

**INDEPENDENT
ACCOUNTANT'S AUDIT REPORT**

**RUSH SPRINGS
MUNICIPAL IMPROVEMENT
AUTHORITY**

JUNE 30, 2016

BY



Rush Springs Municipal Improvement Authority
Rush Springs, Oklahoma
For the Fiscal Year Ended June 30, 2016

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Rush Springs Municipal Improvement Authority
Rush Springs, Oklahoma

We have audited the accompanying modified cash basis financial statements of the Rush Springs Municipal Improvement Authority of the Town of Rush Springs, Oklahoma, as of and for the year ended June 30, 2016, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for 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

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our 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 we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the Rush Springs Municipal Improvement Authority of the Town of Rush Springs, Oklahoma, as of June 30, 2016, and the respective changes in modified cash basis financial position and, where applicable, cash flows thereof for the year then ended in accordance with the modified cash basis of accounting described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the Rush Springs Municipal Improvement Authority and do not purport to, and do not present fairly the financial position of the Town of Rush Springs, Oklahoma, as of June 30, 2016, the changes in its financial position, or, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 2, 2016, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. 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 Authority's internal control over financial reporting and compliance.

Furrh and Associates, PC

FURRH & ASSOCIATES, PC

Lawton, Oklahoma

November 2, 2016

Rush Springs Municipal Improvement Authority

Rush Springs, Oklahoma

Statement of Net Position

(Modified Cash Basis)

For Year Ended June 30, 2016

ASSETS

Current Assets

Cash and Cash Equivalents	\$	74,116	
Restricted Cash and Cash Equivalents		56,907	
Restricted Investments		33,000	
Due from Others		4,045	
Total Current Assets			\$ 168,068

Fixed Assets

Land		10,000	
Building Improvements		39,783	
Machinery and Equipment		51,000	
Vehicles		149,050	
Water and Sewer System		4,030,085	
Accumulated Depreciation		(3,479,922)	
Net Fixed Assets			799,996
Total Assets			\$ 968,064

LIABILITIES AND NET POSITION

Current Liabilities

Refundable Meter Deposits		11,600	
Notes Payable - Current Portion		72,637	
Total Current Liabilities			\$ 84,237

Long-Term Liabilities

Refundable Meter Deposits (non-current)		37,578	
Notes Payable		260,517	
Total Long Term Liabilities			298,095
Total Liabilities			382,332

Net Position

Invested in Capital Assets, Net of Related Debt		466,842	
Restricted		89,907	
Unrestricted		28,983	
Total Net Position			585,732
Total Liabilities and Net Position			\$ 968,064

Please see accompanying notes to financial statements.

Rush Springs Municipal Improvement Authority

Rush Springs, Oklahoma

Statement of Revenue, Expenses, and Changes in Net Position

(Modified Cash Basis)

Year Ended June 30, 2016

Operating Revenue

Water Revenue	\$	232,877	
Sanitation Revenue		205,488	
Sewer Revenue		93,715	
Miscellaneous Revenue		9,424	
Total Operating Revenue	\$		541,504

Operating Expense

Salaries and Benefits		186,447	
Depreciation		168,806	
Sanitation Services		122,400	
Administration		79,289	
Maintenance and Operations		48,058	
Total Operating Expense			605,000

Net Operating Loss (63,496)

Nonoperating Revenue (Expense)

Transfers In		53,018	
Interest Income		219	
Transfers Out		(12)	
Interest Expense		(4,990)	
Total Nonoperating Revenue (Expense)			48,235

Change in Net Position (15,261)

Net Position, June 30, 2015 600,993

Net Position, June 30, 2016 \$ 585,732

Please see accompanying notes to financial statements.

