

**ACCOUNTANT'S AUDIT REPORT**  
**CONSOLIDATED RURAL WATER**  
**AND SEWER DISTRICT NO. 1**

**SEPTEMBER 30, 2012**

BY



**Consolidated Rural Water and Sewer District No. 1  
Hastings, Oklahoma  
Year Ended September 30, 2012**

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## INDEPENDENT AUDITOR'S REPORT

December 10, 2012

Board of Trustees  
Consolidated Rural Water and Sewer District No. 1  
Jefferson County  
Hastings, Oklahoma

We have audited the accompanying financial statements of the business-type activities of Consolidated Rural Water and Sewer District No. 1, Jefferson County, Hastings, Oklahoma (the District), as of and for the year ended September 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 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 September 30, 2012, and the respective changes in financial position, and cash flows, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The District has not presented management's discussion and analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be a part of, the basic financial statements.

In accordance with Government Auditing Standards, we have also issued our report dated December 10, 2012, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with 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 and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The Schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements, and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Furrh and Associates, PC*

FURRH & ASSOCIATES, PC  
Certified Public Accountants

# Consolidated Rural Water and Sewer District No. 1

Hastings, Oklahoma

Statement of Net Assets

For Year Ended September 30, 2012

## ASSETS

### Current Assets

Petty Cash	\$	400	
Cash - Operating Accounts		949,853	
Temporary Investments - Due after 90 Days		560,030	
Net Accounts Receivable		199,453	
Accrued Interest Receivable		267	
Inventory		63,293	
Prepaid Expense		29,383	
		<hr/>	
Total Current Assets			\$ 1,802,679

### Fixed Assets

Water Well Project	\$	924,844	924,844	
Water and Sewer System		11,166,614		
Accumulated Depreciation		<u>(6,282,290)</u>	4,884,324	
Machinery and Equipment		146,546		
Accumulated Depreciation		<u>(119,986)</u>	26,560	
Transportation Equipment		177,404		
Accumulated Depreciation		<u>(127,875)</u>	49,529	
Office Equipment		19,096		
Accumulated Depreciation		<u>(18,210)</u>	886	
Buildings		114,359		
Accumulated Depreciation		<u>(47,024)</u>	67,335	
		<hr/>		
Net Fixed Assets				5,953,478

### Other Assets

Cash - Reserve Accounts		126,751		
Certificates of Deposit - Reserve		200,000		
		<hr/>		
Total Other Assets				<u>326,751</u>
				<hr/>
Total Assets				<u>\$ 8,082,908</u>

Please see accompanying notes to financial statements.

# Consolidated Rural Water and Sewer District No. 1

Hastings, Oklahoma

Statement of Net Assets

For Year Ended September 30, 2012

## LIABILITIES AND NET ASSETS

### Current Liabilities

Accounts Payable	\$	101,182	
Payroll Taxes Payable		4,975	
Accrued Payroll Payable		740	
Compensated Absences		3,771	
Accrued Interest Payable		3,879	
Current Portion of Long-Term Debt		84,959	
Total Current Liabilities			\$ 199,506

### Long-Term Liabilities

Water Rights Notes Payable		871,668	
Notes Payable - Rural Development Administration		916,381	
Less Current Portion		(84,959)	
Total Long-Term Liabilities			<u>1,703,090</u>

Total Liabilities 1,902,596

### Net Assets

Invested in Capital Assets, Net of Related Debt		4,165,429	
Restricted for Debt Service		326,751	
Unrestricted		1,688,132	
Total Net Assets			<u>6,180,312</u>

Total Liabilities and Net Assets \$ 8,082,908

Please see accompanying notes to financial statements.

