

Muskogee County Rural Water District No. 5
Muskogee, Oklahoma

Financial Statements and Auditor's Reports

Year Ended December 31, 2013

Audited by

SANDERS, BLEDSOE & HEWETT
CERTIFIED PUBLIC ACCOUNTANTS, LLP

BROKEN ARROW, OK

Muskogee County Rural Water District No. 5
Muskogee, Oklahoma
Board of Directors
December 31, 2013

BOARD OF DIRECTORS

Chairman

T.A. Staton
2016

Vice Chairman

Robert Plunkett
2016

Secretary/Treasurer

Beverly Delmedico
2014

Member

Leonard Howdeshell
2015

Member

Bobby Jones, Sr.
2014

MANAGER

Kentley D. McCullar

ASSISTANT MANAGER

Eugene Rhodes

BOOKKEEPER

Rita Boydston

CLERK

Linda Roberts

Muskogee County Rural Water District No. 5
Muskogee, Oklahoma
December 31, 2013

TABLE OF CONTENTS

	<u>Page</u>
Board of Directors	1
Table of Contents	2
Independent Auditor's Report	3
Management's Discussion and Analysis	5
Report on Internal Control and on Compliance Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	8
Disposition of Prior Year's Reportable Conditions	10
Schedule of Audit Results	11
<u>COMBINED FINANCIAL STATEMENTS:</u>	
Statement of Net Assets	12
Statement of Activities	13
Statement of Cash Flows	14
Notes to Financial Statements	15
<u>OTHER SUPPLEMENTARY INFORMATION:</u>	
Balance Sheet (comparative)	20
Statement of Revenue, Expenses and Changes in Retained Earnings (comparative)	21



SANDERS, BLEDSOE & HEWETT

CERTIFIED PUBLIC ACCOUNTANTS, LLP

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Muskogee County Rural Water District No. 5
Muskogee, Oklahoma

We have audited the accompanying financial statements of the business-type activities of the Muskogee County Rural Water District No. 5 (the District), Muskogee, Oklahoma, as of and for the year ended December 31, 2013, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the

reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

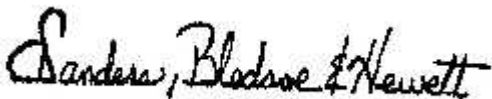
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the District as of December 31, 2013, and the respective changes in financial position and cash flows thereof for the year then ended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

Other Matters

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 and 6 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 supplemental 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 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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 6, 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 or on compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.



Sanders, Bledsoe & Hewett
Certified Public Accountants, LLP

RURAL WATER DISTRICT NO. 5, MUSKOGEE COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2013

Our discussion and analysis of the Rural Water District No. 5, Muskogee County's financial performance provides an overview of the District's financial activities for the fiscal year ended December 31, 2013. Please read it in conjunction with the District's financial statements that begin on page 12.

FINANCIAL HIGHLIGHTS

- The District's total operating revenues exceeded total operating expenses by \$62,279. Overall, the District's cash and cash equivalents increased by \$30,342 in the current fiscal year.
- Interest rates continue to be deflated, with the District earning \$5,160 in interest earnings during 2013.
- We seem to be moving into a new era. Business as usual is no longer the cliché. New technology requires us to change with the times. Overall it is always for the better as it helps us to provide safe water quality and better service to you, our customers. All of us are being forced to pay higher fuel prices which have escalated along with the price of brass and PVC supplies that it takes to maintain the District.
- The District is indebted by one note only to Oklahoma Water Resources Board.

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 Assets, Liabilities and Net Assets, the Statement of Revenues, Expenses and Changes in Net Assets,

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, 2013 the District had \$2,074,511 invested in fixed assets, net of depreciation, including land, the water system, vehicles and equipment. Some minor equipment purchases were made to the District during 2013. Our member numbers have grown to 1673 during 2013. Growth in our area is still a major factor and the City has yet to offer us additional allocation of water. Without the City of Muskogee allocating additional water the district may, in the future, be required to restrict or deny new taps.

Long-Term Debt

The District is indebted to Oklahoma Water Resources Board on one note obtained for previously extensive extensions and payment of other debts. We have not had the need to apply for another loan for any reason. The outstanding principal balance owed on the note decreased from \$869,800 to \$782,000 during the 2013 fiscal year.

