/2014 Balance
Petty Cash	-	0.00%	\$ 107	\$ 102
Hi-Fi Account - Oklahoma State Bank	-	0.20%	51,304	268,666
Checking - Oklahoma State Bank	-	0.00%	5,000	100
Savings - Bancfirst	-	0.05%	61,741	61,710
CD's & MM- Edward Jones	Various	Various	1,707,766	1,710,765
CD - Oklahoma State Bank	6/7/2016	0.68%	113,000	113,000
CD - Oklahoma State Bank	10/3/2014	1.15%	-	20,000
CD - Oklahoma State Bank	9/18/2015	0.33%	50,000	50,000
CD - Oklahoma State Bank	5/28/2015	0.43%	-	22,000
CD - Oklahoma State Bank	8/7/2014	1.15%	-	20,000
CD - Farmers & Merchants Bank	9/23/2015	1.04%	50,000	50,000
CD - Farmers & Merchants Bank	9/23/2015	1.04%	50,000	50,000
CD - Farmers & Merchants Bank	8/1/2014	0.90%	-	50,000
CD - Farmers & Merchants Bank	8/1/2014	0.90%	-	50,000
CD - Farmers & Merchants Bank	8/10/2014	0.55%	-	50,000
CD's & MM - Morgan Stanley	Various	Various	3	281,189
Reserve Certificates - ORWAAG	-	1.24%	1,000	1,000
<b>Total Cash and Investments</b>			<b>\$ 2,089,921</b>	<b>\$ 2,798,532</b>

# Rural Water, Sewer & Solid Waste Management District #1, Logan County, Oklahoma

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

## **Note 8 - Retirement**

The District provides a Simplified Employee Plan (SEP) retirement plan for its participating employees. The plan is administered by Edward Jones. The District contributions up to 5% of the employee wages. The District contributed \$12,067 and \$11,459 during the years ending July 31, 2015 and 2014.

## **Note 9 - Long Term Liabilities**

### **Berkadia Mortgage**

The District has four long-term notes with Berkadia Mortgage. The four notes were from the original construction of the District plus improvements. The notes are secured by the assets. The interest accrues at a fixed annual rate of 5% for a term of 40 years.

### **Oklahoma Water Resources Board**

The District has borrowed \$584,566 from Oklahoma Water Resources Board for system booster station and extension as of July 31, 2012. The maximum loan is \$637,500. The note matures on 9-15-31. The note has accrued interest at a fixed rate of 3.03%. Interest and administrative fees of \$7,606.92 during construction has been capitalized .

The District borrowed \$1,250,000 from Oklahoma Water Resources Board for the new water tower and for the installation of electronic read meters. The note has a term of 20 years and accrues interest at a fixed rate of 2.46%. The District makes monthly payments of \$5,618.16.

The District borrowed \$1,200,000 from Oklahoma Water Resources Board for constructing new water lines. The note has a term of 20 years and accrues interest at a fixed rate of 2.6%. The District will make monthly payments upon completion of the project which is after the year end. Interest of \$6,212.58 was capitalized during year ending 7-31-15.

### **Rural Development**

The District borrowed \$300,000 for the construction of a new water tower and water well. The District began making monthly payments of \$1,374 on May 1, 2003. The interest accrues at a fixed rate of 4.625% annually. The note is secured by the assets.

	Note Number	Balance 7/31/2015	Balance 7/31/2014	Annual Payment
Berkadia	1	70,461	84,996	18,500
Berkadia	2	-	9,700	20,134
Berkadia	3	26,291	40,777	16,212
Berkadia	4	71,827	81,368	13,440
Rural Development		240,862	245,906	16,488
OWRB - Series 2009		507,572	531,507	40,080
OWRB - Series 2011		958,362	1,001,077	67,418
OWRB - Series 2015		1,119,490	-	84,879
<b>TOTAL</b>		<b>2,994,865</b>	<b>1,995,331</b>	<b>277,151</b>
Less: Current Portion		174,571	120,338	
<b>NET LONG-TERM NOTES</b>		<b>\$ 2,820,294</b>	<b>\$ 1,874,993</b>	

**Rural Water, Sewer & Solid Waste Management  
District #1, Logan County, Oklahoma**

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

**Note 9 - Long Term Liabilities - continued**

Current Portion:		Berkadia	OWRB09	RD	OWRB11	OWRB 15
Year Ending	7/31/2016	40,734	24,633	5,482	43,722	60,000
Year Ending	7/31/2017	37,730	25,438	5,674	44,885	60,000
Year Ending	7/31/2018	28,130	26,226	6,003	46,011	60,000
Year Ending	7/31/2019	28,654	27,037	6,293	47,166	60,000
Year Ending	7/31/2020	17,506	27,840	6,582	48,297	60,000

**Note 10 - Prior Period Adjustment**

The District didn't make any prior period adjustments during the years ending July 31, 2015 or 2014.

