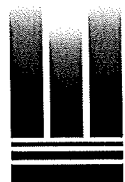


**ACCOUNTANT'S AUDIT REPORT**

**CONSOLIDATED RURAL WATER  
AND SEWER DISTRICT NO. 1**

**SEPTEMBER 30, 2013**

BY



**FURRH**  
**& ASSOCIATES**  
CERTIFIED PUBLIC ACCOUNTANTS

**Consolidated Rural Water and Sewer District No. 1  
Hastings, Oklahoma  
Year Ended September 30, 2013**

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## INDEPENDENT AUDITOR'S REPORT

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, 2013, which collectively comprise the District's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles standards generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express 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. 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Consolidated Rural Water and Sewer District No. 1 as of September 30, 2013, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

## Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplemental schedules and information presented are not necessary for a fair presentation of the financial statements for the year ended September 30, 2013, but are presented for purposes of additional analysis. The accompanying supplemental schedules and information was subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

In accordance with Government Auditing Standards we have also issued our report dated December 8, 2013, on our consideration of the Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

*Furrh and Associates, PC*

FURRH & ASSOCIATES, PC

Certified Public Accountants

December 8, 2013

# Consolidated Rural Water and Sewer District No. 1

## Hastings, Oklahoma Statement of Net Assets For Year Ended September 30, 2013

### ASSETS

#### Current Assets

Cash - Operating Accounts	\$	1,130,989	
Temporary Investments - Due after 90 Days		563,206	
Net Accounts Receivable		206,624	
Accrued Interest Receivable		242	
Inventory		72,478	
Prepaid Expense		24,187	
Total Current Assets			\$ 1,997,726

#### Fixed Assets

Water and Sewer System	\$ 16,983,875		
Accumulated Depreciation	(6,618,740)	10,365,135	
Machinery and Equipment	146,546		
Accumulated Depreciation	(131,679)	14,867	
Transportation Equipment	183,095		
Accumulated Depreciation	(128,376)	54,719	
Office Equipment	19,096		
Accumulated Depreciation	(18,394)	702	
Buildings	114,359		
Accumulated Depreciation	(50,019)	64,340	
Net Fixed Assets			10,499,763

#### Other Assets

Cash - Reserve Accounts	128,565		
Certificates of Deposit - Reserve	200,000	328,565	
Total Other Assets			328,565
Total Assets			\$ 12,826,054

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, 2013

## LIABILITIES AND NET ASSETS

### Current Liabilities

Accounts Payable	\$	139,520	
Current Portion of Long-Term Debt		89,289	
Payroll Taxes Payable		9,242	
Accrued Interest Payable		3,337	
Compensated Absences		2,788	
Accrued Payroll Payable		1,072	
Total Current Liabilities			\$ 245,248

### Long-Term Liabilities

Water Rights Notes Payable		262,340	
Notes Payable - Rural Development Administration		5,731,014	
Less Current Portion		(89,289)	
Total Long-Term Liabilities			<u>5,904,065</u>

Total Liabilities 6,149,313

### Net Assets

Invested in Capital Assets, Net of Related Debt		4,506,409	
Restricted for Debt Service		328,565	
Unrestricted		1,841,767	
Total Net Assets			<u>6,676,741</u>

Total Liabilities and Net Assets \$ 12,826,054

# Consolidated Rural Water and Sewer District No. 1

## Hastings, Oklahoma

### Statement of Revenue, Expense, and Changes in Net Assets

Year Ended September 30, 2013

#### Operating Revenue

Water Revenue	\$ 1,895,744	
Other Revenue	184,355	
Tower Maintenance	127,630	
Construction Revenue	127,397	
Grant Revenue	108,319	
Benefit Unit Fees	50,772	
Penalty Revenue	35,710	
Sewer Revenue	12,692	
Reactivation Fees	9,735	
Meter Service Fees	4,180	
Total Revenue		\$ 2,556,534

#### Cost of Sales

Water Purchased	640,676	
System Maintenance and Repairs	395,111	
System Electricity	61,472	
Total Cost of Sales		<u>1,097,259</u>

Gross Operating Revenue 1,459,275

#### Operating Expense

Depreciation	378,707	
Salaries and Related Payroll Taxes	261,985	
Auto and Truck Expense	77,666	
Employee Health and Pension Benefits	47,811	
Insurance	40,032	
Office Supplies and Expense	38,734	
Legal Expense	27,556	
Miscellaneous	19,055	
Utilities and Telephone	15,375	
Other Repairs and Maintenance	12,300	
Leases-Equipment	10,407	
Accounting	10,369	
Dues, Licenses, Fees, and Permits	1,320	
Total Operating Expense		<u>941,317</u>

