

Rural Water and Sewer District No. 5

Canadian County, Oklahoma

Financial Statements

August 31, 2016

Rural Water and Sewer District No. 5

Canadian County, Oklahoma

Table of Contents

Independent Auditor's Report	1 - 2
Statement of Net Position - Cash Basis	3
Statement of Revenues, Expenses, and Changes in Net Position – Cash Basis	4
Notes to Financial Statements	5 – 6
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 <i>Government Auditing Standards</i>	7 - 8
Findings and Questioned Cost	9

MICHAEL L METTRY CPA
2525 NW EXPRESSWAY STE 200
OKLAHOMA CITY, OK 73112
INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Rural Water and Sewer District No. 5,
Canadian County, OK
El Reno, OK

Report on the Financial Statements

We have audited the accompanying financial statements of Rural Water and Sewer District No. 5, Canadian County, Oklahoma, which comprise the statement of net position – cash basis and the statement of revenue, expenses, and changes in net position – cash basis as of and for the year ended August 31, 2016, and the related notes to the financial statements, which collectively comprise the Rural Water and Sewer District No. 5's basic 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 accounting principles 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

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 opinion.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Rural Water and Sewer District No. 5, Canadian County, Oklahoma as of August 31, 2016, and the changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis of Accounting

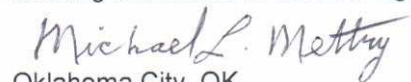
We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Management has omitted the Management's Discussion and Analysis. Our opinion is not affected by the missing information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated April 7, 2017, on our consideration of Rural Water and Sewer District No. 5'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 the 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.



Oklahoma City, OK
April 7, 2017

Rural Water and Sewer District No. 5
Canadian County, Oklahoma
Statement of Net Position-Cash Basis
August 31, 2016

Current Assets	
Cash	\$ 227,525
Total Current Assets	<u>227,525</u>
Total Assets	<u>227,525</u>
Deferred Outflows of Resources	
Total Deferred Outflows	<u>-</u>
Current Liabilities	
Current liabilities	<u>-</u>
Total Current Liabilities	<u>-</u>
Long Term Debt	<u>-</u>
Total Liabilities	<u>-</u>
Deferred Inflows of Resources	
Total Deferred Inflows of Resources	<u>-</u>
Net Position	
Net investment in capital assets	-
Temporarily restricted	-
Unrestricted	<u>227,525</u>
Total Net Position	<u><u>\$ 227,525</u></u>

See independent accountant's report and notes

Rural Water and Sewer District No. 5
Canadian County, Oklahoma
Statement of Revenues, Expenses, and Changes in Net Position-Cash Basis
for the year ended August 31, 2016

Operating Revenues	
Water service	\$ 295,782
REAP Grant	-
Total Operating Revenues	<u>295,782</u>
Operating Expenses	
Payroll	49,500
Labor	-
Payroll tax expense	3,726
Automobile allowance	1,000
Contractor	43,856
Postage	543
Utilities	2,439
Installations, repair, & maintenance	9,221
Telephone	2,878
Water purchases	116,741
Water test fees	1,461
Returned checks	111
Office supplies	1,122
Workers compensation	-
Engineer fees	-
Bank charges	106
Pump station	64,572
Other expenses	4,641
Insurance	9,307
Total Operating Expenses	<u>311,223</u>
Operating Income (Loss)	(15,441)
Nonoperating Revenues (Expenses)	
Interest income	-
Total Nonoperating Revenues (Expenses)	<u>-</u>
Change in Net Position	(15,441)
Prior period adjustment	74
Net Position, Beginning	<u>242,892</u>
Net Position, Ending	<u><u>\$ 227,525</u></u>

See independent auditor's report and notes

Rural Water and Sewer District No. 5
Canadian County, Oklahoma
Notes to Financial Statements

1. Organization and Nature of Operations and Summary of Significant Accounting Policies

Rural Water and Sewer District No. 5, Canadian County, Oklahoma (District) was created on September 3, 2002. The District was created under the Rural Water, Sewer, Gas and Solid Waste Management District Act, Title 82, 1324.1 – 1324.35 of the Oklahoma State Statutes. The purpose of the District is to acquire water and water rights; to build and acquire pipelines and other facilities; and to operate the same for the purpose of furnishing water to serve the needs of owners and occupants of land located within the District, and others as authorized by the by-laws.