Rush Springs Municipal Improvement Authority

Rush Springs, Oklahoma

Statement of Cash Flows

(Modified Cash Basis)

Year Ended June 30, 2016

Cash Flows from Operating Activities

Cash Received from Customers	\$ 549,007	
Cash Paid for Salaries and Related Costs	(186,447)	
Cash Paid to Suppliers	(249,747)	
Net Cash Provided by Operating Activities		\$ 112,813

Cash Flows from Investing Activities

Interest Income	219	
Net Cash Provided by Investing Activities		219

Cash Flows from Noncapital Financing Activities

Transfers to other funds	(26,748)	
Transfers from other funds	53,006	
Net Cash Provided by Noncapital Financing Activities		26,258

Cash Flows from Capital Financing Activities

Payment of Debt	(71,480)	
Purchase of Fixed Assets	(41,479)	
Interest Expense	(4,990)	
		(117,949)

Net Increase in Cash and Cash Equivalents 21,341

Cash and Cash Equivalents, June 30, 2015 142,682

Cash and Cash Equivalents, June 30, 2016 \$ 164,023

Reconciliation of Operating Income to Net Cash Provided by Operating Activities

Net Operating Loss		\$ (63,496)
Adjustments:		
Depreciation	\$ 168,806	
Increase in Customer Deposits	7,503	
Total Adjustments		<u>176,309</u>
Net Cash Provided by Operating Activities		<u>\$ 112,813</u>

Please see accompanying notes to financial statements.

Rush Springs Municipal Improvement Authority
Rush Springs, Oklahoma
Notes to Financial Statements
Year Ended June 30, 2016

Note 1 – Summary of Significant Accounting Policies

These financial statements are presented on a modified cash basis of accounting. This modified cash basis of accounting differs from generally accepted accounting principles in the United States of America. Generally accepted accounting principles include all relevant Governmental Accounting Standards Board pronouncements. The modified cash basis of accounting is an acceptable method of accounting under budgetary laws of the State of Oklahoma.

Reporting Entity

The Rush Springs Municipal Improvement Authority was created pursuant to a Trust Indenture as authorized by Title 60, Oklahoma Statutes 1984, section 176-180.3, inclusive and the Oklahoma Trust Act. The governing body of the Authority is the Board of Trustees comprised of five elected members. The Authority is a component unit of its beneficiary, the Town of Rush Springs. Rush Springs Municipal Authority (RSMIA) is a propriety fund that accounts for activities related to the provision of water and sewer services to businesses and residents. It operates the water and sewer treatment plants, water distribution system, sewer collections systems, and pump stations.

Basis of Accounting

Proprietary funds are accounted for using the cash basis of accounting modified as follows:

- Capital assets are recorded as assets when purchased and related depreciation is recorded.
- Long term debt is recorded when incurred.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Rush Springs Municipal Improvement Authority are charges to customers for sales and services. Operating expenses for enterprises funds include the cost of sales and services, administrative expenses, and depreciation on capital assets.

All revenues and expenses not meeting this definition are reported as *nonoperating* revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

The Authority is not legally required to adopt a budget for the general fund. Therefore, budget comparison information is not included in the Authority's financial statements.

Rush Springs Municipal Improvement Authority

Rush Springs, Oklahoma Notes to Financial Statements Year Ended June 30, 2016

Assets, liabilities, and net position

Deposits and investments

For purposes of the statement of cash flows, the Authority considers short-term investments with original maturities of three months or less from the date of acquisition to be cash equivalents. Public trusts created under Oklahoma Statutes Title 60 are not subject to investment limitations and are primarily governed by any restrictions in their trust or note indenture.

Restricted assets

Resources required to be set aside for repayment of debt are classified as restricted assets on the balance sheet because their use is limited by applicable loan covenants. Amounts held for customer utility deposits are also reported as restricted assets.

Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets (i.e., water and sewer systems). Capital assets are defined by the government as assets with an initial individual cost of more than \$500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Property, plant, and equipment of the primary government, as well as the component units, are depreciated using the straight line method over the following estimated useful lives.

Water and Sewer System	25 years
Machinery and Equipment	10 years
Vehicles	5 years

Long term obligations

Long term debt and other long term obligations are reported as liabilities in the statement of net position.