Economic Factors and Next Year's Budget and Rates

December 31, 2013 revenue did not prove to be a large increase as compared to December 31, 2012 revenue. We are still within the same guidelines on our budget expenses. The fact that the price increases, our large growth rate and the age of our system will cause us to raise water rates periodically to keep your District in a financially sound condition. Gradual increases will be more effective and easier to absorb than if we have to have a large increase at once. The Board has our rate studies prepared by Community Resource Group, a State Agency, to analyze our income to debt/expense ratio.

The Board of Directors may change the budget for the fiscal year 2014 somewhat to allow for a more compatible ratio between income and expenses. To better allow for office and field personnel operations, and if there is a need for added staffing or equipment. With the expansion of Muskogee City Water Treatment Plant, their cost of water to us increased over 5% in 2012. Water rates will need to be adjusted to be able to pay for the increases imposed by the City of Muskogee.

The District's budget for fiscal year 2014 will remain much like previous year budget, with the exceptions allowing for the increased expenses and our recent rate increase for added income. Your Board of Directors may change the budget somewhat to better allow for office and field personnel operations, and if there is a need for added staffing.

Contacting the District's Management

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 7181 South Cherokee St., Muskogee, OK 74403 or call (918) 682-6380.

As always, our office personnel, Rita Boydston and Linda Roberts are prepared to assist you with your water district questions. Our manager, Kentley McCullar and assistant manager, Eugene Rhodes will be happy to assist you with water line and meter questions.



SANDERS, BLEDSOE & HEWETT

CERTIFIED PUBLIC ACCOUNTANTS, LLP

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Directors
Muskogee County Rural Water District No. 5
Muskogee, Oklahoma

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the accompanying financial statements of the Muskogee County Rural Water District No. 5 (the District), Muskogee, Oklahoma, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 6, 2014.

Internal Control Over Financial Reporting

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified no deficiencies in the internal controls that we considered to be material weaknesses.


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

weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Sanders, Bledsoe & Hewett
Certified Public Accountants, LLP

February 6, 2014

MUSKOGEE COUNTY RURAL DISTRICT NO. 5
Disposition of Prior Year's Reportable Conditions
December 31, 2013

There were no prior year reportable conditions.

MUSKOGEE COUNTY RURAL WATER DISTRICT NO. 5
Schedule of Audit Results
December 31, 2013

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

MUSKOGEE COUNTY RURAL WATER DISTRICT NO. 5
Statement of Net Assets
December 31, 2013

ASSETS:

Current Assets:

Cash and cash equivalents	\$ 605,519
Investments	635,835
Current portion of receivables	57,452
Inventory of supplies	29,819
Prepaid assets	10,614
Total current assets	<u>1,339,239</u>

Noncurrent Assets:

Restricted cash-	
Reserve account	98,000
ORWB project trust funds	115,462
Capital Assets-	
Land	13,272
Building, plant and water systems, net	1,937,352
Other capital assets, net	123,887
Total noncurrent assets	<u>2,287,973</u>

Total Assets	<u>3,627,212</u>
--------------	------------------

LIABILITIES:

Current Liabilities:

Accounts payable	20,010
Accrued liabilities	501
Current portion of long-term debt	70,412
Total current liabilities	<u>90,923</u>

Noncurrent Liabilities:

Long-term debt	<u>711,588</u>
----------------	----------------

Total Liabilities	<u>802,511</u>
-------------------	----------------

NET ASSETS:

Invested in capital assets, net of related debt	1,292,511
Restricted for debt service	213,462
Unrestricted assets	<u>1,318,728</u>
Total Net Assets	<u>\$ 2,824,701</u>

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

MUSKOGEE COUNTY RURAL WATER DISTRICT NO. 5
Statement of Activities
For The Year Ended December 31, 2013

Operating Revenues:

Water sales	\$ 722,738
Fees and fines	31,882
Miscellaneous	<u>3,847</u>
Total revenue from operations	<u>758,467</u>

Operating Expenses:

Salaries and benefits	180,436
Water purchases	260,417
Repairs and maintenance	48,314
Vehicle expense	27,192
Utilities and telephone	16,406
Insurance	12,627
Office expense and postage	38,280
Depreciation	95,762
Professional fees	2,325
Water testing	5,158
Miscellaneous	<u>9,271</u>
Total expenses from operations	<u>696,188</u>