**Note 11 - Restricted and Reserved Assets**

**Restricted for Debt Service**

CD's for Berkadia Mortgage	\$ 48,152
CD's for Rural Development loan	<u>16,488</u>

**Total Restricted Assets** \$ 64,640

**Reserved for Future Improvements**

CD's for System Improvements & Water rights	<u>1,707,765</u>
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**Total Reserved Assets** 1,707,765

**Note 12 - Construction in Progress**

The District has 6 projects in progress as of July 31, 2015 which were not completed as of the end of the year. The projects will be capitalized and begin depreciating upon completion of the projects. The Meridian project has a carryover amount of \$47,774, Air Depot extension project carries over \$50,131, and line relocate project at Coltrane has a cost of \$381,105, Highway 33 line project of \$1,306,151, and well #20 has a cost of \$57,583 making the total construction in progress of \$1,867,943.

**Note 13 - Evaluation of Subsequent Events**

The subsequent events of the District were reviewed through August 28, 2015, the date of the financial statements.

# ***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. #1  
Logan 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 #1, Logan County, Oklahoma (District), as of and for the years ending July 31, 2015 and 2014, and have issued my report thereon dated August 28, 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

August 28, 2015

**Rural Water, Sewer, & Solid Waste Management  
District #1, Logan County, Oklahoma**

Statement of Financial Assistance  
For the Year Ended July 31, 2015

Pass through entity:	Amount Received	Amount Disbursed	CFDA Number
<b>Oklahoma Water Resources Board:</b>			
Loan #ORF-15-0004-DW Grant	\$ 1,119,489.91	\$ 1,119,489.91	66.468
	-	-	
<b>Total</b>	<u>\$ 1,119,489.91</u>	<u>\$ 1,119,489.91</u>	

Note - The loan proceeds were used to construct a new water tower and purchase new electronic read water meters.

# ***SCOTT NORTHRIP, CPA***

P.O. Box 642, Hobart, Oklahoma 73651

## **INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

To the Board of Directors of  
Rural Water, Sewer, and Solid Waste Management Dist. #1  
Logan County, Oklahoma

### **Report on Compliance for Each Major Federal Program**

We have audited Rural Water, Sewer, and Solid Waste Management District #1 (District)'s compliance with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that could have a direct and material effect on District's major federal program for the year ended July 31, 2015. The District's major federal programs are identified in the Schedule of Financial Assistance on page 13.

### **Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

### **Opinion on Each Major Federal Program**

In our opinion, the District, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended July 31, 2015.

### **Report on Internal Control Over Compliance**

Management of the District, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. Our consideration of internal control over compliance 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 compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance 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 on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Scott Northrip*

Certified Public Accountant

August 28, 2015

**Rural Water, Sewer, & Solid Waste Management  
District #1, Logan County, Oklahoma**  
Schedule of Findings and Questioned Costs  
For the Year Ended July 31, 2015

**SECTION I - SUMMARY OF AUDITORS RESULTS**

Type of report issued on the financial statements?	<b>Unmodified</b>
Any significant deficiencies in internal controls of financial statements?	<b>No</b>
Any material weaknesses in internal controls of financial statements?	<b>No</b>
Any significant deficiencies in internal controls of major programs?	<b>No</b>
Any material weaknesses in internal controls of major programs?	<b>No</b>
Type of report issued on compliance for major programs?	<b>Unmodified</b>
Any audit findings relating to major programs?	<b>No</b>
Major Programs: Safe Drinking Water State Revolving Fund - CFDA Number 66.468	
Dollar threshold used to distinguish between Type A and Type B program?	<b>\$500,000</b>
Does the auditee qualify as a low-risk auditee?	<b>Yes</b>

**SECTION II - AUDIT FINDINGS**

Internal control findings?	<b>None</b>
Compliance findings?	<b>None</b>
Questioned Costs?	<b>None</b>
Fraud?	<b>None</b>
Federal awards findings?	<b>None</b>