Net position

Net position is divided into three components:

- *Invested in Capital Assets, net of related debt* – consists of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets.
- *Restricted Net Asset* – consists of net assets that are restricted by creditors through debt covenants or customer utility deposits.
- *Unrestricted Net Assets* – all other net assets are reported in this category.

Rush Springs Municipal Improvement Authority
Rush Springs, Oklahoma
Notes to Financial Statements
Year Ended June 30, 2016

Subsequent Events

Management has evaluated subsequent events through November 2, 2016, the date which the financial statements were available and issued.

Note 2 – Deposits, Investments, and Collateral

Deposit Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Authority policy regarding custodial credit risk requires collateral for all deposits in excess of Federal Deposit Insurance. At June 30, 2016, the bank balance was \$164,023. This entire amount was insured and collateralized.

At year end, the Authority's investments were held as certificates of deposits totaling \$33,000 with interest rates of 0.40 %.

Unrestricted cash and cash equivalents include the following accounts:

First National Bank & Trust - Chickasha, OK		
Municipal Improvement Authority	\$	48,228 *
MIA Debt Services Acct		25,888 *
Total	<u>\$</u>	<u>74,116</u>

* Interest Bearing Accounts

Restricted cash and cash equivalents include the following accounts:

First National Bank & Trust - Chickasha, OK		
Meter Deposit Account		16,178 *
Waste/Wastewater Emergency Account		3,754 *
Meter Deposit CD		33,000 *
Bank of Oklahoma		
Debt Service Reserve Account		<u>36,975 *</u>
Total	<u>\$</u>	<u>89,907</u>

* Interest Bearing Accounts

Rush Springs Municipal Improvement Authority

Rush Springs, Oklahoma Notes to Financial Statements Year Ended June 30, 2016

Note 3 – Fixed Assets

Current year changes to fixed assets were as follows:

	Balance 06/30/2015	Additions	Disposals	Balance 06/30/2016
<u>Assets</u>				
Capital Assets not being depreciated:				
Land	\$ 10,000	\$ 0	\$ 0	\$ 10,000
Capital Assets being depreciated:				
Vehicles	149,050	0	0	149,050
Building Improvements	39,783	0	0	39,783
Machinery & Equipment	51,000	0	0	51,000
Water and Sewer System	3,988,606	41,479	0	4,030,085
Total	4,238,439	41,479	0	4,279,918
Less Accumulated Depreciation	(3,311,116)	(168,806)	0	(3,479,922)
Total	<u>\$ 927,323</u>			<u>\$ 799,996</u>

Total depreciation expense for the current year was \$168,806, which was charged against current operations.

Note 4 – Insurance Against Loss Contingencies

The Authority maintains the following insurance coverage for protection against possible loss contingencies:

- Workers Compensation & Employers Liability
- Commercial Property & Equipment Breakdown
- Comprehensive Auto Liability
- Automobile Physical Damage
- Building and Contents Physical Damage
- Employee Bonds

The Authority is exposed to various risks of loss (torts, theft of, damage to, or destruction of assets, business interruptions, errors and omissions, job-related illnesses or injuries to employees, and acts of God) and has established a risk management strategy that attempts to minimize losses and the carrying cost of insurance. There have been no significant reductions in insurance coverage from the prior year and settlements have not exceeded coverage in the past three years.

Rush Springs Municipal Improvement Authority
Rush Springs, Oklahoma
Notes to Financial Statements
Year Ended June 30, 2016

Note 5 – Debt

Oklahoma Water Resources Board Notes Payable

The Rush Springs Municipal Improvement Authority has entered into a note payable with Oklahoma Water Resources Board dated December 1995 in amount of \$320,000, for the construction of a water tower. Principal payments are due in February and August. The effective interest rate is 4.53%. The required Debt Service Reserve Fund was fully funded in the amount of \$36,975.

