

**Creek County Rural Water District No. 1  
Kellyville, Oklahoma**

Financial Statements and Auditor's Reports

Year Ended December 31, 2012

Audited by

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

BROKEN ARROW, OK

**Creek County Rural Water District No. 1**  
**Kellyville, Oklahoma**  
Board of Directors  
December 31, 2012

**BOARD OF DIRECTORS**

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**Vice-President**

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**DISTRICT MANAGER**

Gary McGuire

**PLANT MANAGER**

Randall Taylor

**OFFICE MANAGER**

Martha Bussett

**Creek County Rural Water District No. 1**  
**Kellyville, Oklahoma**  
December 31, 2012

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# SANDERS, BLEDSOE & HEWETT

CERTIFIED PUBLIC ACCOUNTANTS, LLP

## **INDEPENDENT AUDITOR'S REPORT**

Board of Directors  
Creek County Rural Water District No. 1  
Kellyville, Oklahoma

We have audited the accompanying financial statements of the business-type activities of the Creek County Rural Water District No. 1 (the District), Kellyville, Oklahoma, as of and for the year ended December 31, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.


We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the District as of December 31, 2012, and the respective changes in financial position thereof for the year then ended in conformity with the basis of accounting generally accepted in the United States of America.

The Management Discussion and Analysis is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued a report dated April 3, 2013 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grants and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining and individual fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole on the basis of accounting generally accepted in the United States of America.

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Sanders, Bledsoe & Hewett  
Certified Public Accountants, LLP

April 3, 2013

**RURAL WATER DISTRICT NO. 1, CREEK COUNTY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**DECEMBER 31, 2012**

Our discussion and analysis of the Rural Water District No. 1, Creek County's financial performance provides an overview of the District's financial activities for the fiscal year ended December 31, 2012. Please read it in conjunction with the District's financial statements that begin on page one.

**FINANCIAL HIGHLIGHTS:**

- The District's total operating expenses exceeded total operating revenue by \$96,596. Overall, the District's total net assets decreased by \$55,528 in the current fiscal year.
- The District earned over \$26,000 in interest earnings during 2012. The district liquidated one CD in 2012 to assist with cash flow.
- The Water Plant supplied a total of 510,000,000 gallons of water in 2012.
- The District sold 9 new taps in 2012, making a total of 2,483 total benefit units in the District.

**Using This Report**

This report is presented in a format consistent with the presentation requirements of the Governmental Accounting Standards Board (GASB) Statement No. 34, as applicable to the District's basis of accounting.

**Basis of Accounting**

The District has elected to present its financial statements in the accrual basis of accounting. According to the accrual basis, revenues are recorded when earned and expenses are recognized when incurred. This policy is in accordance with generally accepted accounting principles.

**The Financial Statements**

One of the most important questions asked about the District's finances is, "Is the District as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets, the Statement of Activities, and the Statement of Cash Flows report information about the District and about its activities in a way that helps answer this question.

These three statements report the District's net assets and the changes in them. You can think of the District's net assets – the difference between assets and liabilities – as one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in water rates paid or charged and the condition of the District's water system, to assess the overall health of the District.

The District has only one type of fund or activity, which is defined as *Business-type activities*. This is considered a proprietary fund. This means the District charges a fee to customers to help it cover all or most of the cost of certain services it provides.

### **Fixed Assets**

At December 31, 2012 the District had \$3,679,005 invested in fixed assets, net of depreciation, including land, the water system, vehicles, equipment and lines. Additional fixed assets of \$51,412 were added during the 2012 fiscal year, including some water system minor improvements and a new truck.

### **Long-Term Debt**

The District had no outstanding long-term debt in 2012.

### **Economic Factors and Next Year's Budget and Rates**

For the upcoming fiscal year ending December 31, 2013 the District's projected budget is fairly consistent with the 2012 fiscal year.

