

**CHOCTAW COUNTY RURAL WATER
AND SEWER DISTRICT NO. 1**

GRANT, OKLAHOMA

FINANCIAL STATEMENTS AND AUDITOR'S REPORT

YEAR ENDED OCTOBER 31, 2013

Audited by

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

BROKEN ARROW, OK

CHOCTAW COUNTY RURAL WATER AND SEWER DISTRICT NO. 1
BOARD OF DIRECTORS
OCTOBER 31, 2013

BOARD OF DIRECTORS

Chairperson	Thomas Hadley
Vice-Chairperson	Dennis Trantham
Secretary/Treasurer	Odis Brewer
Member	Candy Tollett
Member	Ricky Hunter

USERS

Water	844
Sewer	101

MANAGER

James W. Bailey

Office Manager

Jo Ann Wheeler

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Board of Directors

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SANDERS, BLEDSOE & HEWETT

CERTIFIED PUBLIC ACCOUNTANTS, LLP

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Choctaw County Rural Water and Sewer District No. 1
Grant, Oklahoma

We have audited the accompanying financial statements of the business-type activities of the Choctaw County Rural and Sewer Water District No. 1 (the District), Grant, Oklahoma, as of and for the year ended October 31, 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. Management is also responsible for 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 opinions 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 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 District'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 District'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.

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

Opinions

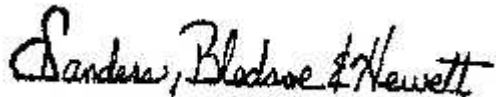
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the District as of October 31, 2013, and the respective changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

The District has not presented the Management's Discussion and Analysis that governmental accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board (GASB), who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2013 on our consideration of the Authority'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 or on 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 Authority's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Sanders, Bledsoe & Hewett".

Sanders, Bledsoe & Hewett
Certified Public Accountants, LLP



SANDERS, BLEDSOE & HEWETT

CERTIFIED PUBLIC ACCOUNTANTS, LLP

**INDEPENDENT AUDITOR'S 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 Directors
Choctaw County Rural Water and Sewer District No. 1
Grant, Oklahoma

We have audited, 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, the accompanying financial statements of the Choctaw County Rural Water and Sewer District No. 1 (the District), Grant, Oklahoma, as of and for the year ended October 31, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 10, 2013.

Internal Control Over Financial Reporting

Management of the District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting in order to determine our auditing procedures that are appropriate for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

Our consideration of the internal control over financial reporting 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 or significant deficiencies may exist that were not identified. We identified no deficiencies in the internal controls that we considered to be material weaknesses.

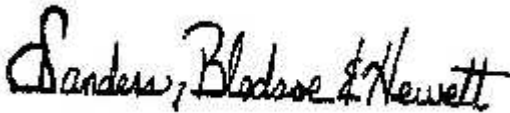
A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that

there is a reasonable possibility that a material misstatement of the District'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

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 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 that are required to be reported under *Government Auditing Standards*.

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.

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

December 10, 2013



SANDERS, BLEDSOE & HEWETT

CERTIFIED PUBLIC ACCOUNTANTS, LLP

REPORT COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of Directors
Choctaw County Rural Water and Sewer District No. 1
Grant, Oklahoma

Compliance

We have audited the compliance of Choctaw County Rural Water and Sewer District No. 1, (the District) Grant, Oklahoma, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended October 31, 2013. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we consider necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended October 31, 2013.

Internal Control Over Compliance

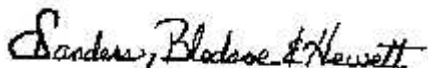
The management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity'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 noncompliance with a type of compliance requirement of a federal program will not be detected or prevented by the entity's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information of the Board of Directors, management and the Federal Clearinghouse, 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

December 10, 2013

CHOCTAW COUNTY RURAL WATER AND SEWER DISTRICT NO.1
DISPOSITION OF PRIOR YEAR'S REPORTABLE CONDITIONS
OCTOBER 31, 2013

There were no prior year reportable conditions.