The following is a schedule of principal and interest requirements at June 30, 2016:

Year Ending:	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
06/30/2017	17,700	1,969	19,669
06/30/2018	19,200	1,764	20,964
06/30/2019	20,800	1,436	22,236
06/30/2020	22,400	1,082	23,482
06/30/2021	24,300	701	25,001
06/30/2022	23,600	287	23,887
Totals	<u>\$ 128,000</u>	<u>\$ 7,239</u>	<u>\$ 135,239</u>

The Rush Springs Municipal Improvement Authority has entered into a note payable with Oklahoma Water Resources Board dated August 1996 in amount of \$605,150, for water and sewer improvements. Principal payments are due in March and September. The effective interest rate is 2.98%, and administration fee of 0.5%.

The following is a schedule of principal and interest requirements at June 30, 2016:

Year Ending:	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
06/30/2017	38,091	1,703	39,794
06/30/2018	18,835	317	19,152
Totals	<u>\$ 56,926</u>	<u>\$ 2,020</u>	<u>\$ 58,946</u>

The Rush Springs Municipal Improvement Authority has entered into a note payable with Oklahoma Water Resources Board dated June 2004 in amount of \$380,000, for water improvements. Principal payments are due in March and September. The effective interest rate is 3.0%, and administration fee of 0.5%.

Rush Springs Municipal Improvement Authority
Rush Springs, Oklahoma
Notes to Financial Statements
Year Ended June 30, 2016

The following is a schedule of principal and interest requirements at June 30, 2015:

Year Ending:	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
06/30/2017	16,846	3,341	20,187
06/30/2018	16,413	2,954	19,367
06/30/2019	17,001	2,577	19,578
06/30/2020	18,600	2,175	20,775
06/30/2021	18,240	1,759	19,999
2022-2025	61,127	2,757	63,884
Totals	<u>\$ 148,227</u>	<u>\$ 15,563</u>	<u>\$ 163,790</u>

Provisions for the Oklahoma Water Resources Board which are pertinent to the financial statements are as follows:

- The notes are secured by the fixed assets and service revenues of the Authority.
- Revenues generated from the operation of the system will be used monthly, first to provide debt service on any indebtedness payable from such revenues. Second, to pay operation and maintenance expenses of the system, and third, to make payments, if required, to replenish any amount drawn from any OWRB debt service reserve fund.
- The Authority will maintain, at all times, schedules of rates or charges for services rendered through the mortgage property sufficient to provide net revenues available for debt service equal to at least 125% of the maximum annual amount required for debt service on all obligations.

The Authority was not in compliance with the debt coverage ratio at June 30, 2016. See the following calculations:

Rush Springs Municipal Improvement Authority

Rush Springs, Oklahoma Notes to Financial Statements Year Ended June 30, 2016

Net Revenues Available for Debt Service:	
Operating Revenue	\$ 541,504
Less Sanitation Revenue	<u>(205,488)</u>
Total Water Revenue	336,016
Operating Expenses	605,000
Less Sanitation Expenses	(122,400)
Less Expenses not recurring annually per section 1.16(3)	(10,050)
Less Depreciation	<u>(168,806)</u>
Total Water Expenses	303,744
Interest Revenue	<u>219</u>
Net Revenues Available for Debt Service	<u>\$ 32,491</u>

Maximum Annual Debt Service Requirement @ 125%	
Year 16-17	<u>\$ 107,578</u>

Coverage	30%
Coverage Requirement	125%

Note 6 – Supplemental Disclosure of Cash Flow Information

Interest expense paid by the Authority for the year ended June 30, 2016 was \$4,990, which was charged to current operations.

Note 7 – Compensated Absences

The amount of earned, unpaid vacation time for Authority employees at June 30, 2016 was approximately \$2,856 and was not accrued since the Authority is on modified cash basis. Sick leave is not paid upon termination, thus it was not calculated.

