

**Stephens County Rural
Water District #5**
Audit Report
For Year Ending September 30, 2020

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Independent Auditor's Report

To the Board of Directors of
Rural Water, Sewer, & Solid Waste Management Dist. #5
Stephens County, Oklahoma

Report on the Financial Statements

I have audited the basic financial statements of Rural Water, Sewer, & Solid Waste Management District #5, Stephens County, Oklahoma (District), as of and for the years ended September 30, 2020 and 2019 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 financial position of Rural Water, Sewer, & Solid Waste Management District #5, Stephens County, Oklahoma, as of September 30, 2020 and 2019, 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 November 5, 2020, 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

November 5, 2020

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

Comparative Statement of Net Position
As of September 30, 2020 and 2019

	2020	2019
ASSETS:		
Current Assets:		
Cash & Cash Equivalents (Note 9)	\$ 1,778,195	\$ 1,961,238
Accounts Receivable (Note 2)	112,427	126,419
Other Receivable	-	-
Interest Receivable	124	206
Prepaid Insurance	22,035	31,850
Inventory	50,159	47,854
Total Current Assets	\$ 1,962,940	\$ 2,167,567
Noncurrent Assets:		
Construction in Progress	\$ 127,339	\$ 1,307
Capital Assets: (Note 5)		
Land, Water Rights, Deposits & Loan Fees	302,972	313,298
Other Capital Assets, net of depreciation	8,718,690	8,937,332
Total Noncurrent Assets	\$ 9,149,001	\$ 9,251,937
TOTAL ASSETS	\$ 11,111,941	\$ 11,419,504
LIABILITIES AND NET POSITION:		
Current Liabilities:		
Accounts Payable	\$ 26,493	\$ 43,561
Interest Payable	406	465
Current Portion of Long-term Liabilities	381,807	370,795
Total Current Liabilities	\$ 408,706	\$ 414,821
Long-Term Liabilities:		
Notes Payable - net of current portion	\$ 1,699,633	\$ 2,081,180
Net Position:		
Restricted Fund Balance (Note 9)	\$ 409,866	\$ 416,196
Unrestricted Fund Balance	407,652	409,223
Total Fund Balance	\$ 817,518	\$ 825,419
Member Investments	1,505,386	1,438,386
Grants (Note 10)	5,782,910	5,782,910
Donated Assets (Note 6)	897,788	876,788
TOTAL NET POSITION	\$ 9,003,602	\$ 8,923,503
TOTAL LIABILITIES AND NET POSITION	\$ 11,111,941	\$ 11,419,504

See accompanying notes to the financial statements.

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

Comparative Statement of Activities
For the Years Ended September 30, 2020 and 2019

	2020	2019
OPERATING REVENUES:		
Water Sales	\$ 1,638,274	\$ 1,609,415
Water Sales - Bulk	1,823	5,712
Sale of Supplies	105	684
Connection Charges & Road Bores	9,530	9,575
Damage Reimbursement	37,689	124,447
Miscellaneous Revenues	1,231	5,101
Total Operating Revenues	\$ 1,688,652	\$ 1,754,934
OPERATING EXPENSES:		
Salaries	\$ 391,361	\$ 376,146
Water Purchases	10,514	5,164
Depreciation Expense	457,444	444,330
Interest Expense	101,864	113,923
Utilities	87,382	87,372
System Repairs, Supplies & Trenching Expense	339,777	260,229
Insurance	48,413	36,474
Legal & Professional Fees	13,245	43,375
Vehicle & Travel Expense	49,052	39,867
Employee Benefits	74,841	65,113
Payroll Tax Expense	31,499	30,129
Rent Expense	6,033	7,891
Office Supplies, Security & Postage	33,984	29,678
Communication Expense	12,871	12,258
Director's Meetings & Fees	6,191	7,325
Loan Costs Amortization	10,326	10,326
Dues & Fees	33,551	41,905
Bad Debts	898	7,919
Advertising & Promotions Expense	4,222	2,227
Miscellaneous Expense	1,066	1,352
Total Operating Expenses	\$ 1,714,534	\$ 1,623,003
OPERATING INCOME (LOSS)	\$ (25,882)	\$ 131,931
OTHER REVENUES (EXPENSES):		
Investment Revenues	\$ 8,570	\$ 9,530
Rent Income	6,011	4,759
Reimburse line relocate	-	9,733
Gain on Sale of Assets	3,400	-
Total Other Revenues(Expenses)	\$ 17,981	\$ 24,022
EXCESS REVENUES (EXPENSES)	\$ (7,901)	\$ 155,953

See accompanying notes to the financial statements.