# Consolidated Rural Water and Sewer District No. 1

Hastings, Oklahoma

Statement of Revenue, Expense, and Changes in Net Assets

Year Ended September 30, 2012

## Operating Revenue

Water Revenue	\$ 1,933,425	
Tower Maintenance	124,251	
Construction Revenue	122,997	
Other Revenue	69,196	
Benefit Unit Fees	54,626	
Penalty Revenue	35,911	
Water Revenue - Corps	32,134	
Sewer Revenue	12,208	
Water Revenue - Healdton	11,002	
Reactivation Fees	6,494	
Water Revenue - Terral	5,349	
Meter Service Fees	4,877	
Water Revenue - Wilson	4,680	
Water Revenue- Loco	3,918	
	<hr/>	
Total Revenue		\$ 2,421,068

## Cost of Sales

Water Purchased	807,162	
System Maintenance and Repairs	284,300	
Water Well Project Expense	184,125	
System Electricity	68,603	
Maintenance Supplies and Tools	6,581	
	<hr/>	
Total Cost of Sales		<u>1,350,771</u>
Gross Operating Revenue		1,070,297

## Operating Expense

Depreciation	339,567
Salaries and Wages	231,448
Auto and Truck Expense	71,643
Legal Expense	55,343
Employee Insurance	43,934
Other Insurance	34,671
Payroll Taxes	21,405
Office Supplies and Expense	18,250
Miscellaneous	13,030
Dues, Licenses, Fees, and Permits	10,717

Please see accompanying notes to financial statements.

# Consolidated Rural Water and Sewer District No. 1

Hastings, Oklahoma

Statement of Revenue, Expense, and Changes in Net Assets

Year Ended September 30, 2012

Postage	10,308	
Telephone	9,767	
Accounting	9,719	
Leases-Equipment	7,839	
Pension Expense	7,350	
Janitor Service & Supplies	6,740	
Other Repairs and Maintenance	6,538	
Utilities	3,249	
Uniforms	1,257	
Total Operating Expense		<u>902,775</u>
Net Operating Revenue		\$ 167,522
 <b><u>Nonoperating Revenue (Expense)</u></b>		
Interest Income	\$ 7,668	
Interest Expense	<u>(97,681)</u>	
Total Nonoperating Revenue (Expense)		<u>\$ (90,013)</u>
Net Revenue (Loss)		77,509
Net Assets, September 30, 2011		<u>6,102,803</u>
Net Assets, September 30, 2012		<u><u>\$ 6,180,312</u></u>

Please see accompanying notes to financial statements.

# Consolidated Rural Water and Sewer District No. 1

Hastings, Oklahoma

Statement of Cash Flows

Year Ended September 30, 2012

## Cash Flow from Operating Activities

Cash Received from Customers	\$ 2,451,780	
Cash Paid for Water	(807,162)	
Cash Paid for Salaries and Related Costs	(296,787)	
Cash Paid to Suppliers	(943,233)	
Net Cash Provided by Operating Activities		\$ 404,598

## Cash Flow from Capital and Related Financing Activities

Increase in Long Term Debt:	\$	
Water Rights Notes Payable	871,668	
Payments on Long-Term Debt:		
Rural Development	(144,321)	
Interest on Long-Term Debt	(97,681)	
Increase in Interest Payable	391	
Net Cash Used by Capital and Related Financing Activities		630,057

## Cash Flow from Investing Activities

Increase in Fixed Assets	(960,794)	
Interest Income	7,668	
Increase in Cash Reserve Accounts	(2,380)	
Decrease in Temporary Investments	167,384	
Decrease in Interest Receivable	648	
Net Cash Provided by Investing Activities		(787,474)

Net Increase in Cash and Cash Equivalents 247,181

Cash and Cash Equivalents, September 30, 2011 703,072

Cash and Cash Equivalents, September 30, 2012 \$ 950,253

Please see accompanying notes to financial statements.

# Consolidated Rural Water and Sewer District No. 1

Hastings, Oklahoma

Statement of Cash Flows

Year Ended September 30, 2012

## Reconciliation of Operating Income to Net Cash Provided by

### Operating Activities

Net Operating Revenue		\$	77,509
Add, Depreciation			339,567
(Increase) Decrease in Other Current Assets:			
Accounts Receivable	\$	30,712	
Prepaid Expense		(6,849)	
Inventory		(18,557)	
Increase (Decrease) in Other Current Liabilities:			
Accounts Payable		(16,227)	
Payroll Taxes Payable		(2,816)	
Compensated Absences		1,278	
Accrued Payroll Payable		(19)	
			<u>(12,478)</u>
Net Cash Provided by Operating Activities		\$	<u>404,598</u>

Please see accompanying notes to financial statements.