Note 8 – Restatement of Beginning Balances

The beginning net assets have been restated to record a prior period adjustment to correct payroll liabilities that were included as part of the modified cash basis in prior years and to adjust meter deposits held to actual amounts. A reconciliation of the prior period ending net assets to current year beginning net assets is as follows:

Rush Springs Municipal Improvement Authority

Rush Springs, Oklahoma Notes to Financial Statements Year Ended June 30, 2016

Beginning fund balance	\$ 532,653
Adjustment to correct payroll liabilities	11,420
Adjustment to correct utility deposit liability	<u>56,920</u>
Corrected beginning fund balance	<u>\$ 600,993</u>

Note 9 – Pension Plan

Plan Description: The Authority participates in the Town of Rush Springs plan who contributes to the Oklahoma Public Employees Retirement Plan, a cost sharing, multiple-employer defined benefit pension plan administered by the Oklahoma Public Employees Retirement System (OPERS). Benefit provisions are established and amended by the Oklahoma Legislature. The plan provides retirement, disability, and death benefits to Plan members and beneficiaries. Title 74, Sections 901 through 943, as amended, establishes the provisions of the Plan. OPERS issues a publicly available financial report that includes financial statements and supplementary information. That report may be obtained by writing OPERS, PO Box 53007, Oklahoma City, Oklahoma 73105 or by calling 1-800-733-9008.

Funding Policy: The contribution rates for each member category are established by the Oklahoma Legislature and are based on an actuarial calculation which is performed to determine the adequacy of contribution rates. The current contribution rates for the Authority are 3.5% for employee and 16.5% for the Authority.

Net Pension Liability: In accordance with Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions*, we are disclosing the net pension liability for the Authority in the amount of \$252,659. This amount is not recorded in the financial statements since we are using the modified cash basis of reporting. The net pension liability amount was based on the OPERS pension audit as of June 30, 2015.



**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of Trustees
Rush Springs Municipal Authority
Rush Springs, Oklahoma

We have audited, in accordance with the 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 financial statements of the business-type activities of the Rush Springs Municipal Authority, Rush Springs, Oklahoma, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated November 2, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Rush Springs Municipal Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority'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.

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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 11-3, 12-1, 13-4, 14-1, 15-1 and 16-1.

Rush Springs Municipal Authority's Response to Findings

The Authority's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The Authority's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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 Authority'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.

Furrh and Associates, PC

FURRH & ASSOCIATES, PC

Lawton, Oklahoma

November 2, 2016

Rush Springs Municipal Authority
Rush Springs, Oklahoma
Schedule of Findings and Responses
For Fiscal Year Ended June 30, 2016

Reportable Conditions of Internal Control, Compliance, and Other Matters

Current Year Audit Findings:

16-1 Condition – The Authority did not meet the required debt service coverage ratio of 125% of net revenue available for debt service to maximum annual debt service expense for fiscal year ending 6/30/2016, as required by the note payable agreements with the Oklahoma Water Resources Board.

Criteria – The Authority should maintain a rate schedule sufficient to cover the required debt service ratio.

Cause and Effect – The current rates charged are not sufficient to provide the 125% coverage needed; therefore, the Authority is not in compliance with their debt covenants.

Recommendation – We recommend the Authority conduct a rate analysis to determine a rate schedule that would provide the needed debt service ratio.

Management Response – The Authority will re-evaluate the expense budget to determine expenses that can be reduced or eliminated. There will also continue to be a 2% rate increase each year to ensure the Authority keeps up with cost of living increases, further assisting in maintaining the debt ratio required.

Uncorrected Prior Year Audit Findings:

11-3 Condition – The Authority did not meet the required debt service coverage ratio of 125% of net revenue available for debt service to maximum annual debt service expense for fiscal year ending 6/30/2011, as required by the note payable agreements with the Oklahoma Water Resources Board.

Criteria – The Authority should maintain a rate schedule sufficient to cover the required debt service ratio.

Cause and Effect – The current rates charged are not sufficient to provide the 125% coverage needed; therefore, the Authority is not in compliance with their debt covenants.