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

Comparative Statement of Changes in Net Position
For the Years Ended September 30, 2020 and 2019

	2020	2019
Balance, October 1	\$ 8,923,503	\$ 8,707,750
Excess Revenues (Expenses)	(7,901)	155,953
Prior Period Adjustment	-	-
Member Investments	67,000	59,800
Grants	-	-
Donated Assets	21,000	-
Total Changes in Net Assets	\$ 80,099	\$ 215,753
Balance, September 30	\$ 9,003,602	\$ 8,923,503

See accompanying notes to the financial statements.

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

Comparative Statement of Cash Flows
For the Years Ended September 30, 2020 and 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers	\$ 1,702,644	\$ 1,753,231
Payments to suppliers	(656,757)	(613,822)
Payments to employees & benefits	(497,701)	(471,388)
Net Cash Provided by Operating Activities	\$ 548,186	\$ 668,021
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Purchase of fixed assets	\$ (238,802)	\$ (72,597)
Payments for construction in progress	(126,032)	-
Donated Assets	21,000	-
Principal payments on notes payable	(370,535)	(354,761)
Interest paid on notes payable	(101,923)	(113,979)
Proceeds from sale of assets	3,400	-
Proceeds from Long-term notes	-	-
Proceeds from Grants	-	-
Net Cash Used In Capital & Related Financing Activities	\$ (812,892)	\$ (541,337)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment Receipts	\$ 8,652	\$ 9,473
Proceeds from memberships	67,000	59,800
Prior Period Adjustment	-	-
Miscellaneous Receipts	6,011	14,492
Net Cash Provided from Investing Activities	\$ 81,663	\$ 83,765
INCREASE (DECREASE) IN CASH AND INVESTMENTS	\$ (183,043)	\$ 210,449
Cash and Investment Balance - Beginning	1,961,238	1,750,789
CASH AND INVESTMENT BALANCE - ENDING	\$ 1,778,195	\$ 1,961,238
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:		
Excess Operating Revenues (Expenses)	\$ (25,882)	\$ 131,931
Adjustments to reconcile operating income to net cash provided (used) by Operating Activities:		
Interest Expense	101,864	113,923
Depreciation expense & Loan Amortization	467,770	454,656
Change in current assets and liabilities:		
Accounts Receivable	13,992	(1,703)
Other Receivable	-	-
Prepaid Insurance	9,815	(17,990)
Inventory	(2,305)	(3,963)
Accounts Payable	(17,068)	(8,833)
Net Cash Provided from Operating Activities	\$ 548,186	\$ 668,021

See accompanying notes to the financial statements.

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

Notes to the Financial Statements
For the Years Ended September 30, 2020 and 2019

Note 1 - Significant Accounting Policies

Organization:

Rural Water, Sewer, & Solid Waste Management District #5, Stephens County, Oklahoma (District) is an Oklahoma non-profit corporation formed under the Oklahoma Rural Water Act for the purpose of supplying water to the rural areas in and around Stephens County, Oklahoma. The District is governed by a Board of Directors who have been elected from and by the members of the District at the annual membership meeting. The District served 2,259 meters at September 30, 2020 and sold 130.2 million gallons of water during the year.

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 Stephens County, Oklahoma.

Inventory:

The District carries an inventory of supply parts used to repair the water system. The inventory is reported at the market value as of September 30, 2020 and 2019.

Note 2 - Accounts Receivable

The accounts receivable represents the water usage and service revenues for September plus any unpaid balances from the previous months. The District uses the direct method to account for bad debts. The accounts receivable balances at September 30, 2020 and 2019 amounted to \$115,286 and \$129,278, respectively with the deduction of the allowance for bad debts of \$2,859 for both years. The meters are read by the District monthly.