For the fiscal year 2013, the District may have to again increase rates to users to meet demands if the cost of water purchased and everyday expenses are substantially increased. If demand is increased on existing lines and equipment, or additional memberships are substantially increased, it may be necessary for the District to incur some long-term debt to meet these demands. As of the date of this report, none of these situations are probable for the 2013 year.

### **Contacting the District**

This report is designed to provide our customers and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact the District Office at P.O. Box 406, Kellyville, OK 74039, or call (918) 247-6465.



# SANDERS, BLEDSOE & HEWETT

CERTIFIED PUBLIC ACCOUNTANTS, LLP

**REPORT ON COMPLAINEE AND ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH GOVERNMENT AUDITING STANDARDS**

Board of Directors  
Creek County Rural Water District No. 1  
Kellyville, Oklahoma

We have audited the financial statements of the Creek County Rural Water District No. 1 (the District), Kellyville, Oklahoma, as of and for the year ended December 31, 2012, which omitted the management discussion and analysis, and have issued our report thereon dated April 3, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

## 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 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 auditing standards generally accepted in the United States.

## 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, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. We noted no certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the district's ability to record, process summarize and report financial data consistent with the assertions of management in the financial statements.



A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses.

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

A handwritten signature in black ink that reads "Sanders, Bledsoe & Hewett". The script is cursive and fluid, with the ampersand being particularly stylized.

Sanders, Bledsoe & Hewett  
Certified Public Accountants, LLP

April 3, 2013

**CREEK COUNTY RURAL DISTRICT NO. 1**  
**Disposition of Prior Year's Reportable Conditions**  
**December 31, 2012**

There were no prior year instances of noncompliance.

**CREEK COUNTY RURAL WATER DISTRICT NO. 1**  
**Schedule of Audit Results**  
**December 31, 2012**

Section 1 – Summary of Auditor’s Results

1. An unqualified opinion report 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.

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

NONE

**CREEK COUNTY RURAL WATER DISTRICT NO. 1**  
**Statement of Net Assets**  
**December 31, 2012**

**ASSETS**

Current assets:

Cash	\$ 387,369
Investments	1,155,626
Accounts receivable	102,197
Accrued interest receivable	3,971
Inventory	131,954
Prepaid expenses	39,446
Total current assets	<u>1,820,563</u>

Noncurrent assets:

Fixed assets-

Land	8,249
Plant and distribution system, net of depreciation	3,564,573
Trucks and equipment, net of depreciation	39,263
Office building, net of depreciation	24,408
Office furniture and equipment, net of depreciation	1,689
Other equipment, net of depreciation	40,823
Total noncurrent assets	<u>3,679,005</u>

Total Assets	<u>5,499,568</u>
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**LIABILITIES**

Current liabilities:

Accounts payable	36,921
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Noncurrent liabilities:

Refundable deposits	<u>10,272</u>
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Total Liabilities	<u>47,193</u>
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**NET ASSETS**

Invested in capital assets, net of related debt	3,679,005
Unrestricted assets	<u>1,773,370</u>
Total Net Assets	<u>\$ 5,452,375</u>

The accompanying notes to the financial statements are an integral part of this statement

**CREEK COUNTY RURAL WATER DISTRICT NO. 1**  
**Statement of Activities**  
**For The Year Ended December 31, 2012**

**Operating Revenues:**

Water sales	\$ 1,148,664
Water sales - District No. 2	386,114
Water sales - District No. 3	294,826
Sale of materials	2,916
Late charges	20,764
Installations and connections	16,561
Other income and fees	17,131
Total revenues from operations	<u>1,886,976</u>

**Operating Expenses:**

Water purchases	347,535
Backhoe and hauling	285
Chemicals	499,085
Professional fees	25,965
Fittings, meters and connections	56,715
Franchise and storage	7,170
Insurance, general	39,225
Insurance, group	100,280
Office	20,756
Maintenance and repairs	133,990
Retirement	62,721
Salaries	374,696
Taxes	27,395
Automobile	30,950
Utilities	126,278
Depreciation	130,527
Total expenses from operations	<u>1,983,573</u>