**Consolidated Rural Water and Sewer District No. 1**  
**Hastings, Oklahoma**  
**Notes to Financial Statements**  
**September 30, 2012**

**Note 1 – Summary Of Significant Accounting Policies**

The Consolidated Rural Water and Sewer District No. 1, Jefferson County, Oklahoma (the District), was organized December 1, 1975, by consolidation of previously existing Rural Water and Sewer District No. I, Jefferson County, Oklahoma, and Rural Water and Sewer District No. II, Jefferson County, Oklahoma. The district is organized under the Oklahoma Rural Water and Sewer Districts Act and is a political subdivision of the State of Oklahoma.

The District operates a water distribution and sewer service system for the communities of Addington and Hastings, Oklahoma, and a water distribution system over the remainder of its service area, which includes an area of approximately 1600 square miles in Jefferson, Stephens, Carter, Cotton, and Love Counties, Oklahoma. The District purchases its water supply from the cities of Comanche, Duncan, and Waurika, Oklahoma.

In addition to service to individual consumers, the District provides water to the Corps of Engineers Waurika Project and the Towns of Ringling, Loco, Healdton, Terral, and Wilson, Oklahoma, for their respective distribution systems.

The district operates as an autonomous proprietary fund and its bookkeeping accounts and financial statements are maintained and presented as Enterprise Fund accounts.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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. Actual results could differ from those estimates.

The District keeps its books and prepares its financial statements on the accrual basis of accounting. Water and sewer revenues are recognized when billed. Cost of water sold is recognized when billed by the supplier. Service and installation fees are reported as revenue when received. Meter and installation costs are expensed as current operating costs. Inventories are recorded at the lower of cost or market value.

Accounts receivable is stated at net realizable value. Bad debts are recorded by the specific charge-off method.

**Consolidated Rural Water and Sewer District No. 1**  
**Hastings, Oklahoma**  
**Notes to Financial Statements**  
**September 30, 2012**

**Note 2 – Bank Accounts**

For the purpose of the Statement of Cash Flows, the District considers all highly liquid investments to be cash equivalents. Certificates of deposit and other time deposits with an original maturity date of 90 days or less are considered cash equivalents. Cash and cash equivalents include the following accounts:

Petty Cash Fund	\$	400	
Checking/Savings Accounts			
First Farmers National Bank - Hi Fi Account		6,387	*
First Bank and Trust Company - Membership		38,451	*
(1) First Bank and Trust Company - Reserve Account		61,754	*
(1) First Farmers National Bank - Reserve Account		64,997	*
First Farmers National Bank-Construction Acct.		154,481	*
First Farmers National Bank - CDBG Account		165,301	*
First Farmers National Bank - Operating Acct		284,268	
First Farmers National Bank - Tower Account		300,565	*
Total	<u>\$</u>	<u>1,076,604</u>	

(1) Reserve Accounts – Restricted cash accounts, held for mortgage loan reserve guaranty, that are not available for operating activities.

\* Interest Bearing Accounts

The bank accounts used by the district are covered by F.D.I.C. insurance.

**Note 3 – Fixed Assets**

Fixed assets are recorded at cost and expenditures for maintenance and repairs are charged to current operations as incurred. Fixed assets costing less than \$500 per unit are charged to current expense.

Depreciation is computed by the straight line method, using the following estimated useful lives.

Building	40 years
Water and Sewer System	40 years
Master Meters	20 years
Furniture and Fixtures	5 years
Machinery and Equipment	5-8 years
Transportation Equipment	3-5 years

**Consolidated Rural Water and Sewer District No. 1**  
**Hastings, Oklahoma**  
**Notes to Financial Statements**  
**September 30, 2012**

Total depreciation expense for the current year was \$339,567, which was charged against current operations.

