

**Rogers County Rural Water District No. 4
Oologah, Oklahoma**

Financial Statements and Auditor's Reports

Year Ended November 30, 2012

Audited by

**SANDERS, BLEDSOE & HEWETT
CERTIFIED PUBLIC ACCOUNTANTS, LLP**

BROKEN ARROW, OK

Rogers County Rural Water District No. 4
Oologah, Oklahoma
Board of Directors
November 30, 2012

BOARD OF DIRECTORS

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Vice-Chairman

Edward Wofford Jr.

Secretary/Treasurer

Dusty Harper

Members

Mel Dainty

Ken McMains

PLANT SUPERVISOR

Melvin Hart

BOOKKEEPER

Julie Hendrix

Rogers County Rural Water District No. 4
Oologah, Oklahoma
November 30, 2012

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SANDERS, BLEDSOE & HEWETT

CERTIFIED PUBLIC ACCOUNTANTS, LLP

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Rogers County Rural Water District No. 4
Oologah, Oklahoma

We have audited the accompanying financial statements of the business-type activities of the Rogers County Rural Water District No. 4 (the District), Oologah, Oklahoma, as of and for the year ended November 30, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the District as of November 30, 2012, and the respective changes in financial position thereof for the year then ended in conformity with the basis of accounting generally accepted in the United States of America.

The Management Discussion and Analysis is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued a report dated February 15, 2013, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grants 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining and individual fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole on the basis of accounting generally accepted in the United States of America.

A handwritten signature in black ink that reads "Sanders, Bledsoe & Hewett". The signature is written in a cursive, flowing style.

Sanders, Bledsoe & Hewett
Certified Public Accountants, LLP

February 15, 2013

RURAL WATER DISTRICT NO. 4, ROGERS COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
NOVEMBER 30, 2012

Our discussion and analysis of the Rural Water District No. 4, Rogers County's financial performance provides an overview of the District's financial activities for the fiscal year ended November 30, 2012. Please read it in conjunction with the District's financial statements that begin on page 11.

FINANCIAL HIGHLIGHTS:

- The District's total operating revenues exceeded total operating expenses by \$170,407. Overall, the District's total net assets increased by \$103,159 in the current fiscal year.
- The District earned over \$6,100 in interest earnings during 2012, which is \$1,600 less than the prior year.

Using This Report

This report is presented in a format consistent with the presentation requirements of the Governmental Accounting Standards Board (GASB) Statement No. 34, as applicable to the District's basis of accounting.

Basis of Accounting

The District has elected to present its financial statements in the accrual basis of accounting. According to the accrual basis, revenues are recorded when earned and expenses are recognized when incurred. This policy is in accordance with generally accepted accounting principles.

The Financial Statements

One of the most important questions asked about the District's finances is, "Is the District as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets, the Statement of Activities, and the Statement of Cash Flows report information about the District and about its activities in a way that helps answer this question.

These three statements report the District's net assets and the changes in them. You can think of the District's net assets – the difference between assets and liabilities – as one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in water rates paid or charged and the condition of the District's water system, to assess the overall health of the District.

The District has only one type of fund or activity, which is defined as *Business-type activities*. This is considered a proprietary fund. This means the District charges a fee to customers to help it cover all or most of the cost of certain services it provides.

Fixed Assets

At November 30, 2012 the District had \$5,196,875 invested in fixed assets, net of depreciation, including land, the water system, pump station and vehicles. Additional fixed assets of \$77,088 were added during the 2012 fiscal year.

Long-Term Debt

The District has two notes with the Oklahoma Water Resources Board, a 28 year, 1.17% interest, \$1,465,000 mortgage received in 1996 and a 20 year, 3.55% interest, \$2,105,000 mortgage received in 2006. The total outstanding loan balances decreased from \$2,752,609 to \$2,616,928 in 2012.

Economic Factors and Next Year's Budget and Rates

For the upcoming fiscal year ending November 30, 2013, the District's projected budget is fairly consistent with the 2012 fiscal year.

For the fiscal year 2013, the District may have to increase rates to users to meet the demands of the struggling economy. If demand is increased on existing lines and equipment, or additional memberships are substantially increased, it may be necessary for the District to incur some long-term debt to meet these demands.

Contacting the District

This report is designed to provide our customers and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact the District Office at P.O. Box 198, Oologah, OK 74053, or call (918) 443-2542.



SANDERS, BLEDSOE & HEWETT

CERTIFIED PUBLIC ACCOUNTANTS, LLP

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER
FINANCIAL REPORTING BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

Board of Directors
Rogers County Rural Water District No. 4
Oologah, Oklahoma

We have audited the financial statements of the Rogers County Rural Water District No. 4 (the District), Oologah, Oklahoma, as of and for the year ended November 30, 2012, which omitted the management discussion and analysis, and have issued our report thereon dated February 15, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests 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 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 that are required to be reported under auditing standards generally accepted in the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. We noted no certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the district's ability to record, process summarize and report financial data consistent with the assertions of management in the financial statements.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses.