Operating Income (Loss)	(96,597)
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**Non-Operating Revenues (Expenses):**

Interest income	24,819
Benefit units	16,250
Total non-operating revenues (expenses)	<u>41,069</u>

Change in Net Assets	(55,528)
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Total Net Assets, beginning of period	<u>5,507,903</u>
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Total Net Assets, end of period	<u><u>\$ 5,452,375</u></u>
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The accompanying notes to the financial statements are an integral part of this statement

**CREEK COUNTY RURAL WATER DISTRICT NO. 1**  
**Statement of Cash Flows**  
**For Year Ended December 31, 2012**

**Cash Flows from Operating Activities:**

Receipts from customers	\$ 1,889,365
Payments to employees	(464,812)
Payments to vendors	(1,411,264)
Net Cash Provided by Operating Activities	<u>13,289</u>

**Cash Flows from Non-Capital Financing Activities:**

Refundable deposits	(1,010)
Additions to fixed assets	(51,412)
Net cash provided by (used in) non-capital financing activities	<u>(52,422)</u>

**Cash Flows from Investing Activities:**

Benefit units	16,250
Interest revenue	24,423
Net cash provided by (used in) investing activities	<u>40,673</u>

Net Increase (Decrease) in Cash and Equivalents	1,540
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Cash and cash equivalents, beginning of period	<u>1,541,455</u>
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Cash and cash equivalents, end of period	<u><u>\$ 1,542,995</u></u>
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**Reconciliation of operating income (loss) to net cash provided by operating activities:**

Operating Income (loss)	\$ (96,596)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation Expense	130,526
(Increase) decrease in accounts receivable	2,392
(Increase) decrease in inventory	(1,455)
(Increase) decrease in prepaid expenses	(5,777)
Increase (decrease) in accounts payable	<u>(15,801)</u>

Net Cash Provided by Operating Activities	<u><u>\$ 13,289</u></u>
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The accompanying notes to the financial statements are an integral part of this statement

**CREEK COUNTY RURAL WATER DISTRICT NO. 1**  
**Notes to Financial Statements**  
**December 31, 2012**

**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.

Reporting Standard

In June 1999, the GASB issued Statement No. 34 “Basic Financial Statements and Management’s Discussion and Analysis for State and Local Government.” This statement establishes new financial reporting requirements for state and local governments throughout the United States. It creates new information and restructures much of the information that governments have presented in the past. The District complied with this requirement.

Cash

The District’s accounts are with the American Heritage Bank, Sapulpa, Oklahoma, and are detailed as follows:

	December 31,	
	2012	2011
Cash on hand	\$ 300	300
Petty cash	300	300
Operation and Maint. Account	388,302	269,166
Add: Deposits in transit	3,425	-
Less: Outstanding checks	(4,958)	(724)
Total	<u>\$ 387,369</u>	<u>269,042</u>

Cash and Cash Equivalents

For the purposes of preparing the statement of cash flows, cash on hand, reconciled cash in savings and checking, and certificates of deposit that can be converted into cash (if necessary) are considered cash equivalents.

**CREEK COUNTY RURAL WATER DISTRICT NO. 1**  
**Notes to Financial Statements**  
**December 31, 2012**

**Note A – Significant Accounting Policies – cont’d**

Investments

The District had the following outstanding investments at December 31, 2012:

Spirit Bank-	
Certificate of Deposit no. 300110162	\$ 28,636
Certificate of Deposit no. 300110175	28,951
Certificate of Deposit no. 300099099	57,419
Certificate of Deposit no. 300111332	28,153
Certificate of Deposit no. 300111345	28,627
Certificate of Deposit no. 300022204	82,704
Community Bank-	
Certificate of Deposit no. 23341	194,358
Certificate of Deposit no. 23351	62,464
BancFirst-	
Certificate of Deposit no. 331000112	222,500
American Heritage Bank-	
Savings Account no. 100212117	25,200
Certificate of Deposit no. 100002979, dated 10/16/12, matures 4/16/14	121,336
Certificate of Deposit no. 100002976, dated 10/16/12, matures 4/16/14	114,999
Certificate of Deposit no. 100003141, dated 11/10/12, matures 5/10/15	160,279
	<hr/>
Total Investments	<u><u>\$ 1,155,626</u></u>