CHOCTAW COUNTY RURAL WATER AND SEWER DISTRICT NO. 1
SCHEDULE OF AUDIT RESULTS, FINDINGS AND QUESTIONED COSTS
JUNE 30, 2013

Section 1 – Summary of Auditor’s Results:

1. An unqualified opinion 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.
4. The audit disclosed no reportable conditions in the internal controls over major programs.
5. An unqualified opinion was issued on the compliance of major programs.
6. The audit disclosed no audit findings which are required to be reported under OMB Circular A-133 § 510(a).
7. The program determined to be major is the \$1,135,000 Capital Improvement Revenue Bonds, Series 2013.
8. The dollar threshold used to determine between Type A and Type B programs was \$300,000.
9. The district was determined not to be a low-risk auditee.

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

NONE

Section 3 – Findings and Questioned Costs for Federal Awards:

NONE

CHOCTAW COUNTY RURAL WATER AND SEWER DISTRICT NO. 1
STATEMENT OF NET ASSETS
OCTOBER 31, 2013

ASSETS

Current Assets:	
Cash on hand	\$ 100
Cash in bank	211,345
Investments	173,355
Accounts receivable	72,691
Supplies Inventory	39,384
Prepaid insurance	16,624
Total current assets	<u>513,499</u>
Non-Current Assets:	
Bond trustee accounts	985,717
Bond issuance costs	59,609
Total non-current assets	<u>1,045,326</u>
Capital Assets:	
Construction in progress	328,505
Office furniture and fixtures	38,585
Equipment and tools	161,610
Transportation equipment	86,770
Water and sewer system	3,212,223
Buildings	55,941
Land and water rights	93,745
Total capital assets	<u>3,977,379</u>
Less accumulated depreciation	<u>(1,710,360)</u>
Total capital assets (net)	<u>2,267,019</u>
Total Assets	<u>3,825,844</u>

LIABILITIES

Current Liabilities:	
Accounts payable	8,274
Short-term notes payable	47,626
Current portion due within one year	40,000
Total current liabilities	<u>95,900</u>
Non-Current Liabilities:	
Revenue bonds payable	<u>2,021,883</u>
Total Liabilities	<u>2,117,783</u>

NET ASSETS

Invested in capital assets, net of related debt	285,136
Restricted for debt service	143,215
Unrestricted	<u>1,279,710</u>
Total Net Assets	<u>\$ 1,708,061</u>

CHOCTAW COUNTY RURAL WATER AND SEWER DISTRICT NO. 1
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED OCTOBER 31, 2013

Expenses:	
Personal services	\$ 271,056
Material and supplies	145,655
Depreciation	94,331
Amortization	2,519
Interest	78,604
Total expenses	<u>592,165</u>
Program Revenues:	
Charges for services	<u>654,140</u>
Total program revenues	<u>654,140</u>
Net program income	<u>61,975</u>
General Revenues:	
Interest and dividends	389
Miscellaneous	<u>22,090</u>
Total general revenues	<u>22,479</u>
Increase in net assets	84,454
Net Assets - beginning of year	<u>1,623,607</u>
Net Assets - end of year	<u><u>\$ 1,708,061</u></u>

The accompanying notes are an integral part of the financial statements

CHOCTAW COUNTY RURAL WATER AND SEWER DISTRICT NO. 1
STATEMENT OF CASH FLOWS
FOR YEAR ENDED OCTOBER 31, 2013

Cash Flows from Operating Activities:

Receipts from water and sewer sales	\$ 654,466
Receipts from installation and reconnect fees	11,488
Receipts from miscellaneous sources	13,723
Payments for salaries	(195,539)
Payments for maintainance and operations	(238,402)
	<hr/>
Net Cash Provided by Operating Activities	245,736

Cash Flows from Investing Activities:

Capital assets purchased	(257,252)
Membership units	1,050
Interest and dividends	389
	<hr/>
Net Cash Provided by Investing Activities	(255,813)

