

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

SEPTEMBER 30, 2014

BY



**Consolidated Rural Water and Sewer District No. 1
Hastings, Oklahoma
Year Ended September 30, 2014**

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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, 2014, 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 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 from 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 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 audit opinions.

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, 2014, and the respective changes in net assets, and 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 that the budgetary comparison information on page 20 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying supplemental schedules and information presented are not a required part of the basic financial statements, 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 2, 2014, 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 and Associates, PC

FURRH & ASSOCIATES, PC

Lawton, Oklahoma

December 2, 2014

Consolidated Rural Water and Sewer District No. 1

Hastings, Oklahoma

Statement of Net Assets

For Year Ended September 30, 2014

ASSETS

Current Assets

Cash - Operating Accounts	\$	1,325,405	
Temporary Investments - Due after 90 Days		566,014	
Net Accounts Receivable		214,283	
Accrued Interest Receivable		227	
Inventory		73,905	
Prepaid Expense		19,920	
		<hr/>	
Total Current Assets	\$		2,199,754

Fixed Assets

Water and Sewer System (Net of Depr.)		9,970,334	
Transportation Equipment (Net of Depr.)		106,069	
Buildings (Net of Depr.)		61,363	
Machinery and Equipment (Net of Depr.)		9,421	
Office Equipment (Net of Depr.)		7,300	
		<hr/>	
Net Fixed Assets			10,154,487

Other Assets

Cash - Reserve Accounts		129,882	
Certificates of Deposit - Reserve		200,000	
		<hr/>	
Total Other Assets			329,882
			<hr/>
Total Assets	\$		<u>12,684,123</u>

Please see accompanying notes to financial statements.

Consolidated Rural Water and Sewer District No. 1

Hastings, Oklahoma

Statement of Net Assets

For Year Ended September 30, 2014

LIABILITIES AND NET ASSETS

Current Liabilities

Accounts Payable	\$	95,314	
Payroll Taxes Payable		1,602	
Accrued Payroll Payable		2,807	
Accrued Interest Payable		3,186	
Compensated Absences		28,945	
Current Portion of Long-Term Debt		171,898	
Total Current Liabilities			\$ 303,752

Long-Term Liabilities

Notes Payable - Rural Development Administration	5,534,537	
Less Current Portion	(171,898)	
Total Long-Term Liabilities		<u>5,362,639</u>

Total Liabilities 5,666,391

Net Assets

Invested in Capital Assets, Net of Related Debt	4,619,950	
Restricted for Debt Service	329,882	
Unrestricted	2,067,900	
Total Net Assets		<u>7,017,732</u>

Total Liabilities and Net Assets \$ 12,684,123

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, 2014

Operating Revenue

Water Revenue	\$ 1,822,165	
Grant Revenue	191,680	
Tower Maintenance	127,021	
Construction Revenue	126,983	
Benefit Unit Fees	53,127	
Penalty Revenue	35,203	
Other Revenue	33,588	
Sewer Revenue	12,285	
Reactivation Fees	6,217	
Meter Service Fees	3,046	
Total Revenue		\$ 2,411,315

Cost of Sales

System Maintenance and Repairs	345,452	
Water Purchased	166,207	
System Electricity	82,702	
Total Cost of Sales		594,361

Gross Operating Revenue 1,816,954

Operating Expense

Depreciation	476,315	
Salaries and Related Payroll Taxes	350,635	
Auto and Truck Expense	95,781	
Employee Health and Pension Benefits	53,220	
Insurance	46,479	
Office Supplies and Expense	26,838	
Professional Expenses	22,330	
Other Repairs and Maintenance	16,744	
Dues, Licenses, Fees, and Permits	16,109	
Utilities and Telephone	13,118	
Miscellaneous	12,449	
Leases-Equipment	12,154	
Accounting	10,642	
Total Operating Expense		1,152,814

Net Operating Revenue \$ 664,140

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, 2014

<u>Nonoperating Revenue (Expense)</u>		
Interest Income	\$ 6,003	
Gain or (Loss) on Sale of Assets	(179,543)	
Interest Expense	<u>(149,609)</u>	
Total Nonoperating Revenue (Expense)		<u>\$ (323,149)</u>
Net Revenue (Loss)		340,991
Net Assets, September 30, 2013		<u>6,676,741</u>
Net Assets, September 30, 2014		<u><u>\$ 7,017,732</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, 2014

Cash Flow from Operating Activities

Cash Received from Customers	\$ 2,211,976	
Cash Received from Grants	191,680	
Cash Paid for Water	(595,788)	
Cash Paid for Salaries and Related Costs	(330,383)	
Cash Paid to Suppliers	(365,803)	
Net Cash Provided by Operating Activities		\$ 1,111,682