Accounts Receivable

Billings for accounts receivable at December 31, 2012 were \$102,197. Allowance for doubtful accounts was not computed on this balance because uncollectibles do not have a material effect on the balance sheet.

Collateral Pledged

All District funds were adequately insured by \$250,000 FDIC or other secured collateral as of December 31, 2012.



**CREEK COUNTY RURAL WATER DISTRICT NO. 1**  
**Notes to Financial Statements**  
**December 31, 2012**

**Note A – Significant Accounting Policies – cont’d**

Fixed Assets

The fixed asset information for the District is shown below:

	12/31/2011 Amount	Additions	Deletions	12/31/2012 Amount
Land	\$ 8,249	-	-	8,249
Plant and dist. system	6,003,639	27,852	-	6,031,491
Trucks and equipment	150,408	23,560	-	173,968
Office building	95,789	-	-	95,789
Office furn. & equip.	28,939	-	-	28,939
Other equipment	95,743	-	-	95,743
Total Fixed Assets	6,382,767	51,412	-	6,434,179
Less: Accumulated Depreciation	(2,624,647)	(130,526)	-	(2,755,173)
Total	\$ 3,758,120	(79,114)	-	3,679,006

Federal Income Tax

The District is exempt from Federal and State income taxes.

Accumulated Unpaid Vacation and Sick Pay

At December 31, 2012 no determination of the aggregate dollar value of vacation or sick pay had been made.

Prior Year Information

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

**CREEK COUNTY RURAL WATER DISTRICT NO. 1**  
**Notes to Financial Statements**  
**December 31, 2012**

**Note B – Long-Term Debt**

The District had no outstanding long-term debt in 2012.

**Note C – Insurance and Surety Bond Coverage**

The District appears to have had adequate insurance to cover all major perils at December 31, 2012.

**Note D – Retirement Plan**

The District has a noncontributory defined benefit pension plan covering all employees 20.5 years old after six months of employment. Plan benefits are 2% of compensation times years of service. Minimum retirement age is 65, minimum years of participation is five years. The plan pays a pre-retirement death benefit that is the greater of the insurance or the present value of the accrued benefit. Vesting is; 2 years – 20%, 3 years – 40%, 4 years – 60%, 5 years – 80%, 6 years – 100%. Funding of the pension plan is through individual insurance and annuity contracts. The actuarial assumptions used to compute contributions are the same as used to compute pension obligations. For the plan year ended February 28, 2012 the total payroll was \$338,985, the total payroll for participants was \$338,649. Contributions to the plan were \$62,721, or 18.52% of payroll.

Accumulated plan benefits and net assets available for plan benefits for the plan year ended February 28, 2012, the most recent benefit information date, was as follows:

Net assets available for plan benefits	\$ 689,064
Less: Vested accumulated benefits	<u>660,729</u>
Pension assets in excess of benefit obligations	<u>\$ 28,335</u>

**Note E – Calculated Water Cost**

The District and Plant's combined operating expenses totaled \$1,983,572 for the year ending December 31, 2012. During this period the total water production reported was 510,245,000 gallons. The calculated water cost per 1,000 gallons is shown below:

	<u>2011</u>	<u>2011</u>
Water production (gallons)	510,245,000	507,458,000
District	39%    \$ 1.00	38%    \$1.04
Plant	61% <u>1.57</u>	62% <u>1.70</u>
Total cost per 1,000 gallons	<u>\$2.57</u>	<u>\$2.74</u>