Cash Flows from Financing Activities:

Revenue bond proceeds	1,111,883
Interest payments on debt	(78,604)
Principal payments on debt	(32,129)
	<hr/>
Net Cash Provided by Financing Activities	1,001,150

Net increase (decrease) in cash and cash equivalents	991,073
Cash & cash equivalents, beginning of period	<hr/> 379,444
Cash & cash equivalents, end of period	<hr/> <hr/> \$ 1,370,517

Reconciliation of operating income (loss) to net cash provided by operating activities:

Operating income (loss)	\$ 161,619
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation and amortization expense	96,850
(Increase) decrease in accounts receivable	(191)
(Increase) decrease in prepaid expenses	(250)
(Increase) decrease in supplies inventory	(12,548)
(Decrease) increase in accounts payable	256
	<hr/>
Net cash provided by operating activities	\$ 245,736

The accompanying notes are an integral part of the financial statements

CHOCTAW COUNTY RURAL WATER AND SEWER DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2013

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.

Cash

The District's accounts are with Bancfirst in Hugo, Oklahoma, and, at October 31, 2013, are detailed as follows:

Savings account	\$ 970
Water and Sewer account	228,949
Less: outstanding checks	<u>(17,604)</u>
Total	<u><u>\$ 212,315</u></u>

Investments

All investments are recorded at cost. Investments at October 31, 2013, are detailed as follows:

Bancfirst, Hugo, Oklahoma	
Certificate of Deposit No. 180553879, dated 11-16-12, due 11-16-13, @ .50%	<u>\$ 172,384</u>

Statement of Cash Flows

For purposes of the statement of cash flows, the District considers all highly liquid investments, such as certificates of deposit and savings accounts, as cash equivalents. Also included are the bond trustee accounts.

Prior Year Information

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

CHOCTAW COUNTY RURAL WATER AND SEWER DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2013

Note A – Significant Accounting Policies – cont'd

Accounts Receivable

Billings for accounts receivable at October 31, 2013 were \$72,691. An allowance for doubtful accounts was not computed on this balance. The direct write-off method is used by the District for bad accounts, which is not materially different from computing an allowance.

Inventory

Supplies inventory is valued at the lower of cost or market, using the FIFO method (first in, first out).

Fixed Assets

Fixed assets are valued at cost; depreciation is computed by use of the straight line method. The estimated useful lives of these assets are as follows:

Land	-0-
Water rights	-0-
Office furniture & fixtures	5-10 years
Equipment & tools	5-10 years
Transportation equipment	3-10 years
Water system	40 years
Sewer system	40 years
Buildings	15-25 years

Federal Income Tax

The District is exempt from federal and state income taxes.

Note B – Cash and Investments

The District's investment policies are governed by state statute. Permissible investments include direct obligations of the United States government and agencies; certificates of deposit of savings and loan associations, banks and trust companies; savings accounts or savings certificates of savings and loan associations, banks and trust companies; and warrants, bonds or judgments of the District.

CHOCTAW COUNTY RURAL WATER AND SEWER DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2013

Note B – Cash and Investments – cont'd

Cash and investments – The District's cash deposits and investments at October 31, 2013, are categorized to give an indication of the level of risk assumed by the District at year end.

Deposit Categories of Credit Risk

(A) Insured by Federal Deposit Insurance

(B) Collateralized with securities held by the pledging financial institution's trust department or agent in the District's name

(C) Uncollateralized

	Category			Bank	Carrying
	(A)	(B)	(C)	Balance	Balance
Cash	\$ 228,949			228,949	211,345
Investments	173,355			173,355	173,355
Total	<u>\$ 402,304</u>	<u>0</u>	<u>0</u>	<u>402,304</u>	<u>384,700</u>

Note C – Accumulated Unpaid Vacation and Sick Pay

At October 31, 2013, no determination of the aggregate dollar value of vacation or sick pay had been made.