This report is intended solely for the information of management and the Board of Directors, and is not intended to be, and should not be, used by anyone other than these specified parties.



Sanders, Bledsoe & Hewett
Certified Public Accountants, LLP

February 15, 2013

ROGERS COUNTY RURAL DISTRICT NO. 4
Disposition of Prior Year's Reportable Conditions
November 30, 2012

There were no prior year instances of noncompliance.

ROGERS COUNTY RURAL WATER DISTRICT NO. 4
Schedule of Audit Results
November 30, 2012

Section 1 – Summary of Auditor’s Results:

1. An unqualified opinion report was issued on the financial statements.
2. The audit disclosed no reportable conditions in the internal controls.
3. The audit disclosed no instances of noncompliance.

Section 2 – Findings relating to the financial statements required to be reported in accordance with GAGAS:

NONE

ROGERS COUNTY RURAL WATER DISTRICT NO. 4
Statement of Net Assets
November 30, 2012

ASSETS

Current assets:	
Cash	\$ 522,442
Current portion of receivables	91,559
Investments with fiscal agents	166,025
Inventory	24,400
Prepaid expenses	24,715
Total current assets	<u>829,141</u>
Noncurrent assets:	
Restricted assets-	
OWRB project funds	393,244
Fixed assets-	
Water system and improvements, net of depreciation	5,196,875
Total noncurrent assets	<u>5,590,119</u>
Other assets:	
Loan costs, net of amortization	<u>7,777</u>
 Total Assets	 <u>6,427,037</u>

LIABILITIES

Current liabilities:	
Accounts payable	13,596
Accrued interest	15,260
Current maturities of long-term debt	129,131
Total current liabilities	<u>157,987</u>
Noncurrent liabilities:	
Notes payable, net of current liabilities	<u>2,487,797</u>
 Total Liabilities	 <u>2,645,784</u>

NET ASSETS

Invested in capital assets, net of related debt	2,579,947
Unrestricted assets	1,201,306
 Total Net Assets	 <u>\$ 3,781,253</u>

The accompanying notes to the financial statements are an integral part of this statement

ROGERS COUNTY RURAL WATER DISTRICT NO. 4
Statement of Activities
For The Year Ended November 30, 2012

Operating Revenues:	
Water sales	\$ 1,242,048
Memberships	26,953
Refunds and reimbursements	81,999
Total revenues from operations	<u>1,351,000</u>
Operating Expenses:	
Water samples	10,796
Salaries and wages	351,886
Chemicals	82,741
Contracted service	35,302
Depreciation	182,179
Amortization	706
Utilities and telephone	84,093
Postage	9,792
Supplies and materials	68,823
Office	21,676
Insurance	162,663
Retirement	15,819
Repairs & maintenance	65,849
Bank and trustee fees	5,596
Professional fees	11,915
Vehicle and travel	30,972
Dues and fees	18,164
Miscellaneous	21,621
Total expenses from operations	<u>1,180,593</u>
Operating Income (Loss)	170,407
Non-Operating Revenues (Expenses):	
Interest income	6,114
Interest expense on debt	<u>(73,362)</u>
Total non-operating revenues (expenses)	<u>(67,248)</u>
Change in Net Assets	103,159
Total Net Assets, beginning of period	<u>3,678,094</u>
Total Net Assets, end of period	<u>\$ 3,781,253</u>

The accompanying notes to the financial statements are an integral part of this statement

ROGERS COUNTY RURAL WATER DISTRICT NO. 4
Statement of Cash Flows
For Year Ended November 30, 2012

Cash Flows from Operating Activities:	
Receipts from customers	\$ 1,341,244
Payments to employees	(351,886)
Payments to vendors	(632,564)
Net Cash Provided by Operating Activities	<u>356,794</u>
 Cash Flows from Financial Activities:	
Capital assets purchased	(77,088)
Principal paid on debt	(135,681)
Interest paid on debt	(65,379)
Net cash provided by (used in) financial activities	<u>(278,148)</u>
 Cash Flows from Investing Activities:	
Interest revenue	<u>6,114</u>
Net Increase (Decrease) in Cash and Equivalents	84,760
Cash and cash equivalents, beginning of period	<u>1,005,723</u>
Cash and cash equivalents, end of period	<u><u>\$ 1,090,483</u></u>
 Reconciliation of operating income (loss) to net cash provided by operating activities:	
Operating Income (loss)	\$ 170,407
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation and amortization expenses	182,885
(Increase) decrease in accounts receivable	(9,756)
(Increase) decrease in prepaid expenses	1,760
(Increase) decrease in inventory	8,617
Increase (decrease) in accounts payable	2,881
Net Cash Provided by Operating Activities	<u><u>\$ 356,794</u></u>

The accompanying notes to the financial statements are an integral part of this statement

ROGERS COUNTY RURAL WATER DISTRICT NO. 4
Notes to Financial Statements
November 30, 2012

Note A – Significant Accounting Policies

Basis of Accounting

The accrual basis of accounting is followed for all accounts. Revenues are recorded when earned and accrued liabilities are recognized when incurred. This policy is in accordance with generally accepted accounting principles.