Current year changes to fixed assets were as follows:

	Balance 09/30/11	Additions	Disposals	Balance 09/30/12
<u>Assets</u>				
Buildings	\$ 114,359	\$ 0	\$ 0	\$ 114,359
Water & Sewer System **	11,094,662	71,952	0	11,166,614
Machinery/Equip.	136,821	9,725	0	146,546
Transportation Equipment	169,955	7,449	0	177,404
Office Equipment	19,096	0	0	19,096
<b>Total</b>	<b>\$ 11,534,893</b>	<b>\$ 89,126</b>	<b>\$ 0</b>	<b>\$ 11,624,019</b>
<u>Accum. Depreciation</u>				
Buildings	\$ 43,598	\$ 3,426	\$ 0	\$ 47,024
Water & Sewer System	5,983,333	298,957	0	6,282,290
Machinery/Equip.	102,840	17,146		119,986
Transportation Equipment	108,021	19,854		127,875
Office Equipment	18,026	184	0	18,210
<b>Total</b>	<b>\$ 6,255,818</b>	<b>\$ 339,567</b>	<b>\$ 0</b>	<b>\$ 6,595,385</b>

\*\* According David Wyatt from WDB Engineering, the cost associated with replacing the Water and Sewer system would be in excess of \$30,000,000.

**Consolidated Rural Water and Sewer District No. 1  
Hastings, Oklahoma  
Notes to Financial Statements  
September 30, 2012**

**Note 4 – Inventory**

Inventories of replacement parts and consumable supplies are recorded at cost.

**Note 5 – Investments**

The District has the following investments which are legal investments under the Oklahoma Statutes:

Certificates of Deposit:

Arvest Bank, Duncan, OK		
Maturity 06/12/13, Interest Paid Quarterly at 0.35%	\$	51,357
First Farmers National Bank, Waurika, OK		
Maturity 11/16/12, Interest Paid Monthly at 1.2%		100,000
First Bank and Trust Company, Duncan, OK		
Maturity 04/02/13, Interest Paid Monthly at 1.79%		119,585
First Farmers National Bank, Waurika, OK		
Maturity 06/21/13, Interest Paid Monthly at 1.0%		131,000
Arvest Bank, Duncan, OK		
Maturity 05/23/12, Interest Paid Monthly at 0.40%		158,088
First Bank and Trust Company, Duncan, OK		
Maturity 04/23/13, Interest Paid Monthly at 0.40%		200,000
Total	<u>\$</u>	<u>760,030</u>

All investments are covered by FDIC insurance and/or collateral pledge agreements.

**Note 6 – Debt**

The District has self financed the purchase of water rights for the Water Well project at 5% per annum, interest paid monthly. Once the Rural Development Administration loan funds, the District will pay \$871,668 in short term loans.

The total annual debt service requirements of the long-term mortgage notes to Rural Development Administration detailed on page 23 amounts to \$84,959 plus interest at 4.75-5.0% per annum, payable in total monthly payments of \$10,756.

**Consolidated Rural Water and Sewer District No. 1**  
**Hastings, Oklahoma**  
**Notes to Financial Statements**  
**September 30, 2012**

Changes in total long-term debt for the current year were as follows:

Balance, September 30, 2011	\$	1,060,702
Less, Principal Payments		<u>(144,321)</u>
Balance, September 30, 2012	\$	<u>916,381</u>

The principal maturities for the succeeding five years and thereafter on the long-term debt will be approximately as follows:

	Principal	Interest	Total
Year Ended September 30, 2013	\$ 84,959	\$ 44,113	\$ 129,072
Year Ended September 30, 2014	89,289	39,783	129,072
Year Ended September 30, 2015	93,840	35,232	129,072
Year Ended September 30, 2016	98,537	30,535	129,072
Year Ended September 30, 2017	103,635	25,437	129,072
4 Years Ended September 30, 2021	<u>446,121</u>	<u>68,582</u>	<u>514,703</u>
 Total	 <u>\$ 916,381</u>	 <u>\$ 243,682</u>	 <u>\$ 1,160,063</u>

**Note 7 – Income Tax Status**

As a political subdivision of the State of Oklahoma, the District is exempt from federal and state income taxes.