Note D – Long-Term Debt

Long-term debt at October 31, 2013, is summarized as follows:

Oklahoma Refunding and Capital Improvement Revenue Bonds Series 2007 dated June 12, 2007, due June 1, 2037, payable in annual principal and interest installments	\$ 950,000
Capital Improvement Revenue Bonds, totaling \$1,135,000, Series 2013 dated April 1, 2013, due April 1, 2043, payable in annual principal and interest installments	<u>1,111,883</u>
Total	<u>\$ 2,061,883</u>

CHOCTAW COUNTY RURAL WATER AND SEWER DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2013

Note D – Long-Term Debt – cont'd

The estimated maturities for long-term debt mortgages for the next five (5) years, and in total thereafter, are detailed as follows:

Year Ending October 31,	Principal	Interest*	Total
2014	\$ 40,000	103,215	143,215
2015	40,000	101,785	141,785
2016	40,000	100,355	140,355
2017	40,000	98,925	138,925
2018	45,000	97,495	142,495
2018-23	250,000	457,285	707,285
2023-28	315,000	390,513	705,513
2028-33	410,000	296,262	706,262
2033+	905,000	237,735	1,142,735
Total	<u>\$ 2,085,000</u>	<u>1,883,570</u>	<u>3,968,570</u>

*The interest rate is variable, therefore this column represents estimates only.

During the 2011-12 fiscal year, the District approved a short-term note with BancFirst, Hugo, Ok, for \$70,094. The loan date for this note was May 11, 2012, and the original maturity date was September 15, 2012. The District subsequently extended the maturity date of this note. During 2012-13, the District paid \$12,129 towards the principal balance of this note, and the principal amount owed at October 31, 2013 was \$47,626.

Note E – Restricted Assets

Under the terms of the Revenue Bonds Series 2010 and 2013 loan agreements, the District must maintain reserve funds. The loan agreement requires the District to maintain trustee accounts in the form of a debt service fund, a debt reserve fund and a construction fund. The balances of these accounts as of October 31, 2013 are as follows:

	2010 Bonds	2013 Bonds	Total
Debt service account	\$ 29,258	18,330	47,588
Debt service reserve account	71,571	74,603	146,174
Construction account	8,532	783,423	791,955
Total restricted accounts	<u>\$ 109,361</u>	<u>876,356</u>	<u>985,717</u>

Note F – Subsequent Events

Management has evaluated subsequent events through December 10, 2013, which is the date the financial statements were available to be issued and have determined that no additional information needs to be added to the financial statements.

CHOCTAW COUNTY RURAL WATER AND SEWER DISTRICT NO. 1
BALANCE SHEETS
FOR YEARS ENDED OCTOBER 31, 2013 AND 2012

	October 31,	
<u>ASSETS</u>	2013	2012
Current Assets:		
Cash on hand	\$ 100	100
Cash in bank	211,345	95,876
Investments	173,355	173,111
Accounts receivable	72,691	72,500
Supplies Inventory	39,384	26,836
Prepaid insurance	16,624	16,374
Total current assets	<u>513,499</u>	<u>384,797</u>
Restricted Assets:		
Bond trustee accounts	<u>985,717</u>	<u>110,357</u>
Fixed Assets (Note A):		
Construction in progress	328,505	
Office furniture and fixtures	38,585	38,585
Equipment and tools	161,610	161,473
Transportation equipment	86,770	86,770
Water and sewer system	3,212,223	3,283,613
Buildings	55,941	55,941
Land and water rights	93,745	93,745
Total fixed assets	<u>3,977,379</u>	<u>3,720,127</u>
Less accumulated depreciation	<u>(1,710,360)</u>	<u>(1,616,029)</u>
Total fixed assets (net)	<u>2,267,019</u>	<u>2,104,098</u>
Other Assets:		
Bond issuance costs	<u>59,609</u>	<u>62,128</u>
Total Assets	<u>\$ 3,825,844</u>	<u>2,661,380</u>
 <u>LIABILITIES AND MEMBER EQUITY</u>		
Current Liabilities:		
Accounts payable	\$ 8,274	8,018
Notes payable	40,000	20,000
Loan payable	47,626	59,755
Total current liabilities	<u>95,900</u>	<u>87,773</u>
Long-term Liabilities:		
Note payable	<u>2,021,883</u>	<u>950,000</u>
Member Equity:		
Members investment - discounted notes	191,564	191,564
Member benefit units - water	48,495	48,045
Member benefit units - sewer	10,907	10,307
Donated assets - grants	620,332	620,332
Donated assets - members and others	82,751	82,751
Retained earnings:		
Unrestricted	754,012	670,608
Total member equity	<u>1,708,061</u>	<u>1,623,607</u>
Total Liabilities and Member Equity	<u>\$ 3,825,844</u>	<u>2,661,380</u>