Net Operating Revenue \$ 517,958

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, 2013

## Nonoperating Revenue (Expense)

Interest Income	\$ 8,275	
Gain or (Loss) on Sale of Assets	2,839	
Interest Expense	<u>(32,643)</u>	
Total Nonoperating Revenue (Expense)		\$ <u>(21,529)</u>
Net Revenue (Loss)		496,429
Net Assets, September 30, 2012		<u>6,180,312</u>
Net Assets, September 30, 2013		<u>\$ 6,676,741</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, 2013

## Cash Flow from Operating Activities

Cash Received from Customers	\$ 2,549,363	
Cash Paid for Water	(1,106,444)	
Cash Paid for Salaries and Related Costs	(306,180)	
Cash Paid to Suppliers	(209,280)	
Net Cash Provided by Operating Activities		\$ 927,459

## Cash Flow from Capital and Related Financing Activities

Decrease in Long Term Debt:		
Water Rights Notes Payable	(609,328)	
Payments on Long-Term Debt:		
Rural Development	(85,367)	
Interest on Long-Term Debt	(32,643)	
Increase in Long Term Debt:		
Rural Development	4,900,000	
Gain on Sale of Assets	2,839	
Decrease in Interest Payable	(542)	
Net Cash Used by Capital and Related Financing Activities		4,174,959

## Cash Flow from Investing Activities

Increase in Fixed Assets	(4,924,992)	
Interest Income	8,275	
Decrease in Cash Reserve Accounts	198,186	
Increase in Temporary Investments	(203,176)	
Decrease in Interest Receivable	25	
Net Cash Provided by Investing Activities		(4,921,682)

Net Increase in Cash and Cash Equivalents 180,736

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

Cash and Cash Equivalents, September 30, 2013 \$ 1,130,989

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, 2013

## Reconciliation of Operating Income to Net Cash Provided by Operating Activities

Net Operating Revenue	\$	517,958
Add, Depreciation		378,707
(Increase) Decrease in Other Current Assets:		
Accounts Receivable	\$	(7,171)
Prepaid Expense		5,196
Inventory		(9,185)
Increase (Decrease) in Other Current Liabilities:		
Accounts Payable		38,338
Payroll Taxes Payable		4,267
Compensated Absences		(983)
Accrued Payroll Payable		332
		<u>30,794</u>
Net Cash Provided by Operating Activities	\$	<u><u>927,459</u></u>

Please see accompanying notes to financial statements.

**Consolidated Rural Water and Sewer District No. 1**  
**Hastings, Oklahoma**  
**Notes to Financial Statements**  
**September 30, 2013**

**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, 2013**

**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	\$	300	
Checking/Savings Accounts			
First Farmers National Bank - Hi Fi Account		6,401	*
First Bank and Trust Company - Membership		43,367	*
(1) First Bank and Trust Company - Reserve Account		62,728	*
(1) First Farmers National Bank - Reserve Account		65,837	*
First Farmers National Bank-Construction Acct.		92,700	*
First Farmers National Bank - CDBG Account		194,212	*
First Farmers National Bank - Tower Account		317,415	*
First Farmers National Bank - Operating Acct		476,594	
Total		<u>\$ 1,259,554</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, 2013**

Total depreciation expense for the current year was \$378,707, which was charged against current operations.

Current year changes to fixed assets were as follows:

	Balance 09/30/12	Additions	Disposals	Balance 09/30/13
<u>Assets</u>				
Buildings	\$ 114,359	\$ 0	\$ 0	\$ 114,359
Water & Sewer System **	11,166,614	5,817,261	0	16,983,875
Machinery/Equip.	146,546	0	0	146,546
Transportation Equipment	177,404	27,300	(21,609)	183,095
Office Equipment	19,096	0	0	19,096
<b>Total</b>	<b>\$ 11,624,019</b>	<b>\$ 5,844,561</b>	<b>\$ (21,609)</b>	<b>\$ 17,446,971</b>
<u>Accum. Depreciation</u>				
Buildings	\$ 47,024	\$ 2,995	\$ 0	\$ 50,019
Water & Sewer System	6,282,290	336,450	0	6,618,740
Machinery/Equip.	119,986	11,693		131,679
Transportation Equipment	127,875	19,949	(19,448)	128,376
Office Equipment	18,210	184	0	18,394
<b>Total</b>	<b>\$ 6,595,385</b>	<b>\$ 371,271</b>	<b>\$ (19,448)</b>	<b>\$ 6,947,208</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.

