

**Stephens County Rural
Water District #5**
Audit Report
For Year Ending September 30, 2021

Scott Northrip, CPA
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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. #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, 2021 and 2020 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, 2021 and 2020, 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 4, 2021, 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 4, 2021

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

Comparative Statement of Net Position
As of September 30, 2021 and 2020

	2021	2020
ASSETS:		
Current Assets:		
Cash & Cash Equivalents (Note 9)	\$ 1,486,695	\$ 1,778,195
Accounts Receivable (Note 2)	158,412	112,427
Other Receivable	-	-
Interest Receivable	131	124
Prepaid Insurance	38,618	22,035
Inventory	49,406	50,159
Total Current Assets	\$ 1,733,262	\$ 1,962,940
Noncurrent Assets:		
Construction in Progress	\$ 126,603	\$ 127,339
Capital Assets: (Note 5)		
Land, Water Rights, Deposits & Loan Fees	292,646	302,972
Other Capital Assets, net of depreciation	9,066,161	8,718,690
Total Noncurrent Assets	\$ 9,485,410	\$ 9,149,001
TOTAL ASSETS	\$ 11,218,672	\$ 11,111,941
LIABILITIES AND NET POSITION:		
Current Liabilities:		
Accounts Payable	\$ 31,277	\$ 26,493
Interest Payable	345	406
Current Portion of Long-term Liabilities	402,855	381,807
Total Current Liabilities	\$ 434,477	\$ 408,706
Long-Term Liabilities:		
Notes Payable - net of current portion	\$ 1,297,019	\$ 1,699,633
Net Position:		
Restricted Fund Balance (Note 9)	\$ 409,648	\$ 409,866
Unrestricted Fund Balance	481,845	407,652
Total Fund Balance	\$ 891,493	\$ 817,518
Member Investments	1,602,886	1,505,386
Grants (Note 10)	6,082,909	5,782,910
Donated Assets (Note 6)	909,888	897,788
TOTAL NET POSITION	\$ 9,487,176	\$ 9,003,602
TOTAL LIABILITIES AND NET POSITION	\$ 11,218,672	\$ 11,111,941

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, 2021 and 2020

	2021	2020
OPERATING REVENUES:		
Water Sales	\$ 1,742,027	\$ 1,638,274
Water Sales - Bulk	146	1,823
Sale of Supplies	-	105
Connection Charges & Road Bores	19,860	9,530
Damage Reimbursement	36,399	37,689
Miscellaneous Revenues	2,520	1,231
Total Operating Revenues	\$ 1,800,952	\$ 1,688,652
 OPERATING EXPENSES:		
Salaries	\$ 378,557	\$ 391,361
Water Purchases	15,712	10,514
Depreciation Expense	475,415	457,444
Interest Expense	86,385	101,864
Utilities	89,166	87,382
System Repairs, Supplies & Trenching Expense	357,125	339,777
Insurance	41,559	48,413
Legal & Professional Fees	12,370	13,245
Vehicle & Travel Expense	46,214	49,052
Employee Benefits	70,413	74,841
Payroll Tax Expense	30,992	31,499
Rent Expense	6,551	6,033
Office Supplies, Security & Postage	34,270	33,984
Communication Expense	13,279	12,871
Director's Meetings & Fees	6,313	6,191
Loan Costs Amortization	10,326	10,326
Dues & Fees	47,836	33,551
Bad Debts	6,305	898
Advertising & Promotions Expense	2,322	4,222
Miscellaneous Expense	4,218	1,066
Total Operating Expenses	\$ 1,735,328	\$ 1,714,534
 OPERATING INCOME (LOSS)	\$ 65,624	\$ (25,882)
 OTHER REVENUES (EXPENSES):		
Investment Revenues	\$ 2,644	\$ 8,570
Rent Income	5,707	6,011
Reimburse line relocate	-	-
Gain on Sale of Assets	-	3,400
Total Other Revenues(Expenses)	\$ 8,351	\$ 17,981
 EXCESS REVENUES (EXPENSES)	\$ 73,975	\$ (7,901)

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, 2021 and 2020

	2021	2020
Balance, October 1	\$ 9,003,602	\$ 8,923,503
Excess Revenues (Expenses)	73,975	(7,901)
Prior Period Adjustment	-	-
Member Investments	97,500	67,000
Grants	299,999	-
Donated Assets	12,100	21,000
Total Changes in Net Assets	\$ 483,574	\$ 80,099
Balance, September 30	\$ 9,487,176	\$ 9,003,602