Operating Income (Loss)	62,279
-------------------------	--------

Non-Operating Revenues (Expenses):

Interest income	5,160
Interest paid on long-term debt	<u>(13,097)</u>
Total Non-Operating Revenues (Expenses)	<u>(7,937)</u>

Change in Net Assets	54,342
----------------------	--------

Total Net Assets, beginning of period	<u>2,770,359</u>
---------------------------------------	------------------

Total Net Assets, end of period	<u><u>\$ 2,824,701</u></u>
---------------------------------	----------------------------

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

MUSKOGEE COUNTY RURAL WATER DISTRICT NO. 5
Statement of Cash Flows
For the Year Ended December 31, 2013

Cash Flows from Operating Activities:

Receipts from customers	\$ 751,969
Payments to employees	(158,562)
Payments to vendors	(438,301)
	<hr/>
Net Cash Provided by Operating Activities	155,106
	<hr/>

Cash Flows from Financing Activities:

Purchases of capital assets	(28,992)
Principal paid on long-term debt	(87,800)
Interest paid on long-term debt	(13,132)
	<hr/>
Net Cash Provided by (used in) Financing Activities	(129,924)
	<hr/>

Cash Flows from Investing Activities:

Interest earned on investments	5,160
	<hr/>
Net Increase (Decrease) in Cash	30,342
Cash and cash equivalents, beginning of period	1,424,474
	<hr/>
Cash and cash equivalents, end of period	\$ 1,454,816
	<hr/> <hr/>

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

Operating Income	\$ 62,279
Adjustments to reconcile net income to net cash provided (used) by operating activities:	
Depreciation Expense	95,762
Change in assets and liabilities:	
(Increase) decrease in accounts receivable	(1,432)
(Increase) decrease in supplies inventory	(9,885)
(Increase) decrease in prepaid insurance	(500)
Increase (decrease) in accounts payable	8,882
	<hr/>
Net cash provided by operating activities	\$ 155,106
	<hr/> <hr/>

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

MUSKOGEE COUNTY RURAL WATER DISTRICT NO. 5

Muskogee, Oklahoma

Notes to the Financial Statements

December 31, 2013

Note A – Significant Accounting Policies

Nature of Organization

The Okmulgee County Rural Water District No. 6 (the District) was created under the provisions of Title 82 of Oklahoma Statutes, Section 1324.1 – 1324.35 and the Laws of the State of Oklahoma. The purpose of this District is to provide water services to users.

Basis of Accounting

The accrual basis of accounting is followed for all accounts. Revenues are recorded when earned and liabilities are recognized when incurred. This policy is in accordance with generally accepted accounting principles.

The District follows GASB issued Statement No. 34 “Basic Financial Statements and Management’s Discussion and Analysis for State and Local Government.” This statement establishes financial reporting requirements for state and local governments throughout the United States.

Cash

The District’s accounts are with the Bank of Oklahoma in Muskogee, Oklahoma, and at December 31st, are detailed as follows:

	December 31,	
	2013	2012
Cash on hand	\$ 250	250
Revenue account	520,697	525,794
Emergency account	1,000	932
Operation & Maintenance account	83,573	56,717
Less: Outstanding checks	-	(3,821)
ORWB Trust Accounts-		
Debt Service account	3	9
Debt Service Reserve account	115,458	115,458
Total	<u>\$ 720,981</u>	<u>695,339</u>

MUSKOGEE COUNTY RURAL WATER DISTRICT NO. 5

Muskogee, Oklahoma

Notes to the Financial Statements

December 31, 2013

Note A – Significant Accounting Policies – cont'd

Investments

The District's investments are with Armstrong Bank in Muskogee, Oklahoma, and at December 31st, are detailed as follows:

Certificate of deposit no. 535834, dated 5-1-13, due 5-1-14	\$ 242,729
Certificate of deposit no. 1015224912, dated 5-2-13, due 5-1-14	253,143
Certificate of deposit no. 1015692487, dated 8-29-13, due 8-28-14	<u>237,963</u>
Total Investments	<u><u>\$ 733,835</u></u>

Restricted Cash

In accordance with the Board of Directors, a capital replacement amount of \$98,000 has been approved as restricted cash. These funds are held by the District as part of certificate of deposit number 535834 held at Armstrong Bank, Muskogee, Oklahoma. This amount is shown on the financial statements as a non-current asset, and not part of the current asset investment amount.