Cash Flow from Capital and Related Financing Activities

Decrease in Long Term Debt:		
Water Rights Notes Payable	(262,340)	
Payments on Long-Term Debt:		
Rural Development	(196,477)	
Interest on Long-Term Debt	(149,609)	
Gain on Sale of Assets	2,839	
Decrease in Interest Payable	(151)	
Net Cash Used by Capital and Related Financing Activities		(605,738)

Cash Flow from Investing Activities

Increase in Fixed Assets	(183,539)	
Interest Income	6,003	
Increase in Cash Reserve Accounts	(1,317)	
Increase in Temporary Investments	(2,808)	
Decrease in Interest Receivable	15	
Net Cash Provided by Investing Activities		(181,646)

Net Increase in Cash and Cash Equivalents 324,298

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

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

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, 2014

Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Net Operating Revenue	\$	664,140
Add, Depreciation		476,315
(Increase) Decrease in Other Current Assets:		
Accounts Receivable	\$	(7,659)
Prepaid Expense		4,267
Inventory		(1,427)
Increase (Decrease) in Other Current Liabilities:		
Accounts Payable		(44,206)
Payroll Taxes Payable		(7,640)
Compensated Absences		26,157
Accrued Payroll Payable		1,735
		<u>(28,773)</u>
Net Cash Provided by Operating Activities	\$	<u>1,111,682</u>

Please see accompanying notes to financial statements.

Consolidated Rural Water and Sewer District No. 1
Hastings, Oklahoma
Notes to Financial Statements
September 30, 2014

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, 2014**

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	\$	746
Checking/Savings Accounts		
First Farmers National Bank - Hi Fi Account		6,411
First Bank and Trust Company - Membership		49,266
(1) First Bank and Trust Company - Reserve Account		63,517
(1) First Farmers National Bank - Reserve Account		66,365
First Farmers National Bank-Construction Acct.		211,008
First Farmers National Bank - CDBG Account		222,741
First Farmers National Bank - Tower Account		313,515
First Farmers National Bank - Operating Acct		521,718
Total		\$ 1,455,287

(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/or collateral pledge agreements.

Note 3 – Income Tax Status

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

Consolidated Rural Water and Sewer District No. 1
Hastings, Oklahoma
Notes to Financial Statements
September 30, 2014

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 \$476,315, which was charged against current operations. Current year changes to fixed assets were as follows:

	Balance 09/30/13	Additions	Disposals	Balance 09/30/14
<u>Assets</u>				
Buildings	\$ 114,359	\$ 0	\$ 0	\$ 114,359
Water & Sewer System	16,983,875	230,618	(269,670)	16,944,823
Machinery/Equip.	146,546	2,804	(19,586)	129,764
Transportation Equipment	183,095	74,383	(64,844)	192,634
Office Equipment	19,096	7,279	(1,419)	24,956
Total	<u>\$ 17,446,971</u>	<u>\$ 315,084</u>	<u>\$ (355,519)</u>	<u>\$ 17,406,536</u>
<u>Accum. Depreciation</u>				
Buildings	\$ 50,019	\$ 2,977	\$ 0	\$ 52,996
Water & Sewer System	6,618,740	443,730	(87,981)	6,974,489
Machinery/Equip.	131,679	8,249	(19,586)	120,342
Transportation Equipment	128,376	20,678	(62,488)	86,566
Office Equipment	18,394	681	(1,419)	17,656
Total	<u>\$ 6,947,208</u>	<u>\$ 476,315</u>	<u>\$ (171,474)</u>	<u>\$ 7,252,049</u>

**Consolidated Rural Water and Sewer District No. 1
Hastings, Oklahoma
Notes to Financial Statements
September 30, 2014**

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:

Certificates of Deposit:

Arvest Bank, Duncan, OK		
Maturity 06/12/15, Interest Paid Quarterly at 0.35%	\$	51,717
First Farmers National Bank, Waurika, OK		
Maturity 11/16/14, Interest Paid Monthly at 0.35%		100,000
First Bank and Trust Company, Duncan, OK		
Maturity 04/01/15, Interest Paid Monthly at 1.79%		123,940
First Farmers National Bank, Waurika, OK		
Maturity 06/21/15, Interest Paid Monthly at 0.35%		131,000
Arvest Bank, Duncan, OK		
Maturity 05/26/15, Interest Paid Monthly at 0.40%		159,357
First Bank and Trust Company, Duncan, OK		
Maturity 04/23/15, Interest Paid Monthly at 0.28%		<u>200,000</u>
 Total	 \$	 <u><u>766,014</u></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:

