

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

SEPTEMBER 30, 2015

BY



Consolidated Rural Water and Sewer District No. 1

Hastings, Oklahoma
Year Ended September 30, 2015

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

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, 2015, and the related notes to the financial statements, 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 respective financial position of the business-type activities of Consolidated Rural Water and Sewer District No. 1, as of September 30, 2015, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require the budgetary comparison information on page 18 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary comparison is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Management has omitted the management's discussion and analysis that 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 who considers it to be an essential part of 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 Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Consolidated Rural Water and Sewer District No. 1's basic financial statements. The combining statement of net position, combining statement of revenue and expense and schedule of outstanding long-term debt are presented for purposes of additional analysis and are not a required part of the basic financial statements.

These supplemental schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining financial statements and the schedule of outstanding long-term debt are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2015, on our consideration of the District'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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Furrh & Associates, PC
Furrh & Associates, PC
Lawton, Oklahoma
December 1, 2015

Consolidated Rural Water and Sewer District No. 1

Hastings, Oklahoma

Statement of Net Position

For Year Ended September 30, 2015

ASSETS

Current Assets

Cash - Operating Accounts	\$ 1,372,719	
Temporary Investments - Due after 90 Days	569,278	
Net Accounts Receivable	14,375	
Accrued Interest Receivable	230	
Inventory	79,748	
Prepaid Expense	27,680	
Total Current Assets		\$ 2,064,030

Fixed Assets

Water and Sewer System	\$ 17,049,700	
Accumulated Depreciation	(7,414,452)	9,635,248
Machinery and Equipment	131,313	
Accumulated Depreciation	(97,934)	33,379
Transportation Equipment	200,954	
Accumulated Depreciation	(78,314)	122,640
Office Equipment	24,956	
Accumulated Depreciation	(18,739)	6,217
Buildings	114,359	
Accumulated Depreciation	(55,973)	58,386
Net Fixed Assets		9,855,870

Other Assets

Cash - Reserve Accounts	131,047	
Certificates of Deposit - Reserve	200,000	331,047
Total Other Assets		331,047
Total Assets		<u>\$ 12,250,947</u>

Please see accompanying notes to financial statements.

Consolidated Rural Water and Sewer District No. 1

Hastings, Oklahoma

Statement of Net Position

For Year Ended September 30, 2015

LIABILITIES AND NET POSITION

Current Liabilities

Current Portion of Long-Term Debt	\$ 178,569	
Accounts Payable	35,311	
Accrued Compensated Absences	32,645	
Accrued Payroll Payable	4,172	
Accrued Interest Payable	2,856	
Payroll Taxes & Related Payables	2,064	
Total Current Liabilities		\$ 255,617

Long-Term Liabilities

Notes Payable - Rural Development Administration	5,381,525	
Less Current Portion	(178,569)	
Total Long-Term Liabilities		<u>5,202,956</u>
Total Liabilities		5,458,573

Net Position

Invested in Capital Assets, Net of Related Debt	4,474,345	
Restricted for Debt Service	331,047	
Unrestricted	1,986,982	
Total Net Position		<u>6,792,374</u>
Total Liabilities and Net Position		<u>\$ 12,250,947</u>

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 Position

Year Ended September 30, 2015

Operating Revenue

Water Revenue	\$ 1,571,599	
Tower Maintenance	128,425	
Construction Revenue	128,425	
ODOT Revenue	110,895	
Benefit Unit Fees	37,724	
Penalty Revenue	30,950	
Other Revenue	18,405	
Sewer Revenue	12,263	
Reactivation Fees	7,339	
Meter Service Fees	3,235	
Total Revenue		\$ 2,049,260

Cost of Sales

System Maintenance and Repairs	797,790	
Water Purchased	98,521	
System Electricity	80,472	
Total Cost of Sales		976,783

Gross Operating Revenue 1,072,477

Operating Expense

Depreciation	483,027	
Salaries and Related Payroll Taxes	334,629	
Auto and Truck Expense	74,186	
Employee Health and Pension Benefits	66,903	
Insurance	47,683	
Office Supplies and Expense	37,516	
Dues, Licenses, Fees, and Permits	24,330	
Miscellaneous	19,318	
Other Repairs and Maintenance	18,441	
Utilities and Telephone	14,375	
Legal Expense	10,579	
Leases-Equipment	9,496	
Accounting	8,079	
Uniforms	1,982	
Advertising	823	
Total Operating Expense		1,151,367