Reporting Standard

In June 1999, the GASB issued Statement No. 34 “Basic Financial Statements and Management’s Discussion and Analysis for State and Local Government.” This statement establishes new financial reporting requirements for state and local governments throughout the United States. It creates new information and restructures much of the information that governments have presented in the past. The District complied with this requirement.

Cash

The District’s accounts are with the Lakeside State Bank, Oologah, Oklahoma, and are detailed as follows:

	November 30,	
	2012	2011
Revenue Account	\$ 142,308	278,206
Employee Insurance Account	30,959	33,005
Improvement Account	9,764	9,739
Operation and Maint. Account	94,272	11,817
Impact Account	21,321	21,226
Impact II Account	50,291	49,964
Impact III Account	232,846	112,052
Add: Deposits in transit	26,481	28,673
Less: Outstanding checks	(85,800)	(94,341)
Total	\$ 522,442	450,341

Cash and Cash Equivalents

For the purposes of preparing the statement of cash flows, cash on hand, reconciled cash in savings and checking, and certificates of deposit that can be converted into cash (if necessary) are considered cash equivalents.

ROGERS COUNTY RURAL WATER DISTRICT NO. 4
Notes to Financial Statements
November 30, 2012

Note A – Significant Accounting Policies – cont’d

Investments

The District had the following outstanding investments:

	November 30,	
	2012	2011
Bank of the Lakes, Oologah, OK- Certificate of Deposit no. 60001850, dated 2/17/12, matures 2/17/13, at 1.10%	\$ 166,025	162,071

Accounts Receivable

Billings for accounts receivable at November 30, 2012 were \$91,559. Allowance for doubtful accounts was not computed on this balance because uncollectibles do not have a material effect on the balance sheet.

Collateral Pledged

All District funds were adequately insured by FDIC or other secured collateral as of November 30, 2012.

Fixed Assets

The fixed asset information for the District is shown below:

	11/30/2011 Amount	Additions	Deletions	11/30/2012 Amount
Land	\$ 20,803	-	-	20,803
Water system	8,284,940	24,949	-	8,309,889
Buildings	205,397	-	-	205,397
Equipment and autos	301,344	52,139	-	353,483
Total Fixed Assets	8,812,484	77,088	-	8,889,572
Less: Accumulated Depreciation	(3,510,518)	(182,179)	-	(3,692,697)
Total	\$ 5,301,966	(105,091)	-	5,196,875

ROGERS COUNTY RURAL WATER DISTRICT NO. 4
Notes to Financial Statements
November 30, 2012

Note A – Significant Accounting Policies – cont'd

Federal Income Tax

The District is exempt from Federal and State income taxes.

Accumulated Unpaid Vacation and Sick Pay

At November 30, 2012, no determination of the aggregate dollar value of vacation or sick pay had been made.

Prior Year Information

Prior year information is shown on the financial statements for comparative purposes only. No assurance is given on prior year amounts.

Note B – Long-Term Debt

Long-Term Debt consists of two notes:

The District has a promissory note in the amount of \$1,465,000 with the Oklahoma Water Resources Board (OWRB) for a period of 28 years. The District makes monthly deposits into the trust account at Bank of New York. The trust account then makes the variable semi-annual payments of principal and interest to the OWRB. The current interest rate on this note is 1.17%. The water system and future water revenues are used as security for this note.

The District has a promissory note in the amount of \$2,105,000 with the Oklahoma Water Resources Board (OWRB) in 2006 for continued improvements on their water system. The interest rate is 3.55%, and the District is required to make semi-annual payments of principal, interest and administrative fees of \$74,243. The water system and future water revenues are used as security for this note.

The District has an OWRB debt service reserve and debt service of \$131,834 and \$51, respectively, on deposit with Bank of New York in a trustee account for use in retiring the note. The reserve is not available for any other purposes. The District also has a project account with a balance of \$261,359 at November 30, 2012.