Recommendation – We recommend the Authority conduct a rate analysis to determine a rate schedule that would provide the needed debt service ratio.

Management Response – Effective February 2015, rates were raised significantly to ensure that the covenant can be met. There is also a 2% rate increase each year to ensure the Town keeps up with cost of living increases, further assisting in maintaining the debt ratio required.

Rush Springs Municipal Authority
Rush Springs, Oklahoma
Schedule of Findings and Responses
For Fiscal Year Ended June 30, 2016

12-1 Condition – The Authority did not meet the required debt service coverage ratio of 125% of net revenue available for debt service to maximum annual debt service expense for fiscal year ending 6/30/2012, as required by the note payable agreements with the Oklahoma Water Resources Board.

Criteria – The Authority should maintain a rate schedule sufficient to cover the required debt service ratio.

Cause and Effect – The current rates charged are not sufficient to provide the 125% coverage needed; therefore, the Authority is not in compliance with their debt covenants.

Recommendation – We recommend the Authority conduct a rate analysis to determine a rate schedule that would provide the needed debt service ratio.

Management Response – Effective February 2015, rates were raised significantly to ensure that the covenant can be met. There is also a 2% rate increase each year to ensure the Town keeps up with cost of living increases, further assisting in maintaining the debt ratio required.

13-4 Condition – The Authority did not meet the required debt service coverage ratio of 125% of net revenue available for debt service to maximum annual debt service expense for fiscal year ending 6/30/2013, as required by the note payable agreements with the Oklahoma Water Resources Board.

Criteria – The Authority should maintain a rate schedule sufficient to cover the required debt service ratio.

Cause and Effect – The current rates charged are not sufficient to provide the 125% coverage needed; therefore, the Authority is not in compliance with their debt covenants.

Recommendation – We recommend the Authority conduct a rate analysis to determine a rate schedule that would provide the needed debt service ratio.

Management Response – Effective February 2015, rates were raised significantly to ensure that the covenant can be met. There is also a 2% rate increase each year to ensure the Town keeps up with cost of living increases, further assisting in maintaining the debt ratio required.

14-1 Condition – The Authority did not meet the required debt service coverage ratio of 125% of net revenue available for debt service to maximum annual debt service expense for fiscal year ending 6/30/2014, as required by the note payable agreements with the Oklahoma Water Resources Board.

Rush Springs Municipal Authority
Rush Springs, Oklahoma
Schedule of Findings and Responses
For Fiscal Year Ended June 30, 2016

Criteria – The Authority should maintain a rate schedule sufficient to cover the required debt service ratio.

Cause and Effect – The current rates charged are not sufficient to provide the 125% coverage needed; therefore, the Authority is not in compliance with their debt covenants.

Recommendation – We recommend the Authority conduct a rate analysis to determine a rate schedule that would provide the needed debt service ratio or re-evaluate their budget for expenses.

Management Response – Effective February 2015, rates were raised significantly to ensure that the covenant can be met. There is also a 2% rate increase each year to ensure the Town keeps up with cost of living increases, further assisting in maintaining the debt ratio required.

15-1 Condition – The Authority did not meet the required debt service coverage ratio of 125% of net revenue available for debt service to maximum annual debt service expense for fiscal year ending 6/30/2015, as required by the note payable agreements with the Oklahoma Water Resources Board.

Criteria – The Authority should maintain a rate schedule sufficient to cover the required debt service ratio.

Cause and Effect – The current rates charged are not sufficient to provide the 125% coverage needed; therefore, the Authority is not in compliance with their debt covenants.

Recommendation – We recommend the Authority conduct a rate analysis to determine a rate schedule that would provide the needed debt service ratio.

Management Response – Effective February 2015, rates were raised significantly to ensure that the covenant can be met. However, for this audit period most of the time in question was under old pricing, therefore the shortfall. There is also a 2% rate increase each year to ensure the Authority keeps up with cost of living increases, further assisting in maintaining the debt ratio required.