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 Position
Year Ended September 30, 2015

Net Operating Revenue/(Loss)		\$ (78,890)
<u>Nonoperating Revenue (Expense)</u>		
Interest Income	\$ 6,659	
Interest Expense	<u>(153,832)</u>	
Total Nonoperating Revenue (Expense)		<u>\$ (147,173)</u>
Net Revenue/(Loss)		(226,063)
Net Position, September 30, 2014		<u>7,018,437</u>
Net Position, September 30, 2015		<u><u>\$ 6,792,374</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, 2015

Cash Flow from Operating Activities

Cash Received from Customers	\$ 2,249,168	
Cash Paid for Water	(982,626)	
Cash Paid for Salaries and Related Costs	(396,005)	
Cash Paid to Suppliers	<u>(334,571)</u>	
Net Cash Provided by Operating Activities		\$ 535,966

Cash Flow from Capital and Related Financing Activities

Payments on Long-Term Debt:		
Rural Development	(171,891)	
Interest on Long-Term Debt	(153,832)	
Increase in long term debt	18,879	
Decrease in Interest Payable	<u>(330)</u>	
Net Cash Used by Capital and Related Financing Activities		(307,174)

Cash Flow from Investing Activities

Purchase of Fixed Assets	(190,225)	
Interest Income	6,659	
Increase in Temporary Investments	3,256	
Increase in Interest Receivable	<u>(3)</u>	
Net Cash Provided by Investing Activities		<u>(180,313)</u>

Net Increase in Cash and Cash Equivalents 48,479

Cash and Cash Equivalents, September 30, 2014 1,455,287

Cash and Cash Equivalents, September 30, 2015 \$ 1,503,766

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, 2015

Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Net Operating Revenue	\$	(78,890)
Add, Depreciation		483,027
(Increase) Decrease in Other Current Assets:		
Accounts Receivable	\$	199,908
Prepaid Expense		(7,760)
Inventory		(5,843)
Increase (Decrease) in Other Current Liabilities:		
Accounts Payable		(60,003)
Payroll Taxes Payable		462
Compensated Absences		3,700
Accrued Payroll Payable		<u>1,365</u>
		<u>131,829</u>
Net Cash Provided by Operating Activities	\$	<u><u>535,966</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, 2015

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 has installed its own water wells and purchases supplemental water 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 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.

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:

Consolidated Rural Water and Sewer District No. 1
Hastings, Oklahoma
Notes to Financial Statements
September 30, 2015

Petty Cash Fund	\$	746
Checking/Savings Accounts		
First Bank and Trust Company - Debit Card Acct		2,500
First Farmers National Bank - Hi Fi Account		6,421 *
First Bank and Trust Company - Membership		54,070 *
(1) First Bank and Trust Company - Reserve Account		64,206 *
(1) First Farmers National Bank - Reserve Account		66,841 *
First Farmers National Bank-Construction Acct.		196,315 *
First Farmers National Bank - CDBG Account		251,274 *
First Farmers National Bank - Operating Acct		406,118

(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 and a collateral pledge held by both First Farmers National Bank and First Bank and Trust.

Note 3 – Income Tax Status

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

Note 4 – 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

Total depreciation expense for the current year was \$483,027, which was charged against current operations.

Consolidated Rural Water and Sewer District No. 1
Hastings, Oklahoma
Notes to Financial Statements
September 30, 2015

Current year changes to fixed assets were as follows:

