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**PUSHMATAHA COUNTY
RURAL WATER DISTRICT NO. 3
ANTLERS, OKLAHOMA**

FINANCIAL STATEMENTS AND AUDITOR'S REPORT

YEAR ENDED JUNE 30, 2011

Audited by

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

BROKEN ARROW, OK

PUSHMATAHA COUNTY RURAL WATER DISTRICT NO. 3
BOARD OF DIRECTORS
JUNE 30, 2011

BOARD OF DIRECTORS

Chairman

Joe Rymel

Vice-Chairman

Kenneth Battles

Secretary/Treasurer

Shirley Pool

Directors

Ronny Day

Gordon Richard Frederick

Howard Boyett

Teresa Rosenthal

System Manager

Robert Bruce

Admin. Assistant

Marsha Collum

Bookkeeper

Mary Bowen

PUSHMATAHA COUNTY RURAL WATER DISTRICT NO. 3
JUNE 30, 2011

TABLE OF CONTENTS

	<u>Page</u>
Board of Directors	1
Table of Contents	2
Independent Auditor's Report	3
Management Discussion and Analysis	5
Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	7
Disposition of Prior Year's Reportable Conditions	9
Schedule of Audit Results	10
<u>COMBINED FINANCIAL STATEMENTS:</u>	
Statement of Net Assets	11
Statement of Revenues, Expenses and Changes in Net Assets	12
Statement of Cash Flows	13
Notes to the Financial Statements	14
<u>OTHER SUPPLEMENTARY INFORMATION:</u>	
Balance Sheet	20
Income Statement	21



SANDERS, BLEDSOE & HEWETT
CERTIFIED PUBLIC ACCOUNTANTS, LLP

Stephen H. Sanders, CPA
Eric M. Bledsoe, CPA
Jeffrey D. Hewett, CPA

P. O. BOX 1310 • 112 W. DALLAS ST. • BROKEN ARROW, OK 74013 • (918) 449-9991 • (800) 522-3831 • FAX (918) 449-9779

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Pushmataha County Rural Water District No. 3
Antlers, Oklahoma

We have audited the accompanying financial statements of the business-type activities of the Pushmataha County Rural Water District No. 3 (the District), Antlers, Oklahoma, as of and for the year ended June 30, 2011, 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 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 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 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 June 30, 2011, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management Discussion and Analysis on pages 5-6 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 our report dated September 6, 2011, 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.

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

Sanders, Bledsoe & Hewett
Certified Public Accountants, LLP

September 6, 2011

RURAL WATER DISTRICT NO. 3, PUSHMATAHA COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2011

Our discussion and analysis of the Rural Water District No. 3, Pushmataha County's financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2011. Please read it in conjunction with the District's financial statements that begin on page 11.

FINANCIAL HIGHLIGHTS

- The District's operating sales continued to increase, exceeding \$900,000 for the 2010-11 fiscal year.
- Investments yielded interest income of \$3,518 in 2010-11, the District also increased its certificates of deposit balance by \$6,128.
- The District's operating expenses exceeded operating revenues by \$336,920. During the 2010-11 fiscal year, the District actually brought in \$943,704 and spent \$606,784, before payment of long-term debt.

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 June 30, 2011, the District had \$6,617,417 invested in fixed assets, net of depreciation, including land, the water system, treatment plant, vehicles and equipment.

Long-Term Debt

The District has five outstanding notes with the Office of Rural Development. These notes were incurred to construct the water system and plant, and make various improvements and expansions over the years. At June 30, 2011 the District had outstanding long-term debt of \$3,739,753 on these five notes.

Economic Factors and Next Year's Budget and Rates

For the upcoming fiscal year ending June 30, 2012, the District's operating budget is fairly consistent with prior years.

The District is attempting to obtain additional financing for the expansion and improvement of its water system.

Customer water rates have not increased in several years. However, if the current economic conditions continue and expenses continue to increase, a rate increase may become necessary.

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 P.O Box 67, Antlers, OK 74523 or call (580) 298-3312.



SANDERS, BLEDSOE & HEWETT
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**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER
FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT
AUDITING STANDARDS**

Board of Directors
Pushmataha County Rural Water District No. 3
Antlers, Oklahoma

We have audited the financial statements of the Pushmataha County Rural Water District No. 3 (the District), Antlers, Oklahoma, as of and for the year ended June 30, 2011, and have issued our report thereon dated September 6, 2011. 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.