The District is a governed entity by a Board of Directors that acts as the authoritative and legislative body of the entity. The Board of Directors is comprised of elected board members.

The District is classified as an Enterprise Fund. The costs of providing the water services to the public are financed mainly through user charges. The financial statements of the District have been prepared using the cash basis of accounting. This basis recognizes assets, liabilities, net assets/fund equity, revenues, and expenditures/expenses when they result from cash transactions. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

As a result of the use of the cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

Cash is maintained in financial institutions which provide coverage to depositors through the Federal Deposit Insurance Corporation.

The State of Oklahoma allows government entities to invest in the following: direct obligations of the United States Government, its agencies or instrumentalities; collateralized or insured certificates of deposit; insured savings accounts or savings certificates; or county, municipal or school district direct debt.

Net assets present the difference between assets and liabilities in the statement of net assets. Net assets invested in capital assets are reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are legal limitations imposed on their use by District legislation or restrictions by creditors, grantors, laws or regulations of other governments.

Rural Water and Sewer District No. 5
Canadian County, Oklahoma
Notes to Financial Statements

2. Waterline System

The District has not maintained supporting documentation for the original waterline and any extensions and additions to the system. The following schedule is based on estimates recorded from prior years and additions during the year ended August 31, 2016.

	August 31,
	2015
Computers	\$ 9,400
Office equipment	1,025
Waterline system	393,451
	<u>\$ 403,876</u>

3. Estimates

The preparation of financial statements and notes in conformity with the cash basis of accounting requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

4. Risk Management

The District is exposed to various risks of loss related to torts; thefts of, damages to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District purchases commercial insurance for these and other risks of loss. Settled claims have not exceeded the commercial coverage in past years.

5. Subsequent Events

The District has evaluated subsequent events through April 7, 2017, which is the date the financial statements were available to be issued and has determined that no additional information needs to be added to the financial statements.

MICHAEL L METTRY CPA
2525 NW EXPRESSWAY STE 200
OKLAHOMA CITY, OK 73112

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*

To the Board of Directors
Rural Water and Sewer District No. 5,
Canadian County, OK
Post Office Box 1304
El Reno, OK 73036-1304

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 Rural Water and Sewer District No. 5, Canadian County, Oklahoma as of and for the year ended August 31, 2016, and the related notes to the financial statements, which collectively comprise Rural Water and Sewer District No. 5's basic financial statements, and have issued our report thereon dated April 7, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Rural Water and Sewer District No. 5'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Rural Water and Sewer District No. 5's internal control. Accordingly, we do not express an opinion on the effectiveness of Rural Water and Sewer District No. 5'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.

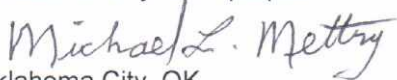
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not 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 Rural Water and Sewer District No. 5'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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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.

A handwritten signature in cursive script that reads "Michael L. Mettry".

Oklahoma City, OK

April 7, 2017

Rural Water and Sewer District No. 5
Canadian County, Oklahoma
Findings and Questioned Cost

FINDINGS AND QUESTIONED COST

There were no findings or questioned cost.

Account:-
Customer: **MICHAEL METTRY**

Phone: (405) 848-1556

Order Number: 420303Z7P
Order Date: 04/07/2017
Order Time: 13:27
Taken By: Lance COrder Due Date: 04/08/2017
Order Due Time: 10:30
Ship By: 04/08/2017
Originating Store: Store 4203

QC Approval Date: 04/07/2017



We have completed your order according to your instructions. In the event your order was not completed in accordance with your expectations, please notify us immediately.

We appreciate your business and look forward to meeting your needs in the future.

Center Manager

Team Member Initials

Date/Timestamp

Customer Consultant: Lance C 04/07/2017 13:27

I took your order and repeated back your instructions.

Production Project 1 : copy 1

BW Pages Operator: Lance C 04/07/2017 18:49

I checked all previous work and produced your order according to the instructions.

Binding Operator: Lance C 04/07/2017 18:49

I checked all previous work and produced your order according to the instructions.

Production Project 2 : copy 2

Binding Operator: Lance C 04/07/2017 18:49

I checked all previous work and produced your order according to the instructions.

BW Pages Operator: Lance C 04/07/2017 18:49

I checked all previous work and produced your order according to the instructions.

Final Quality Check: Lance C 04/07/2017 18:49

I checked all previous work and produced your order according to the instructions.

To the best of my knowledge, this order meets your expectations.