	Balance 09/30/14	Additions	Disposals	Balance 09/30/15
<u>Assets</u>				
Buildings	\$ 114,359	\$ 0	\$ 0	\$ 114,359
Water & Sewer System **	16,944,823	104,877	0	17,049,700
Machinery/Equip.	129,764	32,049	(30,500)	131,313
Transportation Equipment	192,635	53,299	(44,980)	200,954
Office Equipment	24,956	0	0	24,956
Total	<u>\$ 17,406,537</u>	<u>\$ 190,225</u>	<u>\$ (75,480)</u>	<u>\$ 17,521,282</u>
<u>Accum. Depreciation</u>				
Buildings	\$ 52,996	\$ 2,977	\$ 0	\$ 55,973
Water & Sewer System	6,974,489	439,963	0	7,414,452
Machinery/Equip.	120,342	8,043	(30,451)	97,934
Transportation Equipment	86,566	30,961	(39,213)	78,314
Office Equipment	17,656	1,083	0	18,739
Total	<u>\$ 7,252,049</u>	<u>\$ 483,027</u>	<u>\$ (69,664)</u>	<u>\$ 7,665,412</u>

Note 5 – Inventory

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

Note 6 – Investments

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

Consolidated Rural Water and Sewer District No. 1

Hastings, Oklahoma Notes to Financial Statements September 30, 2015

Certificates of Deposit:

Arvest Bank, Duncan, OK	
Maturity 06/12/16, Interest Paid Quarterly at 0.35%	\$ 51,944
First Farmers National Bank, Waurika, OK	
Maturity 11/16/15, Interest Paid Monthly at 0.35%	100,000
First Bank and Trust Company, Duncan, OK	
Maturity 04/01/16, Interest Paid Monthly at 1.79%	126,177
First Farmers National Bank, Waurika, OK	
Maturity 06/21/16, Interest Paid Monthly at 0.35%	131,000
Arvest Bank, Duncan, OK	
Maturity 05/26/16, Interest Paid Monthly at 0.40%	160,157
First Bank and Trust Company, Duncan, OK	
Maturity 04/23/16, Interest Paid Monthly at 0.28%	200,000
Total	<u>\$ 769,278</u>

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

Note 7 – 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 8 – Debt

The total annual debt service requirements of the long-term mortgage notes to Rural Development Administration detailed on page 21 amounts to \$171,991 plus interest at 2.5-5.0% per annum, payable in total monthly payments of \$27,171.

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

Consolidated Rural Water and Sewer District No. 1

Hastings, Oklahoma Notes to Financial Statements September 30, 2015

Balance, September 30, 2014	\$	5,534,537
Add: cash advances		18,879
Less, Principal Payments		<u>(171,891)</u>
Balance, September 30, 2015	\$	<u>5,381,525</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, 2016	\$ 178,569	\$ 154,939	\$ 333,508
Year Ended September 30, 2017	185,691	147,817	333,508
Year Ended September 30, 2018	193,059	140,450	333,509
Year Ended September 30, 2019	200,738	132,770	333,508
Year Ended September 30, 2020	208,729	124,779	333,508
Years Ended September 30, 2053	<u>4,414,739</u>	<u>2,193,747</u>	<u>6,608,486</u>
Total	<u>\$ 5,381,525</u>	<u>\$ 2,894,502</u>	<u>\$ 8,276,027</u>

Note 9 – Supplemental Disclosures

Supplemental disclosure of cash flow information:

Cash paid during the year for interest expense	<u>\$ 153,832</u>
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Note 10 – Accrued Payroll and Compensated Absences

Accrued payroll payable includes the following:

Accrued Payroll	\$ 4,172
Earned Unpaid Vacation/Sick Leave Pay	<u>32,645</u>
Total	<u>\$ 36,817</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.

Consolidated Rural Water and Sewer District No. 1

Hastings, Oklahoma Notes to Financial Statements September 30, 2015

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	\$ 8,683
Employees	<u>9,762</u>
Total	<u>\$ 18,445</u>

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

9/30/15	\$ 8,683
9/30/14	9,776
9/30/13	<u>8,577</u>
Total	<u>\$ 27,036</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.

Note 12 – Subsequent Events

In preparing the accompanying audited financial statements, management reviewed all known events that have occurred after September 30, 2015 and through December 1, 2015, the date the financial statements were available for issuance, for inclusion in the financial statements and footnotes.



**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 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 financial statements of the business-type activities of Consolidated Rural Water and Sewer District No. 1, as of and for the year ended September 30, 2015, 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 1, 2015.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Consolidated Rural Water and Sewer District No. 1'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 opinions 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 Consolidated Rural Water and Sewer District No. 1's internal control.