CREEK COUNTY RURAL WATER DISTRICT NO. 1  
Balance Sheet  
December 31, 2012

	DECEMBER 31,	
	2012	(memo only) 2011
<u>ASSETS</u>		
Current Assets:		
Cash	\$ 387,369	269,042
Investments	1,155,626	1,272,413
Accounts receivable	102,197	104,589
Accrued interest receivable	3,971	3,574
Inventory	131,954	130,499
Prepaid expenses	39,446	33,669
Total current assets	<u>1,820,563</u>	<u>1,813,786</u>
Fixed Assets:		
Land	8,249	8,249
Plant and distribution system	6,031,491	6,003,639
Trucks and equipment	173,968	150,408
Office building	95,789	95,789
Office furniture and equipment	28,939	28,939
Other equipment	95,743	95,743
Total fixed assets	<u>6,434,179</u>	<u>6,382,767</u>
Less: accumulated depreciation	<u>(2,755,174)</u>	<u>(2,624,647)</u>
Total fixed assets (net)	<u>3,679,005</u>	<u>3,758,120</u>
Total Assets	<u>\$ 5,499,568</u>	<u>5,571,906</u>
<u>LIABILITIES AND FUND EQUITY</u>		
Current Liabilities:		
Accounts payable	\$ 36,920	52,721
Refundable deposits	10,272	11,282
Total current liabilities	<u>47,192</u>	<u>64,003</u>
Fund Equity:		
Benefit units	1,102,505	1,086,255
Retained earnings	4,349,871	4,421,648
Total Fund Equity	<u>5,452,376</u>	<u>5,507,903</u>
Total Liabilities and Fund Equity	<u>\$ 5,499,568</u>	<u>5,571,906</u>

CREEK COUNTY RURAL WATER DISTRICT NO. 1  
Statement of Revenue, Expenses and Changes in Retained Earnings  
For Year Ended December 31, 2012

	2012			(memo only) 2011
	District	Plant	Total	
Revenue from Operations:				
Water sales	\$ 805,192	343,472	1,148,664	1,209,123
Water sales - District No. 2	-	386,114	386,114	368,887
Water sales - District No. 3	-	294,826	294,826	282,789
Sale of materials	2,916	-	2,916	492
Late charges	20,764	-	20,764	28,907
Installations and connections	16,561	-	16,561	500
Other income and fees	17,131	-	17,131	6,367
Total revenue from operations	<u>862,564</u>	<u>1,024,412</u>	<u>1,886,976</u>	<u>1,897,065</u>
Expenses from Operations:				
Water purchases	347,535	-	347,535	347,462
Backhoe and hauling	285	-	285	1,500
Chemicals	-	499,085	499,085	450,582
Professional fees	3,147	22,818	25,965	23,156
Fittings, meters and connections	49,230	7,485	56,715	38,444
Franchise and storage	7,170	-	7,170	29,277
Insurance, general	30,630	8,595	39,225	35,092
Insurance, group	30,084	70,196	100,280	85,662
Office	12,730	8,026	20,756	25,539
Maintenance and repairs	16,984	117,006	133,990	101,245
Retirement	18,816	43,905	62,721	52,557
Salaries	88,012	286,684	374,696	336,697
Taxes	6,358	21,037	27,395	25,986
Automobile	9,372	21,578	30,950	26,634
Utilities	20,593	105,685	126,278	127,869
Depreciation	130,526	-	130,526	144,140
Total expenses from operations	<u>771,472</u>	<u>1,212,100</u>	<u>1,983,572</u>	<u>1,851,842</u>
Net Income (Loss) from Operations	<u>\$ 91,092</u>	<u>(187,688)</u>	(96,596)	45,223
Other Income:				
Interest earnings			<u>24,819</u>	<u>16,880</u>
Net Income (Loss)			(71,777)	62,103
Retained earnings, beginning of period			<u>4,421,648</u>	<u>4,359,545</u>
Retained earnings, end of period			<u>\$ 4,349,871</u>	<u>4,421,648</u>