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

**Consolidated Rural Water and Sewer District No. 1
Hastings, Oklahoma
Notes to Financial Statements
September 30, 2014**

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 \$196,477 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:

Balance, September 30, 2013	\$ 5,731,014
Less, Principal Payments	<u>(196,477)</u>
Balance, September 30, 2014	<u>\$ 5,534,537</u>

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, 2015	\$ 171,898	\$ 161,610	\$ 333,508
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
Years Ended September 30, 2053	<u>4,604,582</u>	<u>2,333,548</u>	<u>6,938,130</u>
Total	<u>\$ 5,534,537</u>	<u>\$ 3,071,134</u>	<u>\$ 8,605,671</u>

Note 9 – Supplemental Disclosures

Supplemental disclosure of cash flow information:

Cash paid during the year for interest expense	<u>\$ 149,609</u>
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Consolidated Rural Water and Sewer District No. 1
Hastings, Oklahoma
Notes to Financial Statements
September 30, 2014

Note 10 – Accrued Payroll and Compensated Absences

Accrued payroll payable includes the following:

Accrued Payroll	\$	1,072
Earned Unpaid Vacation & Sick Pay		<u>28,945</u>
 Total	 \$	 <u><u>30,017</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	\$	9,776
Employees		<u>8,529</u>
 Total	 \$	 <u><u>18,305</u></u>

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

9/30/14	\$	9,776
9/30/13		8,577
9/30/12		<u>8,201</u>
 Total	 \$	 <u><u>26,554</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.



**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 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, 2014, 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 2, 2014.

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 (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 the District'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 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 & Associates, PC

FURRH & ASSOCIATES, PC

Lawton, Oklahoma

December 2, 2014

Consolidated Rural Water and Sewer District No. 1

Hastings, Oklahoma

Comparative Statement of Financial Position

Years Ended September 30, 2014

	9/30/2014	09/30/13	Increase (Decrease)
<u>Assets</u>			
Cash	\$ 1,325,405	\$ 1,130,989	\$ (194,416)
Temp. Investments-Due After 90 Days	766,014	763,206	(2,808)
Accounts Receivable	214,283	206,624	(7,659)
Interest Receivable	227	242	15
Inventory	73,905	72,478	(1,427)
Prepaid Expense	19,920	24,187	4,267
Water and Sewer System (Net)	9,970,334	10,365,135	394,801
Machinery and Equipment (Net)	9,421	14,867	5,446
Transportation Equipment (Net)	106,069	54,719	(51,350)
Office Equipment (Net)	7,300	702	(6,598)
Buildings (Net)	61,363	64,340	2,977
Cash - Reserve Accounts	129,882	128,565	(1,317)
	\$ 12,684,123	\$ 12,826,054	\$ 141,931
Total Assets			
<u>Liabilities</u>			
Accounts Payable	\$ 95,314	\$ 139,520	\$ 44,206
Compensated Absences	28,945	2,788	(26,157)
Accrued Interest Payable	3,186	3,337	151
Accrued Payroll Payable	2,807	1,072	(1,735)
Payroll Taxes Payable	1,602	9,242	7,640
Water Rights Notes Payable	0	262,340	262,340
Notes Payable - Rural Development	5,534,537	5,731,014	196,477
	5,666,391	6,149,313	482,922
Total Liabilities			
<u>Fund Equity</u>			
Invested in Capital Assets (Net)	4,619,950	4,506,409	(113,541)
Restricted for Debt Service	329,882	328,565	(1,317)
Unrestricted Retained Earnings	2,067,900	1,841,767	(226,133)
	7,017,732	6,676,741	(340,991)
Total Fund Equity			
Total Liabilities and Fund Equity	\$ 12,684,123	\$ 12,826,054	\$ 141,931