Collateral Pledged

The District's cash deposits at December 31, 2013 are categorized to give an indication of the level of risk assumed by the District at year-end.

The District's investments at December 31, 2013 consisted of certificates of deposit, and are categorized to give an indication of the level of risk assumed by the District at year-end.

MUSKOGEE COUNTY RURAL WATER DISTRICT NO. 5

Muskogee, Oklahoma

Notes to the Financial Statements

December 31, 2013

Note A – Significant Accounting Policies – cont'd

Deposit Categories of Credit Risk

(A) Insured by Federal Deposit Insurance

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

(C) Uncollateralized

	Category			Bank Balance	Carrying Amount
	(A)	(B)	(C)		
Cash	\$ 250,000	470,731		720,731	720,981
Investments	250,000	483,835		733,835	733,835
Total	<u>\$ 500,000</u>	<u>954,566</u>	<u>0</u>	<u>1,454,566</u>	<u>1,454,816</u>

Accounts Receivable

Billings for accounts receivable at December 31, 2013 were \$57,452. No allowance for doubtful accounts was computed because the effect of bad debts on the financial statements is not considered material.

Inventory

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

Fixed Assets

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

Land	N/A
Office furniture & fixtures	5-10 years
Equipment & tools	5 years
Transportation equipment	5 years
Water & sewer system	50 years
Buildings	31 years
Computer equipment	3 years

MUSKOGEE COUNTY RURAL WATER DISTRICT NO. 5

Muskogee, Oklahoma

Notes to the Financial Statements

December 31, 2013

Note A – Significant Accounting Policies – cont'd

The fixed asset information for the District is shown below:

	12/31/2012 Amount	Additions	Deletions	12/31/2013 Amount
Land	\$ 13,272	-	-	13,272
Building	78,762	7,300	-	86,062
Office equipment	53,792	-	-	53,792
Plant and water sys.	3,339,505	-	-	3,339,505
Vehicles and equip.	313,126	21,692	-	334,818
Total Fixed Assets	3,798,457	28,992	-	3,827,449
Less: Accumulated Depreciation	(1,659,176)	(95,762)	-	(1,754,938)
Total	<u>\$ 2,139,281</u>	<u>(66,770)</u>	<u>-</u>	<u>2,072,511</u>

Accumulated Unpaid Vacation and Sick Pay

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

Prior Year Information

Prior year financial statement information is included in the other supplementary information section for comparative purposes only. No opinions are issued on these amounts, and are included as memorandum.

Note B – Notes Payable

Notes payable consists of one note to the Oklahoma Water Resources Board.

The District has a promissory note in the amount of \$1,390,000 with the Oklahoma Water Resources Board (OWRB), dated August 14, 2003, for a period of 20 years. The District makes monthly deposits into the trust account at the Bank of Oklahoma. The trust account then makes the semi-annual payments of principal and interest to the OWRB. The current interest rate on this note is 1.56%. The water system and future water revenues are used as security for this note.

MUSKOGEE COUNTY RURAL WATER DISTRICT NO. 5

Muskogee, Oklahoma

Notes to the Financial Statements

December 31, 2013

Note B – Notes Payable – cont'd

	<u>2013</u>	<u>2012</u>
Oklahoma Water Resources Board note payable, issued for \$1,390,000, dated 8-14-03, at 1.56% interest, due in quarterly installments, until paid;	\$ 782,000	869,800
Less: Current maturities of long-term debt	<u>(70,412)</u>	<u>(66,900)</u>
Total Long-Term Debt	<u><u>\$ 711,588</u></u>	<u><u>802,900</u></u>

The scheduled maturities for the next five (5) years, and in total thereafter, are detailed as follows:

2014	\$ 70,412
2015	71,519
2016	72,642
2017	73,784
2018	74,943
2019-24	<u>418,700</u>
Total	<u><u>\$ 782,000</u></u>

Reserve Account

The District has a debt service account and debt service reserve account with balances of \$9 and \$115,458, respectively, on deposit with the Bank of Oklahoma in a trustee account for use in retiring the note. The reserve is available to make debt service payments in the event the district cannot meet their debt obligations. These reserve account funds are not available for any other purposes.