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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Consolidated Rural Water and Sewer District No. 1's financial statements are free from 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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Furrh & Associates, PC
FURRH & ASSOCIATES, PC

Lawton, Oklahoma
December 1, 2015

Consolidated Rural Water and Sewer District No. 1

Hastings, Oklahoma

Revenues and Expenses Compared with Budget

Years Ended September 30, 2015

	Budget	Actual	(Over) Under Budget
<u>Revenue</u>			
Water Revenue	\$ 1,731,248	\$ 1,571,599	\$ (159,649)
Other Revenue	293,000	18,405	(274,595)
Construction Revenue	128,400	128,425	25
Tower Maintenance	128,400	128,425	25
ODOT Revenue	75,000	110,895	35,895
Benefit Unit Fees	52,196	37,724	(14,472)
Penalty Revenue	36,000	30,950	(5,050)
Sewer Revenue	12,600	12,263	(337)
Reactivation Fees	8,820	7,339	(1,481)
Meter Service Fees	5,000	3,235	(1,765)
Total Revenue	2,470,664	2,049,260	(421,404)
<u>Cost of Sales</u>			
System Maintenance and Repairs	717,344	797,790	80,446
Water Purchased	450,000	98,521	(351,479)
System Electricity	85,000	80,472	(4,528)
Total Cost of Sales	1,252,344	976,783	(275,561)
Gross Revenue	1,218,320	1,072,477	(145,843)
<u>Operating Expense</u>			
Depreciation	363,000	483,027	120,027
Salaries and Related Payroll Taxes	324,000	334,629	10,629
Auto and Truck Expense	73,500	74,186	686
Employee Health and Pension Benefits	68,410	66,903	(1,507)
Legal Expense	67,170	47,683	(19,487)
Insurance	46,100	18,441	(27,659)
Other Repairs and Maintenance	40,850	37,516	(3,334)
Office Supplies and Expense	17,400	24,330	6,930
Dues, Licenses, Fees, and Permits	17,000	10,579	(6,421)
Accounting	15,000	19,318	4,318
Uniforms	14,690	14,375	(315)
Leases-Equipment	12,800	8,079	(4,721)
Advertising	10,600	9,496	(1,104)
Miscellaneous	1,700	823	(877)
Utilities and Telephone	1,100	1,982	882
Total Operating Expense	1,073,320	1,151,367	78,047
Interest Expense	(150,000)	(153,832)	(3,832)
Interest Income	5,000	6,659	1,659
Net Revenue (Loss)	\$ 0	\$ (226,063)	\$ (226,063)

Please see accompanying notes to the financial statements.

Consolidated Rural Water and Sewer District No. 1

Hastings, Oklahoma

Comparative Statement of Net Position

Years Ended September 30, 2015

	<u>9/30/2015</u>	<u>09/30/14</u>	<u>Increase (Decrease)</u>
<u>Current Assets</u>			
Cash	\$ 1,372,719	\$ 1,325,405	\$ 47,314
Temp. Investments - Due After 90 Days	569,278	566,014	3,264
Accounts Receivable	14,375	214,283	(199,908)
Interest Receivable	230	227	3
Inventory	79,748	73,905	5,843
Prepaid Expense	27,680	19,920	7,760
<u>Fixed Assets</u>			
Water and Sewer System (Net)	9,635,248	9,970,334	(335,086)
Machinery and Equipment (Net)	33,379	9,421	23,958
Transportation Equipment (Net)	122,640	106,069	16,571
Office Equipment (Net)	6,217	7,300	(1,083)
Buildings (Net)	58,386	61,363	(2,977)
<u>Other Assets</u>			
Cash & CD's - Reserve Accounts	331,047	329,882	1,165
Total Assets	<u>\$ 12,250,947</u>	<u>\$ 12,684,123</u>	<u>\$ (433,176)</u>
<u>Current Liabilities</u>			
Current Portion of LT Debt	\$ 178,569	\$ 171,898	\$ 6,671
Accounts Payable	35,311	95,314	(60,003)
Payroll Taxes & Related Payables	2,064	1,602	462
Accrued Payroll Payable	4,172	2,807	1,365
Compensated Absences	32,645	28,945	3,700
Accrued Interest Payable	2,856	3,186	(330)
<u>Long Term Liabilities</u>			
Notes Payable - Rural Development	5,202,956	5,362,639	(159,683)
Total Liabilities	<u>5,458,573</u>	<u>5,666,391</u>	<u>(207,818)</u>
<u>Net Position</u>			
Invested in Capital Assets (Net)	4,474,345	4,619,950	(145,605)
Restricted for Debt Service	331,047	329,882	1,165
Unrestricted	1,986,982	2,067,900	(80,918)
Total Net Position	<u>6,792,374</u>	<u>7,017,732</u>	<u>(225,358)</u>
Total Liabilities and Net Position	<u>\$ 12,250,947</u>	<u>\$ 12,684,123</u>	<u>\$ (433,176)</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