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 *Government Auditing Standards*.

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 matters involving the internal control over financial reporting and its operation that we would 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 caused by error or fraud 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 and use of management, 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 signature is written in a cursive, flowing style.

Sanders, Bledsoe & Hewett
Certified Public Accountants, LLP

September 6, 2011

PUSHMATAHA COUNTY RURAL WATER DISTRICT NO. 3
DISPOSITION OF PRIOR YEAR'S REPORTABLE CONDITIONS
JUNE 30, 2011

There were no prior year reportable conditions.

PUSHMATAHA COUNTY RURAL WATER DISTRICT NO. 3
SCHEDULE OF AUDIT RESULTS
JUNE 30, 2011

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

COMBINED FINANCIAL STATEMENTS

PUSHMATAHA COUNTY RURAL WATER DISTRICT NO. 3
STATEMENT OF NET ASSETS
JUNE 30, 2011

ASSETS

Current assets:

Cash	\$ 328,492
Investments	277,462
Accounts receivable	85,713
Prepaid insurance	20,962
Total current assets	<u>712,629</u>

Noncurrent assets:

Investment in participation certificates	39,162
Capital assets:	
Fixed assets-property, plant & equipment	9,045,075
Less: Accumulated depreciation	<u>(2,427,658)</u>
Total noncurrent assets	<u>6,656,579</u>

Total Assets	<u>7,369,208</u>
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LIABILITIES

Current liabilities:

Payroll taxes payable	7,279
Current portion of long-term debt	62,100
Total current liabilities	<u>69,379</u>

Noncurrent liabilities:

Refundable deposits	21,785
Long-term notes payable	3,677,653
Total noncurrent liabilities	<u>3,699,438</u>

Total Liabilities	<u>3,768,817</u>
-------------------	------------------

NET ASSETS

Invested in capital assets, net of related debt	2,877,664
Restricted for debt service	226,788
Unrestricted	<u>495,939</u>
Total Net Assets	<u>\$ 3,600,391</u>

The accompanying notes are an integral part of these financial statements.

PUSHMATAHA COUNTY RURAL WATER DISTRICT NO. 3
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011

Operating Revenues:	
Water sales	\$ 920,755
Service connections and charges	11,568
Penalties	8,138
Miscellaneous income	3,243
Total Operating Revenue	<u>943,704</u>
Operating Expenses:	
Salaries	241,224
Employee health insurance	49,180
Payroll taxes	43,808
Employer retirement expense	7,615
Office expenses	14,844
Repairs and maintenance	12,744
Materials and supplies	40,845
Legal, engineering and accounting	9,658
Insurance and bonds	25,070
Auto expenses	19,203
Utilities	90,772
Chemicals	31,466
Dues and fees	13,289
Schools, meetings, and travel	4,260
Water storage fees	874
Miscellaneous expense	1,932
Total Operating Expenses	<u>606,784</u>
Operating income (loss)	336,920
Other Revenues (Expenses):	
Interest income	3,518
Membership fees	7,626
NSF check fees	251
Gain on sale of assets	6,685
Interest expense	(170,293)
Depreciation expense	(135,653)
Leak adjustments	(1,475)
Total Other Revenues (Expenses)	<u>(289,341)</u>
Changes in Net Assets	47,579
Net Assets, Beginning of Year	<u>3,552,812</u>
Net Assets, End of Year	<u>\$ 3,600,391</u>

The accompanying notes are an integral part of these financial statements

PUSHMATAHA COUNTY RURAL WATER DISTRICT NO. 3
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2011

Cash Flows from Operating Activities:	
Receipts from customers	\$ 911,596
Payments to suppliers	(294,524)
Payments to employees	(291,688)
Net Cash Provided (Used) by Operating Activities	<u>325,384</u>
Cash Flows from Investing Activities:	
Interest and dividends	3,518
Gain on sale of assets	6,685
Acquisition of fixed assets	12,705
Net Cash Provided (Used) by Investment Activities	<u>22,908</u>
Cash Flows from Financing Activities:	
Payments on long-term notes - principal	(59,352)
Interest paid	(171,517)
Membership dues	7,626
Net Cash Provided (Used) by Financing Activities	<u>(223,243)</u>
Net Increase (Decrease) in Cash	125,049
Cash and cash equivalents, beginning of year	<u>480,905</u>
Cash and cash equivalents, end of year	<u>\$ 605,954</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:	
Operating income (loss)	\$ 336,920
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Change in Assets and Liabilities:	
Accounts receivable	(9,744)
Prepaid insurance	799
Accounts payable	(2,591)
Net cash provided by operating activities	<u>\$ 325,384</u>