Note C – Other Commitments/Contingencies

Contributed capital was provided by payments of \$131,998 from the Oklahoma Department of Transportation to reimburse the District for relocation of lines in 2003 and a \$100,000 Emergency Grant from the Oklahoma Water Resources Board to assist in building and improving the water system in 2005.

Management has evaluated subsequent events through January 30, 2014, which is the date the financial statements were available to be issued and have determined that no additional information needs to be added to the financial statements.

MUSKOGEE COUNTY RURAL WATER DISTRICT NO. 5

Balance Sheet

December 31, 2013 and 2012

<u>ASSETS</u>	DECEMBER 31,	
	2013	(memo only) 2012
Current Assets:		
Cash and cash equivalents	\$ 605,519	579,872
Investments	635,835	631,135
Accounts receivable	57,452	56,020
Inventory	29,819	19,934
Prepaid insurance	10,614	10,114
Total current assets	<u>1,339,239</u>	<u>1,297,075</u>
Restricted Assets:		
Reserve account	98,000	98,000
ORWB Project trust funds:		
Debt service account	4	9
Debt service reserve account	115,458	115,458
Total restricted assets	<u>213,462</u>	<u>213,467</u>
Fixed Assets:		
Land	13,272	13,272
Building	86,062	78,762
Office equipment	55,792	55,792
Plant and water systems	3,339,505	3,339,505
Vehicles and equipment	334,818	313,126
Total fixed assets	<u>3,829,449</u>	<u>3,800,457</u>
Less: accumulated depreciation	<u>(1,754,938)</u>	<u>(1,659,176)</u>
Total fixed assets (net)	<u>2,074,511</u>	<u>2,141,281</u>
Total Assets	<u>\$ 3,627,212</u>	<u>3,651,823</u>
 <u>LIABILITIES AND FUND EQUITY</u>		
Current Liabilities:		
Accounts payable	\$ 20,010	11,128
Accrued interest	501	536
Current maturities of long-term debt	70,412	66,900
Total current liabilities	<u>90,923</u>	<u>78,564</u>
Long-Term Debt, less current maturities:		
Notes payable	<u>711,588</u>	<u>802,900</u>
Total Liabilities	<u>802,511</u>	<u>881,464</u>
Fund Equity:		
Contributed capital	231,998	231,998
Retained earnings	2,592,703	2,538,361
Total fund equity	<u>2,824,701</u>	<u>2,770,359</u>
Total Liabilities and Fund Equity	<u>\$ 3,627,212</u>	<u>3,651,823</u>

MUSKOGEE COUNTY RURAL WATER DISTRICT NO. 5
Statement of Revenue, Expenses and Changes in Retained Earnings
For The Years Ended December 31, 2013 and 2012

	2013	(memo only) 2012
Revenue from Operations:		
Water sales	\$ 686,763	713,315
Penalties	27,702	28,137
Benefit unit sales	35,975	70,875
Installation fees	4,180	2,850
Other sales and services	3,847	1,742
Total revenue from operations	<u>758,467</u>	<u>816,919</u>
Expenses from Operations:		
Salaries and benefits	180,436	177,155
Water purchases	260,417	247,796
Repairs and maintenance	48,314	97,028
Vehicle expense	27,192	26,297
Utilities and telephone	16,406	16,184
Insurance	12,627	16,011
Office expense and postage	38,280	29,606
Depreciation	95,762	96,882
Professional fees	2,325	31,825
Trustee fees	1,000	1,000
Water testing	5,158	4,308
Miscellaneous (nsf)	8,271	4,069
Total expenses from operations	<u>696,188</u>	<u>748,161</u>
Net Income (Loss) from Operations	62,279	68,758
Non-operating income:		
Interest earnings	<u>5,160</u>	<u>5,603</u>
Non-operating expense:		
Interest on long-term debt	<u>(13,097)</u>	<u>(14,576)</u>
Net Income (Loss)	54,342	59,785
Retained earnings, beginning of period	<u>2,538,361</u>	<u>2,478,576</u>
Retained earnings, end of period	<u><u>\$ 2,592,703</u></u>	<u><u>2,538,361</u></u>