CHOCTAW COUNTY RURAL WATER AND SEWER DISTRICT NO. 1
STATEMENTS OF INCOME AND CHANGES IN RETAINED EARNINGS
FOR YEARS ENDED OCTOBER 31, 2013 AND 2012

	October 31,	
	2013	2012
Revenue from Operations:		
Water sales	\$ 613,899	550,669
Sewer sales	27,703	26,676
Installation	8,263	6,975
Reconnect fees	3,225	2,975
Miscellaneous	13,723	6,062
Late charges	8,367	8,459
Total revenue from operations	<u>675,180</u>	<u>601,816</u>
Expenses from Operations:		
Salaries	177,421	183,882
Taxes	18,118	16,534
Professional fees	10,589	10,745
Contract labor	20,863	10,588
Utilities	15,456	18,811
Insurance	44,065	56,511
Repairs and maintenance	54,263	82,860
Gas and oil	10,941	10,991
Membership fees, dues and permits	4,859	4,548
Telephone	3,329	2,976
Office materials and supplies	3,489	8,223
Water purchases	34,777	36,917
Depreciation	94,331	97,541
Amortization	2,519	2,519
Vehicle maintenance	2,215	3,721
Postage	3,452	4,534
Miscellaneous	6,740	5,400
Uniforms	6,134	5,211
Total expenses from operations	<u>513,561</u>	<u>562,512</u>
Net Income (Loss) from Operations	161,619	39,304
Non-Operating Income/Expense:		
Interest revenue	389	1,284
Interest expense	(78,604)	(53,610)
Total non-operating income/expense	<u>(78,215)</u>	<u>(52,326)</u>
Net Income (Loss)	83,404	(13,022)
Retained Earnings, beginning of period	<u>670,608</u>	<u>683,630</u>
Retained Earnings, end of period	<u>\$ 754,012</u>	<u>670,608</u>

CHOCTAW COUNTY RURAL WATER AND SEWER DISTRICT NO. 1

STATEMENTS OF CASH FLOWS

FOR YEARS ENDED OCTOBER 31, 2013 AND 2012

October 31,

	2013	2012
Cash Flows from Operating Activities:		
Net Income (Loss)	\$ 161,619	39,304
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization (net)	96,850	100,060
(Increase) decrease in accounts receivable	(191)	12,399
(Increase) decrease in prepaid expenses	(250)	(303)
(Increase) decrease in supplies inventory	(12,548)	4,423
(Decrease) increase in accounts payable	256	3,726
Total cash flows from operating activities	245,736	159,609
Cash Flows from Investing Activities:		
Capital expenditures - net	(257,252)	(212,753)
Interest income	389	1,284
Membership units	1,050	450
Total cash flows from investing activities	(255,813)	(211,019)
Cash Flows from Financing Activities:		
Revenue bond proceeds	1,111,883	70,094
Interest payments on debt	(78,604)	(53,611)
Principal payments on debt	(32,129)	(30,339)
Total cash flows from financing activities	1,001,150	(13,856)
Net Increase (Decrease) in Cash	991,073	(65,266)
Cash and Cash Equivalents, beginning of period	379,444	444,710
Cash and Cash Equivalents, end of period	\$ 1,370,517	379,444