**Note 4 – Inventory**

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

**Consolidated Rural Water and Sewer District No. 1**  
**Hastings, Oklahoma**  
**Notes to Financial Statements**  
**September 30, 2013**

**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 06/12/14, Interest Paid Quarterly at 0.35%	\$	51,582
First Farmers National Bank, Waurika, OK		
Maturity 11/16/13, Interest Paid Monthly at 0.65%		100,000
First Bank and Trust Company, Duncan, OK		
Maturity 04/01/14, Interest Paid Monthly at 1.79%		121,743
First Farmers National Bank, Waurika, OK		
Maturity 06/21/14, Interest Paid Monthly at 0.40%		131,000
Arvest Bank, Duncan, OK		
Maturity 05/26/14, Interest Paid Monthly at 0.40%		158,881
First Bank and Trust Company, Duncan, OK		
Maturity 04/23/14, Interest Paid Monthly at 0.40%		200,000
Total	<u>\$</u>	<u>763,206</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. The current balance is \$262,340.

The total annual debt service requirements of the long-term mortgage notes to Rural Development Administration detailed on page 23 amounts to \$85,367 plus interest at 2.5-5.0% per annum, payable in total monthly payments of \$10,756.

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

Balance, September 30, 2012	\$	916,381
Less, Principal Payments		(85,367)
Add, New Loans		<u>4,900,000</u>
Balance, September 30, 2013	<u>\$</u>	<u>5,731,014</u>

**Consolidated Rural Water and Sewer District No. 1**  
**Hastings, Oklahoma**  
**Notes to Financial Statements**  
**September 30, 2013**

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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
Year Ended September 30, 2018	108,927	20,145	129,072
Years Ended September 30, 2053	<u>5,236,786</u>	<u>163,482</u>	<u>5,400,268</u>
 Total	 <u>\$ 5,731,014</u>	 <u>\$ 314,614</u>	 <u>\$ 6,045,628</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

**Note 9 – Supplemental Disclosures**

Supplemental disclosure of cash flow information:

Cash paid during the year for interest expense      \$ 32,643

**Consolidated Rural Water and Sewer District No. 1**  
**Hastings, Oklahoma**  
**Notes to Financial Statements**  
**September 30, 2013**

**Note 10 – Accrued Payroll and Compensated Absences**

Accrued payroll payable includes the following:

Accrued Payroll	\$	1,072
Earned Unpaid Vacation Pay		<u>2,788</u>
 Total	 \$	 <u><u>3,860</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	\$	8,577
Employees		<u>9,279</u>
 Total	 \$	 <u><u>17,856</u></u>

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

9/30/13	\$	8,577
9/30/12		8,201
9/30/11		<u>6,741</u>
 Total	 \$	 <u><u>23,519</u></u>

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.



**Consolidated Rural Water and Sewer District No. 1**  
**Hastings, Oklahoma**  
**Notes to Financial Statements**  
**September 30, 2013**

**Note 12 – Subsequent Events**

The District is implemented the use of the new water wells in July 2013. Therefore, the amount of water purchased will decrease in future years.



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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***

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the business type financial statements of Consolidated Rural Water and Sewer District No. 1 (the District), which comprises the statement of net assets as of September 30, 2013, and the related statements of revenues, expenses and changes in net assets, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 8, 2013.

**Internal Control over Financial Reporting**

In planning and performing our audit, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of management's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses and significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

### **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*.

### **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 District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Furrh and Associates, PC*