**Note 8 – Insurance Against Loss Contingencies**

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

Description

- Rural Water Association Assurance Group
- Officers and Directors Liability
- Business Property Protection
- General Liability
- Automobile Protection
- Fidelity Bond Coverage
- Workers Compensation & Employers Liability

**Consolidated Rural Water and Sewer District No. 1**  
**Hastings, Oklahoma**  
**Notes to Financial Statements**  
**September 30, 2012**

**Note 9 – Supplemental Disclosures**

Supplemental disclosure of cash flow information:

Cash paid during the year for interest expense	<u>\$ 97,681</u>
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**Note 10 – Accrued Payroll and Compensated Absences**

Accrued payroll payable includes the following:

Accrued Payroll	\$ 740
Earned Unpaid Vacation Pay	<u>3,771</u>
Total	<u><u>\$ 4,511</u></u>

**Note 11 – Pension Accounting**

The District sponsors an employee deferred compensation plan under Section 457 of the Internal Revenue Code. All full time employees are eligible to participate, on a voluntary basis, with no waiting period requirements. Participating employees are 100% vested in all elected deferrals. Salary reductions under the plan may not exceed the lesser of \$7,500 or 1/3 of the participant's includable compensation. Employee contributions to the plan are made from payroll deductions from the participating employees. The District matches the employee contributions up to 4.5% of compensation contributed by the employee. Costs of contributions for the current year were:

District	\$ 8,201
Employees	<u>8,201</u>
Total	<u><u>\$ 16,402</u></u>

Pension cost to the District for the past three years was:

9/30/12	\$ 8,201
9/30/11	6,741
9/30/10	<u>6,741</u>
Total	<u><u>\$ 21,683</u></u>

**Consolidated Rural Water and Sewer District No. 1**  
**Hastings, Oklahoma**  
**Notes to Financial Statements**  
**September 30, 2012**

Assets of the plan, which are invested in individual employee insurance annuity contracts, are not included in the financial statement of the District because of the fiduciary responsibility to use the plan assets only for the payment of benefits.

**Note 12 – Contingencies**

The district is contemplating filing a lawsuit against a previous supplier for defective water meters. There is no certainty of a lawsuit and it is unfeasible to evaluate the outcome of a suit if filed.



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**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**

December 10, 2012

Board of Trustees  
Consolidated Rural Water and Sewer District No. 1  
Jefferson County  
Hastings, Oklahoma

We have audited the accompanying financial statements of the business-type activities of the Consolidated Rural Water and Sewer District No. 1 (the District), Hastings, Oklahoma, as of and for the year ended September 30, 2012, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 10, 2012. The District did not present a Management's Discussion and Analysis as required by GASB Statement No. 34. 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.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures 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 District's internal control over financial reporting. Accordingly, we do not express such an opinion on the effectiveness of the District's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting

principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be 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.

### **Compliance and Other Matters**

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 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.