Year Ended September 30, 2015

	Year Ended 9/30/15	Year Ended 9/30/14	Increase (Decrease)
<u>Revenue</u>			
Water Revenue	\$ 1,571,599	\$ 1,822,165	\$ (250,566)
Construction Revenue	128,425	126,983	1,442
Tower Maintenance	128,425	127,021	1,404
ODOT Revenue	110,895	191,680	(80,785)
Benefit Unit Fees	37,724	53,127	(15,403)
Penalty Revenue	30,950	35,203	(4,253)
Other Revenue	18,405	33,588	(15,183)
Sewer Revenue	12,263	12,285	(22)
Reactivation Fees	7,339	6,217	1,122
Meter Service Fees	3,235	3,046	189
Total Revenue	2,049,260	2,411,315	(362,055)
<u>Cost of Sales</u>			
System Maintenance and Repairs	797,790	345,452	452,338
Water Purchased	98,521	166,207	(67,686)
System Electricity	80,472	82,702	(2,230)
Total Cost of Sales	976,783	594,361	382,422
Gross Operating Revenue	1,072,477	1,816,954	(744,477)
<u>Operating Expense</u>			
Depreciation	483,027	476,315	6,712
Salaries and Related Payroll Taxes	334,629	350,635	(16,006)
Auto and Truck Expense	74,186	95,781	(21,595)
Employee Health and Pension Benefits	66,903	53,220	13,683
Insurance	47,683	46,479	1,204
Office Supplies and Expense	37,516	26,838	10,678
Dues, Licenses, Fees, and Permits	24,330	16,109	8,221
Miscellaneous	22,123	12,449	9,674
Other Repairs and Maintenance	18,441	16,744	1,697
Utilities and Telephone	14,375	13,118	1,257
Legal Expense	10,579	22,330	(11,751)
Leases-Equipment	9,496	12,154	(2,658)
Accounting	8,079	10,642	(2,563)
Total Operating Expense	1,151,367	1,152,814	(1,447)
Net Operating Revenue/(Loss)	(78,890)	664,140	(743,030)
<u>Nonoperating Revenue/(Expense)</u>			
Interest Income	6,659	6,003	656
Gain/(Loss) on Sale of Asset	0	(179,543)	179,543
Interest Expense	(153,832)	(149,609)	(4,223)
Total Nonoperating Revenue/(Expense)	(147,173)	(323,149)	175,976
Net Revenue/(Loss)	(226,063)	340,991	(567,054)
Net Position, Beg of year	7,018,437	6,676,741	341,696
Net Position, End of Year	\$ 6,792,374	\$ 7,017,732	\$ (225,358)

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, 2015

<u>Description</u>	<u>Original Note Balance</u>	<u>Balance as of 09/30/2015</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, 2015		\$ 30,702
Mortgage Note #9213, November 5, 1981, Matures November 5, 2021	<u>76,787</u>	
Monthly Payment \$371, Including 5% Interest		
Principal Balance, September 30, 2015		21,484
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, 2015		49,863
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, 2015		125,826
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, 2015		275,679
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, 2015		143,451
Mortgage Note #9121, March 28, 2013, Matures April 28, 2053	<u>4,900,000</u>	
Monthly Payment \$16,415, Including 2.5% Interest		
Principal Balance, September 30, 2015		<u>4,734,520</u>
Total United States Department of Agriculture Notes		<u>\$ 5,381,525</u>

Please see accompanying notes to the financial statements.