FURRH & ASSOCIATES, PC

Certified Public Accountants

December 8, 2013

# Consolidated Rural Water and Sewer District No. 1

Hastings, Oklahoma

## Comparative Statement of Financial Position

Years Ended September 30, 2013

	<u>9/30/2013</u>	<u>09/30/12</u>	<u>Increase (Decrease)</u>
<b><u>Assets</u></b>			
Cash	\$ 1,130,989	\$ 950,253	\$ (180,736)
Temp. Investments - Due After 90 Days	763,206	560,030	(203,176)
Accounts Receivable	206,624	199,453	(7,171)
Interest Receivable	242	267	25
Inventory	72,478	63,293	(9,185)
Prepaid Expense	24,187	29,383	5,196
Water and Sewer System (Net)	10,365,135	5,809,168	(4,555,967)
Machinery and Equipment (Net)	14,867	26,560	11,693
Transportation Equipment (Net)	54,719	49,529	(5,190)
Office Equipment (Net)	702	886	184
Buildings (Net)	64,340	67,335	2,995
Cash - Reserve Accounts	128,565	326,751	198,186
Total Assets	<u>\$ 12,826,054</u>	<u>\$ 8,082,908</u>	<u>\$ (4,743,146)</u>
<b><u>Liabilities</u></b>			
Accounts Payable	\$ 139,520	\$ 101,182	\$ (38,338)
Payroll Taxes Payable	9,242	4,975	(4,267)
Accrued Payroll Payable	1,072	740	(332)
Compensated Absences	2,788	3,771	983
Accrued Interest Payable	3,337	3,879	542
Water Rights Notes Payable	262,340	871,668	609,328
Notes Payable - Rural Development	5,731,014	916,381	(4,814,633)
Total Liabilities	<u>6,149,313</u>	<u>1,902,596</u>	<u>(4,246,717)</u>
<b><u>Fund Equity</u></b>			
Invested in Capital Assets (Net)	4,506,409	4,165,429	(340,980)
Restricted for Debt Service	328,565	326,751	(1,814)
Unrestricted Retained Earnings (Deficit)	1,841,767	1,688,132	(153,635)
Total Fund Equity	<u>6,676,741</u>	<u>6,180,312</u>	<u>(496,429)</u>
Total Liabilities and Fund Equity	<u>\$ 12,826,054</u>	<u>\$ 8,082,908</u>	<u>\$ (4,743,146)</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, 2013

	Year Ended 9/30/13	Year Ended 9/30/12	Increase (Decrease)
<b><u>Revenue</u></b>			
Water Revenue	\$ 1,895,744	\$ 1,990,508	\$ 94,764
Other Revenue	184,355	69,196	(115,159)
Construction Revenue	127,397	122,997	(4,400)
Tower Maintenance	127,630	124,251	(3,379)
Grant Revenue	108,319	0	(108,319)
Benefit Unit Fees	50,772	54,626	3,854
Penalty Revenue	35,710	35,911	201
Interest Earned	8,275	7,668	(607)
Sewer Revenue	12,692	12,208	(484)
Reactivation Fees	9,735	6,494	(3,241)
Meter Service Fees	4,180	4,877	697
Total Revenue	2,564,809	2,428,736	(136,073)
<b><u>Cost of Sales</u></b>			
Water Purchased	640,676	807,162	166,486
System Maintenance and Repairs	395,111	475,006	79,895
System Electricity	61,472	68,603	7,131
Total Cost of Sales	1,097,259	1,350,771	253,512
<b>Gross Revenue</b>	\$ 1,467,550	\$ 1,077,965	\$ (389,585)
<b><u>Operating Expense</u></b>			
Depreciation	\$ 378,707	\$ 339,567	\$ (39,140)
Salaries and Related Payroll Taxes	261,985	252,853	(9,132)
Auto and Truck Expense	77,666	71,643	(6,023)
Interest Expense	32,643	97,681	65,038
Employee Health and Pension Benefits	47,811	51,284	3,473
Legal Expense	27,556	55,343	27,787
Insurance	40,032	34,671	(5,361)
Other Repairs and Maintenance	22,707	21,117	(1,590)
Office Supplies and Expense	38,734	28,558	(10,176)
Dues, Licenses, Fees, and Permits	1,320	10,717	9,397
Accounting	10,369	9,719	(650)
Miscellaneous	19,055	14,287	(4,768)
Utilities and Telephone	15,375	13,016	(2,359)
Total Operating Expense	973,960	1,000,456	26,496
Gain or (Loss) on Sale of Assets	2,839	0	(2,839)
<b>Net Revenue (Loss)</b>	\$ 496,429	\$ 77,509	\$ (418,920)

Please see accompanying notes to the financial statements.