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

*Furrh and Associates, PC*

FURRH & ASSOCIATES, PC  
Certified Public Accountants

# Consolidated Rural Water and Sewer District No. 1

Hastings, Oklahoma

## Comparative Statement of Financial Position

Years Ended September 30, 2012

	<u>9/30/2011</u>	<u>09/30/12</u>	<u>Increase (Decrease)</u>
<b><u>Assets</u></b>			
Cash	\$ 487,134	\$ 950,253	\$ 463,119
Temp. Investments - Due After 90 Days	727,414	560,030	(167,384)
Accounts Receivable	230,165	199,453	(30,712)
Interest Receivable	915	267	(648)
Inventory	44,736	63,293	18,557
Prepaid Expense	22,534	29,383	6,849
Water Well Project (Net)	53,176	924,844	871,668
Water and Sewer System (Net)	5,111,329	4,884,324	(227,005)
Machinery and Equipment (Net)	33,981	26,560	(7,421)
Transportation Equipment (Net)	61,934	49,529	(12,405)
Office Equipment (Net)	1,070	886	(184)
Buildings (Net)	70,761	67,335	(3,426)
Cash - Reserve Accounts	324,371	326,751	2,380
Total Assets	<u>\$ 7,169,520</u>	<u>\$ 8,082,908</u>	<u>\$ 913,388</u>
<b><u>Liabilities</u></b>			
Accounts Payable	\$ 117,409	\$ 101,182	\$ (16,227)
Payroll Taxes Payable	7,791	4,975	(2,816)
Accrued Payroll Payable	759	740	(19)
Compensated Absences	2,493	3,771	1,278
Accrued Interest Payable	3,488	3,879	391
Water Rights Notes Payable	0	871,668	871,668
Notes Payable - Rural Development	1,060,702	916,381	(144,321)
Total Liabilities	<u>1,192,642</u>	<u>1,902,596</u>	<u>709,954</u>
<b><u>Fund Equity</u></b>			
Invested in Capital Assets (Net)	4,218,373	4,165,429	(52,944)
Restricted for Debt Service	324,371	326,751	2,380
Unrestricted Retained Earnings (Deficit)	1,380,958	1,688,132	307,174
Total Fund Equity	<u>5,923,702</u>	<u>6,180,312</u>	<u>256,610</u>
Total Liabilities and Fund Equity	<u>\$ 7,116,344</u>	<u>\$ 8,082,908</u>	<u>\$ 966,564</u>

Please see accompanying notes to the financial statements.

# Consolidated Rural Water and Sewer District No. 1

## Hastings, Oklahoma

### Comparative Statement of Revenue and Expense

Years Ended September 30, 2012

	<u>Year Ended</u> <u>9/30/11</u>	<u>Year Ended</u> <u>9/30/12</u>	<u>Increase</u> <u>(Decrease)</u>
<b><u>Revenue</u></b>			
Water Revenue - Distribution	\$ 1,893,635	\$ 1,933,425	\$ 39,790
Other Revenue	134,778	69,196	(65,582)
Construction Revenue	122,635	122,997	362
Tower Maintenance	121,985	124,251	2,266
Benefit Unit Fees	75,643	54,626	(21,017)
Penalty Revenue	35,928	35,911	(17)
Water Revenue - Corps of Engineers	35,884	32,134	(3,750)
Water Revenue - Healdton	21,593	11,002	(10,591)
Interest Earned	14,639	7,668	(6,971)
Sewer Revenue	12,086	12,208	122
Reactivation Fees	6,634	6,494	(140)
Water Revenue - Terral	5,317	5,349	32
Water Revenue - Wilson	5,148	4,680	(468)
Meter Service Fees	5,143	4,877	(266)
Water Revenue - Loco	2,619	3,918	1,299
Total Revenue	<u>2,493,667</u>	<u>2,428,736</u>	<u>(64,931)</u>
<b><u>Cost of Sales</u></b>			
Water Purchased	622,195	807,162	184,967
System Maintenance and Repairs	400,762	284,300	(116,462)
Water Well Project Expense	0	184,125	184,125
System Electricity	71,745	68,603	(3,142)
Maintenance Supplies and Tools	5,926	6,581	655
Total Cost of Sales	<u>1,100,628</u>	<u>1,350,771</u>	<u>250,143</u>
<b><u>Gross Revenue</u></b>	<b>\$ 1,393,039</b>	<b>\$ 1,077,965</b>	<b>\$ (315,074)</b>

Please see accompanying notes to the financial statements.