Note 3 - 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, Stephens County, Oklahoma

Notes to the Financial Statements
For the Years Ended September 30, 2020 and 2019

Note 5 - Fixed Assets

	Balance 10/1/2019	Additions	Disposed	Balance 9/30/2020
Water System Plant Assets	\$ 16,300,662	\$ 144,514	\$ -	\$ 16,445,176
Machinery & Equipment	51,703	-	-	51,703
Office Furniture & Fixtures	46,367	-	-	46,367
Vehicles	225,901	94,288	(46,554)	273,635
Office Buildings	202,941	-	-	202,941
Total Assets	\$ 16,827,574	\$ 238,802	\$ (46,554)	\$ 17,019,822
Less: Accumulated Depreciation	7,890,242	457,444	(46,554)	8,301,132
Net Fixed Assets	\$ 8,937,332	\$ (218,642)	\$ -	\$ 8,718,690

Note 6 - Donated Assets

Donated assets is the estimated value of water lines installed by members from the existing water lines of the system to the member's meter. The value of the lines donated to the District for the years ending September 30, 2020 and 2019 were \$21,000 and \$0, respectively.

Note 7 - Long-Term Liabilities

The District has long-term notes payable with Arvest Bank, the Oklahoma Water Resources Board and S. Geiger. All notes are fixed interest notes except the OWRB which is adjusted annually. The notes are secured by the assets of the District.

	Interest Rate	9/30/2020	9/30/2019	Monthly Payment
Arvest Bank	5.25%	128,440	146,975	2,167
OWRB Series 2013	3.40%	1,900,000	2,240,000	35,927
S. Geiger	0.00%	53,000	65,000	1,000
Total		\$ 2,081,440	\$ 2,451,975	\$ 39,094
Less: Current Portion		(381,807)	(370,795)	
Long-term Portion		\$ 1,699,633	\$ 2,081,180	

Current Portion:		Arvest	OWRB	Geiger
Year Ending	9/30/2021	19,807	350,000	12,000
Year Ending	9/30/2022	20,855	370,000	12,000
Year Ending	9/30/2023	21,971	385,000	12,000
Year Ending	9/30/2024	23,150	400,000	12,000
Year Ending	9/30/2025	24,384	395,000	5,000

Note 8 - Retirement Plan

The District provides a money purchase retirement plan for its full time employees. The plan is administered by American United Life. The District contributes 9% of the employees wages.

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

Notes to the Financial Statements
For the Years Ended September 30, 2020 and 2019

Note 9 - Components of Cash and Equivalents

		9/30/2020		
	Date of Maturity	Interest Rate	9/30/2020 Balance	9/30/2019 Balance
Petty Cash	-	0.00%	\$ 300	\$ 300
Checking - Arvest Bank	-	0.05%	244,333	406,049
Savings - Arvest Bank	-	0.05%	809,086	835,286
Savings - Arvest Bank	-	0.05%	60,608	54,526
Checking - Arvest Bank (Credit Card Payments)	-	0.00%	8,193	5,945
CD - Arvest Bank	10/15/2020	0.70%	120,701	119,137
CD - Arvest Bank	9/2/2025	0.60%	124,108	122,799
OWRB loan reserve - Bancfirst	-	0.50%	409,866	416,196
Reserve Certificates - ORWAAG	-	1.32%	1,000	1,000
Total Cash and Equivalents			\$ 1,778,195	\$ 1,961,238

Reserved:

Tower Maintenance	\$ 60,608
Water Rights	244,809
System Improvement	809,086
	<u>\$ 1,114,503</u>

Restricted:

OWRB Debt Service	\$ 409,866
	<u>\$ 409,866</u>

Note 10 - Grants

The District has been awarded a CDBG grant during the years ending September 30, 2016 in the amount of \$349,999 for improvements to the water system. The grant was received in 2017 and 2018. The District is required to match funds totalling \$350,001. The District received \$236,160 during the year ending September 30, 2017 and \$113,839 during the year ending September 30, 2018.

Note 11 - Prior Period Adjustment

The District did not have any prior period adjustment for the years ending September 30, 2020 or 2019.

Note 12 - Evaluation of Subsequent Events

The subsequent events of the District were evaluated through November 5, 2020, the date of the report.

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
Stephens County, Oklahoma

I have audited the basic financial statements of Rural Water, Sewer, and Solid Waste Management District #5, Stephens County, Oklahoma (District), as of and for the year ending September 30, 2020 and 2019, and have issued my report thereon dated November 5, 2020. 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 and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, I performed test of its 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, providing an opinion on compliance with such 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 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.

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, CPA

Certified Public Accountant

November 5, 2020