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, 2021 and 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers	\$ 1,754,967	\$ 1,702,644
Payments to suppliers	(695,318)	(656,757)
Payments to employees & benefits	(479,962)	(497,701)
Net Cash Provided by Operating Activities	\$ 579,687	\$ 548,186
 CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Purchase of fixed assets	\$ (695,547)	\$ (238,802)
Payments for construction in progress	(126,603)	(126,032)
Donated Assets	12,100	21,000
Principal payments on notes payable	(381,566)	(370,535)
Interest paid on notes payable	(85,414)	(101,923)
Proceeds from sale of assets	-	3,400
Proceeds from Long-term notes	-	
Proceeds from Grants	299,999	
Net Cash Used In Capital & Related Financing Activities	\$ (977,031)	\$ (812,892)
 CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment Receipts	\$ 2,637	\$ 8,652
Proceeds from memberships	97,500	67,000
Prior Period Adjustment	-	-
Miscellaneous Receipts	5,707	6,011
Net Cash Provided from Investing Activities	\$ 105,844	\$ 81,663
 INCREASE (DECREASE) IN CASH AND INVESTMENTS	\$ (291,500)	\$ (183,043)
 Cash and Investment Balance - Beginning	1,778,195	1,961,238
 CASH AND INVESTMENT BALANCE - ENDING	\$ 1,486,695	\$ 1,778,195
 Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:		
Excess Operating Revenues (Expenses)	\$ 65,624	\$ (25,882)
Adjustments to reconcile operating income to net cash provided (used) by Operating Activities:		
Interest Expense	85,353	101,864
Depreciation expense & Loan Amortization	485,741	467,770
Change in current assets and liabilities:		
Accounts Receivable	(45,985)	13,992
Other Receivable	-	-
Prepaid Insurance	(16,583)	9,815
Inventory	753	(2,305)
Accounts Payable	4,784	(17,068)
Net Cash Provided from Operating Activities	\$ 579,687	\$ 548,186

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, 2021 and 2020

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 2,265 meters at September 30, 2021 and sold 136.9 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, 2021 and 2020.

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, 2021 and 2020 amounted to \$161,271 and \$115,286, 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, 2021 and 2020

Note 5 - Fixed Assets

	Balance			Balance	
	10/1/2020	Additions	Disposed	9/30/2021	
Water System Plant Assets	\$ 16,445,176	\$ 763,070	\$ -	\$ 17,208,246	
Machinery & Equipment	51,703	-	-	51,703	
Office Furniture & Fixtures	46,367	7,063	-	53,430	
Vehicles	273,635	52,753	-	326,388	
Office Buildings	202,941	-	-	202,941	
Total Assets	\$ 17,019,822	\$ 822,886	\$ -	\$ 17,842,708	
Less: Accumulated Depreciation	8,301,132	475,415	-	8,776,547	
Net Fixed Assets	\$ 8,718,690	\$ 347,471	\$ -	\$ 9,066,161	

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, 2021 and 2020 were \$12,100 and \$21,000, 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	9/30/2021	9/30/2020	Monthly Payment
Arvest Bank	5.25%	108,874	128,440	2,167
OWRB Series 2013	3.40%	1,550,000	1,900,000	35,927
S. Geiger	0.00%	41,000	53,000	1,000
Total		\$ 1,699,874	\$ 2,081,440	\$ 39,094
Less: Current Portion		(402,855)	(381,807)	
Long-term Portion		\$ 1,297,019	\$ 1,699,633	

Current Portion:		Arvest	OWRB	Geiger
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
Year Ending	9/30/2026	18,514	0	-

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, 2021 and 2020

Note 9 - Components of Cash and Equivalents

	Date of Maturity	Interest Rate	9/30/2021 Balance	9/30/2020 Balance
Petty Cash	-	0.00%	\$ 300	\$ 300
Checking - Arvest Bank	-	0.02%	154,735	244,333
Savings - Arvest Bank	-	0.02%	563,494	809,086
Savings - Arvest Bank	-	0.02%	66,329	60,608
Checking - Arvest Bank (Credit Card Payments)	-	0.00%	44,295	8,193
CD - Arvest Bank	10/15/2021	0.50%	121,478	120,701
CD - Arvest Bank	9/2/2025	1.10%	125,416	124,108
OWRB loan reserve - Bancfirst	-	0.10%	409,648	409,866
Reserve Certificates - ORWAAG	-	1.32%	1,000	1,000
Total Cash and Equivalents			\$ 1,486,695	\$ 1,778,195

Reserved:

Tower Maintenance	\$ 66,329
Water Rights	246,888
System Improvement	563,494
	<u>\$ 876,711</u>

Restricted:

OWRB Debt Service	\$ 409,648
	<u>\$ 409,648</u>

Note 10 - Grants

The District has been awarded a CDBG grant during the years ending September 30, 2021 in the amount of \$299,999 for improvements to the water system. The District is required to match funds totalling \$300,001. The District completed the project during the year ending September 30, 2021.

Note 11 - Prior Period Adjustment

The District did not have any prior period adjustment for the years ending September 30, 2021 or 2020.

Note 12 - Evaluation of Subsequent Events

The subsequent events of the District were evaluated through November 4, 2021, 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, 2021 and 2020, and have issued my report thereon dated November 4, 2021. 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 4, 2021