ROGERS COUNTY RURAL WATER DISTRICT NO. 4
Notes to the Financial Statements
November 30, 2012

Note B – Notes Payable – cont'd

	November 30,	
	2012	2011
Oklahoma Water Resources Board note payable, issued for \$1,465,000, at 1.32% interest, due in monthly installments, until paid;	\$ 951,000	1,000,650
Oklahoma Water Resources Board note payable, issued for \$2,105,000, at 3.05% interest, due in semi-annual installments, until paid;	1,665,928	1,751,959
Long-Term Debt Outstanding	2,616,928	2,752,609
Less: Current maturities of long-term debt	(129,131)	(122,781)
Total Long-Term Debt, Net	\$ 2,487,797	2,629,828

The scheduled maturities for the next five (5) years, and in total thereafter, are detailed as follows:

Year	OWRB-06	OWRB-96	Total
2013	\$ 89,331	39,800	129,131
2014	92,575	56,900	149,475
2015	95,937	61,600	157,537
2016	99,282	66,700	165,982
2017	103,027	72,000	175,027
2018-2022	573,950	458,800	1,032,750
2023-2027	611,826	195,200	807,026
Total	\$ 1,665,928	951,000	2,616,928

Note C – Insurance and Surety Bond Coverage

The District appears to have had adequate insurance to cover all major perils at November 30, 2012.

ROGERS COUNTY RURAL WATER DISTRICT NO. 4

Balance Sheet
November 30, 2012

	NOVEMBER 30,	
	2012	(memo only) 2011
<u>ASSETS</u>		
Current Assets:		
Cash in bank	\$ 522,442	450,341
Investments	166,025	162,071
Accounts receivable	91,559	81,803
Inventory	24,400	33,017
Prepaid insurance	24,715	26,475
Total current assets	<u>829,141</u>	<u>753,707</u>
Restricted Assets:		
OWRB Project trust funds-		
Project account	261,359	261,358
Debt service account	51	89
Debt service reserve account	131,834	131,864
Total restricted assets	<u>393,244</u>	<u>393,311</u>
Fixed Assets:		
Land	20,803	20,803
Water system and improvements	8,309,889	8,284,940
Buildings and improvements	205,397	205,397
Equipment and automobiles	353,483	301,344
Total fixed assets	<u>8,889,572</u>	<u>8,812,484</u>
Less: accumulated depreciation	<u>(3,692,697)</u>	<u>(3,510,518)</u>
Total fixed assets (net)	<u>5,196,875</u>	<u>5,301,966</u>
Other Assets:		
Loan costs, net of amortization	<u>7,777</u>	<u>8,483</u>
Total Assets	<u>\$ 6,427,037</u>	<u>6,457,467</u>
<u>LIABILITIES AND FUND EQUITY</u>		
Current Liabilities:		
Accounts payable	\$ 13,596	10,715
Accrued interest	15,260	16,049
Current maturities of long-term debt	129,131	122,781
Total current liabilities	<u>157,987</u>	<u>149,545</u>
Long-Term Debt, less current maturities-		
Notes payable	<u>2,487,797</u>	<u>2,629,828</u>
Total Liabilities	<u>2,645,784</u>	<u>2,779,373</u>
Fund Equity:		
Retained earnings	<u>3,781,253</u>	<u>3,678,094</u>
Total Liabilities and Fund Equity	<u>\$ 6,427,037</u>	<u>6,457,467</u>

ROGERS COUNTY RURAL WATER DISTRICT NO. 4
Statement of Revenue, Expenses and Changes in Retained Earnings
For Years Ended November 30, 2012

	<u>2011-12</u>	<u>(memo only) 2010-11</u>
Revenue from Operations:		
Water sales	\$ 1,215,082	1,180,581
Late charges	26,966	29,737
Memberships	26,953	36,895
Collection and reconnect fees	35,192	59,923
Other income and fees	46,807	24,626
Total revenue from operations	<u>1,351,000</u>	<u>1,331,762</u>
Expenses from Operations:		
Water samples	10,796	11,936
Salaries and wages	351,886	326,035
Chemicals	82,741	115,795
Contracted service	35,302	32,559
Depreciation	182,179	176,091
Amortization	706	706
Utilities and telephone	84,093	85,019
Postage	9,792	10,878
Supplies and materials	68,823	52,598
Office	21,676	13,207
Insurance	162,663	166,637
Retirement	15,819	19,576
Repairs & maintenance	65,849	40,368
Bank and trustee fees	5,596	5,376
Professional fees	11,915	13,539
Vehicle and travel	30,972	26,196
Dues and fees	18,164	12,904
Miscellaneous	21,621	1,237
Total expenses from operations	<u>1,180,593</u>	<u>1,110,657</u>
Net Income (Loss) from Operations	170,407	221,105
Other Income:		
Interest earnings	<u>6,114</u>	<u>7,722</u>
Other Expenses:		
Interest on debt	<u>(73,362)</u>	<u>(77,019)</u>
Net Income (Loss)	103,159	151,808
Retained earnings, beginning of period	<u>3,678,094</u>	<u>3,526,286</u>
Retained earnings, end of period	<u>\$ 3,781,253</u>	<u>3,678,094</u>