The accompanying notes are an integral part of these financial statements

PUSHMATAHA COUNTY RURAL WATER DISTRICT NO. 3
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

Note A – Summary of Significant Accounting Policies

Business Activity

Pushmataha County Rural Water District No. 3 (the District) was formed in 1967 as an Oklahoma nonprofit corporation pursuant to the Oklahoma Rural Water District Act. The District operates as a nontaxable government agency to service residents of the Pushmataha County Rural Water District No. 3. The District's primary income is from the sale of water to its members in Pushmataha County.

Basis of Accounting

The financial statements are prepared on an accrual basis of accounting, which is in compliance with accounting principles generally accepted in the United States of America and which recognizes revenues when earned and expenses as incurred. Interest earnings on certificates of deposit are recorded when such interest is actually received by the District.

Financial Statement Presentation

The financial statements are presented in accordance with Government Accounting Standard Board, Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*.

Inventories

The District does not carry a significant inventory of materials and supplies. The cost of such items is recorded as an expense when purchased.

Income Taxes

The District is recognized as a tax-exempt organization under the Internal Revenue Code, Section 501(c). Because the District is exempt from federal income tax, no provision for taxes has been made in the financial statements.

PUSHMATAHA COUNTY RURAL WATER DISTRICT NO. 3
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2011

Note B – Cash and Cash Equivalents

At June 30, 2011, the District held the following balances of cash and investments:

Petty Cash	\$	400
Oklahoma Rural Water Association:		
Reserve deposit		1,000
First Bank – Antlers:		
Operating checking account	\$ 177,762	
Rental deposit checking account	21,771	
DCBG reserve account	262	199,795
BancFirst – Hugo:		
Savings account		54,462
Ameristate Bank – Antlers		
Rural Development project account	19,105	
O&M Savings account	64,029	
Certificates of deposit	223,000	306,134
Security First National Bank – Hugo		45,163
Total Cash and Cash Equivalents	\$	606,954

The District has obtained additional pledged collateral from the banks where they have funds. Such collateral provides additional security for the District's funds in excess of the \$250,000 Federal Deposit Insurance Corporation insurance limits at each institution.

Note C – Accounts Receivable

Receivables from water consumers at June 30, 2011 were \$85,714. Water bills paid after the 16th of the month are subject to a late charge of 5 percent. Failure to pay the water bill by the first of the following month shall result in disconnection of the service. Consequently, no allowance for doubtful accounts or a related charge for bad debts has been recorded in these financial statements.

PUSHMATAHA COUNTY RURAL WATER DISTRICT NO. 3
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2011

Note D – Property, Plant, and Equipment

Fixed assets are carried at cost with depreciation being provided using the straight-line method. The following schedule summarizes the estimated useful lives of the various fixed asset categories and acquisitions for the year ended June 30, 2011.

	Life	Balance June 30, 2010	Acquired	(Disposed)	Balance June 30, 2011	Accumulated Depreciation
Land	n/a	\$ 59,448	-	-	59,448	-
Construction in progress	n/a	143,002	-	(143,002)	0	-
Buildings	20 years	98,852	-	-	98,852	76,959
Water distribution system	67 years	5,485,297	129,427	-	5,614,724	1,514,650
Auto and machinery	3-7 years	310,959	870	-	311,829	251,862
Office equipment	5-10 years	38,953	-	-	38,953	32,900
Water treatment plant	67 years	2,921,269	-	-	2,921,269	551,287
Total		<u>\$ 9,057,780</u>	<u>130,297</u>	<u>(143,002)</u>	<u>9,045,075</u>	<u>2,427,658</u>

Note E – Investment in Participation Certificates

In connection with the loan from National Bank for Cooperatives (CoBank) discussed in *Note G*, the District receives annual cash patronage payments and equity patronage certificates from CoBank. Such payments and certificates are based on CoBank's overall profitability and desired rates of return established by CoBank's Board of Directors.