# Consolidated Rural Water and Sewer District No. 1

Hastings, Oklahoma

## Comparative Statement of Revenue and Expense

Years Ended September 30, 2012

	<u>Year Ended</u> <u>9/30/11</u>	<u>Year Ended</u> <u>9/30/12</u>	<u>Increase</u> <u>(Decrease)</u>
<b><u>Operating Expense</u></b>			
Depreciation	\$ 331,933	\$ 339,567	\$ 7,634
Salaries and Wages	213,325	231,448	18,123
Auto and Truck Expense	63,672	71,643	7,971
Interest Expense	59,653	97,681	38,028
Employee Insurance	37,663	43,934	6,271
Legal Expense	28,273	55,343	27,070
Other Insurance	27,496	34,671	7,175
Other Repairs and Maintenance	25,925	21,117	(4,808)
Payroll Taxes	14,802	21,405	6,603
Office Supplies and Expense	12,634	18,250	5,616
Telephone	10,474	9,767	(707)
Dues, Licenses, Fees, and Permits	10,032	10,717	685
Postage	8,807	10,308	1,501
Accounting	8,179	9,719	1,540
Pension Expense	8,036	7,350	(686)
Miscellaneous	6,800	13,030	6,230
Utilities	4,263	3,249	(1,014)
Uniforms	1,295	1,257	(38)
	<hr/>	<hr/>	<hr/>
Total Operating Expense	873,262	1,000,456	127,194
	<hr/>	<hr/>	<hr/>
<u>Net Revenue (Loss)</u>	<u>\$ 519,777</u>	<u>\$ 77,509</u>	<u>\$ (442,268)</u>

Please see accompanying notes to the financial statements.

# Consolidated Rural Water and Sewer District No. 1

## Hastings, Oklahoma

### Revenues and Expenses Compared with Budget

Year Ended September 30, 2012

	<u>Budget</u>	<u>Actual</u>	<u>(Over) Under Budget</u>
<b><u>Operating Revenue</u></b>			
Water Revenue - Distribution	\$ 1,430,016	\$ 1,933,425	\$ (503,409)
Tower Maintenance	124,380	124,251	129
Construction Revenue	124,380	122,997	1,383
Other Revenue	88,020	69,196	18,824
Transfer from Savings	84,000	0	84,000
Benefit Unit Fees	49,500	54,626	(5,126)
Penalty Revenue	32,604	35,911	(3,307)
Interest Earned	22,200	7,668	14,532
Water Revenue - Corps of Engineers	18,384	32,134	(13,750)
Sewer Revenue	13,860	12,208	1,652
Meter Service Fees	12,000	4,877	7,123
Water Revenue - Healdton	9,000	11,002	(2,002)
Reactivation Fees	8,820	6,494	2,326
Water Revenue - Wilson	6,720	4,680	2,040
Water Revenue - Loco	6,000	3,918	2,082
Water Revenue - Terral	6,000	5,349	651
	<hr/>	<hr/>	<hr/>
Total Operating Revenue	2,035,884	2,428,736	(392,852)
<b><u>Cost of Sales</u></b>			
Water Purchased	549,996	807,162	(257,166)
System Maintenance and Repairs	510,804	284,300	226,504
Water Well Project Expense	0	184,125	(184,125)
System Electricity	65,400	68,603	(3,203)
Maintenance Supplies and Tools	13,476	6,581	6,895
	<hr/>	<hr/>	<hr/>
Total Cost of Sales	1,139,676	1,350,771	(211,095)
	<hr/>	<hr/>	<hr/>
<b><u>Gross Operating Revenue</u></b>	\$ 896,208	\$ 1,077,965	\$ (181,757)

Please see accompanying notes to the financial statements.