# Consolidated Rural Water and Sewer District No. 1

## Hastings, Oklahoma

### Revenues and Expenses Compared with Budget

Years Ended September 30, 2013

	<u>Budget</u>	<u>Actual</u>	<u>(Over) Under Budget</u>
<b><u>Revenue</u></b>			
Water Revenue	\$ 1,701,456	\$ 1,895,744	\$ 194,288
Other Revenue	265,356	184,355	(81,001)
Construction Revenue	124,380	127,397	3,017
Tower Maintenance	124,380	127,630	3,250
Grant Revenue / Savings	72,000	108,319	36,319
Benefit Unit Fees	47,496	50,772	3,276
Penalty Revenue	35,700	35,710	10
Interest Earned	10,200	8,275	(1,925)
Sewer Revenue	12,600	12,692	92
Reactivation Fees	8,820	9,735	915
Meter Service Fees	10,020	4,180	(5,840)
Total Revenue	2,412,408	2,564,809	152,401
<b><u>Cost of Sales</u></b>			
Water Purchased	650,700	640,676	(10,024)
System Maintenance and Repairs	520,944	395,111	(125,833)
System Electricity	65,400	61,472	(3,928)
Total Cost of Sales	1,237,044	1,097,259	(139,785)
<b>Gross Revenue</b>	\$ 1,175,364	\$ 1,467,550	\$ 292,186
<b><u>Operating Expense</u></b>			
Depreciation / Capital Improvements	\$ 584,568	\$ 378,707	\$ (205,861)
Salaries and Related Payroll Taxes	266,016	261,985	(4,031)
Auto and Truck Expense	62,400	77,666	15,266
Interest Expense	23,748	32,643	8,895
Employee Health and Pension Benefits	48,216	47,811	(405)
Legal Expense	29,820	27,556	(2,264)
Insurance	65,352	40,032	(25,320)
Other Repairs and Maintenance	21,408	22,707	1,299
Office Supplies and Expense	32,076	38,734	6,658
Dues, Licenses, Fees, and Permits	5,040	1,320	(3,720)
Accounting	11,700	10,369	(1,331)
Miscellaneous	10,920	19,055	8,135
Utilities and Telephone	14,100	15,375	1,275
Total Operating Expense	1,175,364	973,960	(201,404)
Gain or (Loss) on Sale of Assets	0	2,839	2,839
<b>Net Revenue (Loss)</b>	\$ 0	\$ 496,429	\$ 496,429

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, 2013

<u>Description</u>	<u>Original Note Balance</u>	<u>Balance as of 09/30/2013</u>
United States Department of Agriculture Rural Development Administration Mortgage Note #9112, November 5, 1981, Matures November 5, 2021 Monthly Payment \$514, Including 5% Interest Principal Balance, September 30, 2013	<u>\$ 106,228</u>	\$ 39,503
Mortgage Note #9213, November 5, 1981, Matures November 5, 2021 Monthly Payment \$371, Including 5% Interest Principal Balance, September 30, 2013	<u>76,787</u>	27,900
Mortgage Note #9314, November 5, 1981, Matures November 5, 2021 Monthly Payment \$796, Including 4.75% Interest Principal Balance, September 30, 2013	<u>170,675</u>	63,544
Mortgage Note #9115, November 5, 1981, Matures November 5, 2021 Monthly Payment \$2,052, Including 5% Interest Principal Balance, September 30, 2013	<u>424,690</u>	160,652
Mortgage Note #9116, November 5, 1981, Matures November 5, 2021 Monthly Payment \$4,617, Including 5% Interest Principal Balance, September 30, 2013	<u>955,816</u>	354,743
Mortgage Note #9117, November 5, 1981, Matures November 5, 2021 Monthly Payment \$2,406, Including 5% Interest Principal Balance, September 30, 2013	<u>497,988</u>	184,672
Mortgage March 28, 2013, Matures April 28, 2053 Interest Only at 2.5% for first 12 months Principal Balance, September 30, 2013	<u>4,900,000</u>	<u>4,900,000</u>
Total United States Department of Agriculture Notes		<u>\$ 5,731,014</u>

Please see accompanying notes to the financial statements.

**Consolidated Rural Water and Sewer District No. 1**  
**Hastings, OK**  
**Grant No. 15171 CDBG 12**  
**Revenue and Expenditures Compared with Budget**  
**(Modified Cash Basis)**  
**Year Ended September 30, 2013**

	<b>Budget</b>	<b>Current Year</b>	<b>(Over) Under Budget</b>
<b><u>Revenue</u></b>			
State Grant	\$ 299,999	\$ 108,319	\$ 191,680
<b><u>Expenditures</u></b>			
Water Well Expenses	299,999	108,319	191,680
Total Expenditures	299,999	108,319	191,680
<b><u>Revenue Over (Under) Expenditures</u></b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>

CFDA No. 14.228

Please see accompanying notes to the financial statements.