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, 2014

	Year Ended 9/30/14	Year Ended 9/30/13	Increase (Decrease)
<u>Revenue</u>			
Water Revenue	\$ 1,822,165	\$ 1,895,744	\$ 73,579
Grant Revenue	191,680	108,319	(83,361)
Tower Maintenance	127,021	127,630	609
Construction Revenue	126,983	127,397	414
Benefit Unit Fees	53,127	50,772	(2,355)
Penalty Revenue	35,203	35,710	507
Other Revenue	33,588	184,355	150,767
Sewer Revenue	12,285	12,692	407
Reactivation Fees	6,217	9,735	3,518
Interest Earned	6,003	8,275	2,272
Meter Service Fees	3,046	4,180	1,134
Total Revenue	2,417,318	2,564,809	147,491
<u>Cost of Sales</u>			
Water Purchased	166,207	640,676	474,469
System Maintenance and Repairs	345,452	395,111	49,659
System Electricity	82,702	61,472	(21,230)
Total Cost of Sales	594,361	1,097,259	502,898
Gross Revenue	1,822,957	1,467,550	(355,407)
<u>Operating Expense</u>			
Depreciation	476,315	378,707	(97,608)
Salaries, Payroll Taxes, and Benefits	403,855	309,796	(94,059)
Interest Expense	149,609	32,643	(116,966)
Auto and Truck Expense	95,781	77,666	(18,115)
Insurance	46,479	40,032	(6,447)
Other Repairs and Maintenance	28,898	22,707	(6,191)
Office Supplies and Expense	26,838	38,734	11,896
Professional Fees	32,972	37,925	4,953
Dues, Licenses, Fees, and Permits	16,109	1,320	(14,789)
Utilities and Telephone	13,118	15,375	2,257
Miscellaneous	12,449	19,055	6,606
Total Operating Expense	1,302,423	973,960	(328,463)
Gain or (Loss) on Sale of Assets	(179,543)	2,839	182,382
Net Revenue (Loss)	\$ 340,991	\$ 496,429	\$ 155,438

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, 2014

	<u>Budget</u>	<u>Actual</u>	<u>(Over) Under Budget</u>
<u>Revenue</u>			
Water Revenue	\$ 1,730,376	\$ 1,822,165	\$ 91,789
Other Revenue	268,428	33,588	(234,840)
Construction Revenue	124,380	126,983	2,603
Tower Maintenance	124,380	127,021	2,641
Grant Revenue / Savings	72,000	191,680	119,680
Benefit Unit Fees	47,496	53,127	5,631
Penalty Revenue	35,700	35,203	(497)
Sewer Revenue	12,600	12,285	(315)
Interest Earned	10,200	6,003	(4,197)
Meter Service Fees	10,020	3,046	(6,974)
Reactivation Fees	8,820	6,217	(2,603)
Total Revenue	2,444,400	2,417,318	(27,082)
<u>Cost of Sales</u>			
Water Purchased	645,720	166,207	(479,513)
System Maintenance and Repairs	510,204	345,452	(164,752)
System Electricity	60,120	82,702	22,582
Total Cost of Sales	1,216,044	594,361	(621,683)
Gross Revenue	1,228,356	1,822,957	594,601
<u>Operating Expense</u>			
Depreciation / Capital Improvements	616,404	476,315	(140,089)
Salaries, Payroll Taxes, and Benefits	337,392	403,855	66,463
Auto and Truck Expense	79,200	95,781	16,581
Insurance	66,384	46,479	(19,905)
Other Repairs and Maintenance	26,376	28,898	2,522
Office Supplies and Expense	24,300	26,838	2,538
Miscellaneous	21,120	12,449	(8,671)
Professional Fees	32,340	32,972	632
Utilities and Telephone	13,800	13,118	(682)
Dues, Licenses, Fees, and Permits	11,040	16,109	5,069
Interest Expense	0	149,609	149,609
Total Operating Expense	1,228,356	1,302,423	74,067
Gain or (Loss) on Sale of Assets	0	(179,543)	(179,543)
Net Revenue (Loss)	\$ 0	\$ 340,991	\$ 340,991

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, 2014

<u>Description</u>	<u>Original Note Balance</u>	<u>Balance as of 09/30/2014</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, 2014		\$ 35,212
Mortgage Note #9213, November 5, 1981, Matures November 5, 2021	<u>76,787</u>	
Monthly Payment \$371, Including 5% Interest		
Principal Balance, September 30, 2014		24,772
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, 2014		56,866
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, 2014		143,674
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, 2014		316,197
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, 2014		164,576
Mortgage March 28, 2013, Matures April 28, 2053	<u>4,900,000</u>	
Monthly Payment \$16,415, Including 2.5% Interest		
Principal Balance, September 30, 2014		<u>4,793,240</u>
Total United States Department of Agriculture Notes		<u>\$ 5,534,537</u>

Please see accompanying notes to the financial statements.

Consolidated Rural Water and Sewer District No. 1

Hastings, Oklahoma

Grant No. 15171 CDBG 12

Revenue and Expenditures Compared with Budget

(Modified Cash Basis)

Year Ended September 30, 2014

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

CFDA No. 14.228

Please see accompanying notes to the financial statements.