# Consolidated Rural Water and Sewer District No. 1

Hastings, Oklahoma

Revenues and Expenses Compared with Budget

Year Ended September 30, 2012

	<u>Budget</u>	<u>Actual</u>	<u>(Over) Under Budget</u>
<b><u>Operating Expense</u></b>			
Salaries and Wages	\$ 213,144	\$ 231,448	\$ (18,304)
Other Insurance	63,336	34,671	28,665
Auto and Truck Expense	45,600	71,643	(26,043)
Employee Insurance	37,680	43,934	(6,254)
Legal Expense	29,820	55,343	(25,523)
Interest Expense	23,748	97,681	(73,933)
Other Repairs and Maintenance	23,244	21,117	2,127
Payroll Taxes	17,772	21,405	(3,633)
Office Supplies and Expense	17,280	18,250	(970)
Telephone	11,100	9,767	1,333
Postage	10,800	10,308	492
Accounting	8,400	9,719	(1,319)
Pension Expense	8,100	7,350	750
Utilities	4,800	3,249	1,551
Miscellaneous	4,680	11,321	(6,641)
Dues, Licenses, Fees, and Permits	4,200	10,717	(6,517)
Advertising	4,200	1,709	2,491
Uniforms	1,560	1,257	303
	<u>529,464</u>	<u>660,889</u>	<u>(131,425)</u>
<u>Net Revenue Before Debt Service and Capital Outlay</u>	366,744	417,076	(50,332)
<u>Debt Service and Capital Outlay</u>			
Long-Term Debt Payment	0	0	0
Capital Outlay	366,744	339,567	27,177
	<u>366,744</u>	<u>339,567</u>	<u>27,177</u>
<u>Net Revenue After Debt Service and Capital Outlay</u>	<u>\$ 0</u>	<u>\$ 77,509</u>	<u>\$ (77,509)</u>

Please see accompanying notes to the financial statements.

# Consolidated Rural Water and Sewer District No. 1

## Hastings, Oklahoma Schedule of Long Term Debt Year Ended September 30, 2012

<u>Description</u>	<u>Original Note Balance</u>	<u>Balance as of 09/30/2012</u>
United States Department of Agriculture Rural Development Administration		
Mortgage Note #9112, November 5, 1981, Matures November 5, 2021	<u>\$ 106,228</u>	
Monthly Payment \$514, Including 5% Interest Principal Balance, September 30, 2012		\$ 43,585
Mortgage Note #9213, November 5, 1981, Matures November 5, 2021	<u>76,787</u>	
Monthly Payment \$371, Including 5% Interest Principal Balance, September 30, 2012		30,876
Mortgage Note #9314, November 5, 1981, Matures November 5, 2021	<u>170,675</u>	
Monthly Payment \$796, Including 4.75% Interest Principal Balance, September 30, 2012		69,913
Mortgage Note #9115, November 5, 1981, Matures November 5, 2021	<u>424,690</u>	
Monthly Payment \$2,052, Including 5% Interest Principal Balance, September 30, 2012		176,804
Mortgage Note #9116, November 5, 1981, Matures November 5, 2021	<u>955,816</u>	
Monthly Payment \$4,617, Including 5% Interest Principal Balance, September 30, 2012		391,412
Mortgage Note #9117, November 5, 1981, Matures November 5, 2021	<u>497,988</u>	
Monthly Payment \$2,406, Including 5% Interest Principal Balance, September 30, 2012		203,791
Total United States Department of Agriculture Notes		<u>\$ 916,381</u>

Please see accompanying notes to the financial statements.

# Consolidated Rural Water and Sewer District No. 1

Hastings, OK

Grant No. 14311 CDBG 2010

Revenue and Expenditures Compared with Budget  
(Modified Cash Basis)

Year Ended September 30, 2012

	<u>Budget</u>	<u>Cumulative 06/30/11</u>	<u>Current Year</u>	<u>Total</u>	<u>(Over) Under Budget</u>
<b><u>Revenue</u></b>					
State Grant	\$ 274,999	\$ 0	\$ 274,999	\$ 274,999	\$ 0
Local Matching Funds	275,001	133,167	141,834	275,001	0
<b>Total Income</b>	<b>550,000</b>	<b>133,167</b>	<b>416,833</b>	<b>550,000</b>	<b>0</b>
<b><u>Expenditures</u></b>					
Capital Expenditures	478,935	89,667	390,013	479,680	(745)
Professional Services	49,065	34,500	13,820	48,320	745
Administrative Costs	22,000	9,000	13,000	22,000	0
<b>Total Expenditures</b>	<b>550,000</b>	<b>133,167</b>	<b>416,833</b>	<b>550,000</b>	<b>0</b>
<b><u>Revenue Over (Under) Expenditures</u></b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>

CFDA No. 14.228

Please see accompanying notes to the financial statements.