The equity patronage certificates are carried as an investment in the District's financial statements and are held by CoBank for redemption by the District approximately five years following the final maturity of the District's underlying loan with CoBank.

The aggregate amount of equity certificates issued for the year ended June 30, 2011 was \$38,162. In accordance with the terms of the underlying certificates, this amount has been recorded as an increase in the District's investment asset and an offsetting decrease in the District's loan interest expense on the CoBank note.

Note F – Rental Deposits Payable

The District has a policy of requiring members who do not own their property to provide a deposit for water use. As of the balance sheet date at June 30, 2011 this account had a balance of \$21,785.

PUSHMATAHA COUNTY RURAL WATER DISTRICT NO. 3
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2011

Note G – Long-Term Debt

At June 30, 2011, the District had the following outstanding note obligations:

Note Payable #9110 - In July 1992, the District signed a \$146,000 note with Rural Economic and Community Development. Monthly-required payments are fixed at \$712. The interest rate on this note is 5 percent. The outstanding balance of this note at June 30, 2011 was \$108,524.

Note Payable #9112 - In March 1996, the District signed a \$1,135,000 note with Rural Economic and Community Development for the construction of a new water treatment plant and line extension. The term of the loan is 40 years at 4.5 percent per annum. The outstanding balance of this note at June 30, 2011 was \$920,518.

Note Payable #9114 - In January 1996, the District signed a \$500,000 note with Rural Economic and Community Development for the construction of a new water treatment plant and line extensions. The term of the loan is 40 years at 4.5 percent per annum. The outstanding balance of this note at June 30, 2011 was \$405,525.

Note Payable #9118 - In March 1996, the District signed a \$1,047,000 note with Rural Economic and Community Development for the construction and improvements of the water system and line extensions. The term of the loan is 40 years at 4.375 percent per annum. The District began receiving these loan proceeds in the 2005-06 fiscal year. The outstanding balance of this note at June 30, 2011 was \$1,000,355.

Note Payable #9119 - In April 2006, the District signed a \$1,365,700 note with Rural Economic and Community Development for the construction and improvements of the water system and line extensions. The term of the loan is 40 years at 4.375 percent per annum. The District began receiving these loan proceeds in the 2005-06 fiscal year. The outstanding balance of this note at June 30, 2011 was \$1,304,831.

Debt balances at June 30, 2011 were as follows:

<u>RECD:</u>	
Note 9110, \$146,000, \$712/month	\$ 108,524
Note 9112, \$1,135,000, \$5,153/month	920,518
Note 9114, \$500,000, \$2,270/month	405,525
Note 9118, \$1,047,000, \$4,670/month	1,000,355
Note 9119, \$1,365,000, \$6,092/month	<u>1,304,831</u>
Total Notes Payable, June 30, 2011	3,739,753
Less: current maturities	<u>(62,100)</u>
Long-Term Debt, June 30, 2011	<u><u>\$ 3,677,653</u></u>

PUSHMATAHA COUNTY RURAL WATER DISTRICT NO. 3
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2011

Note G – Long-Term Debt – cont'd

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

<u>Note No.</u>	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>	<u>Thereafter</u>	<u>Total</u>
91-10	\$ 3,215	3,379	3,552	3,734	3,925	90,719	108,524
91-12	20,839	21,796	22,798	23,845	24,940	806,300	920,518
91-14	9,179	9,601	10,042	10,503	10,986	355,214	405,525
91-18	12,524	13,083	13,666	14,276	14,914	931,892	1,000,355
91-19	16,343	17,072	17,834	18,630	19,462	1,215,490	1,304,831
Totals	<u>\$ 62,100</u>	<u>64,931</u>	<u>67,892</u>	<u>70,988</u>	<u>74,227</u>	<u>3,399,615</u>	<u>3,739,753</u>

Note H – Employee Benefits

During the year ended June 30, 2011, the District paid \$49,180 for employee health insurance.

Full-time employees are entitled to the following annual leave pay:

- Seven hours per month up to three years of service
- Eight hours per month for three to five years of service
- Ten hours per month over five years of service
- Carryover not to exceed ten working days

Full-time employees are entitled to the following sick leave pay:

- Nine days per year
- Carryover not to exceed 18 days

Over-time hours worked are paid on a quarterly basis or in compensated time off during the quarter with no carryover of comp time from quarter to quarter.

Upon termination of employment, the accumulated time is not forfeited. At June 30, 2011, the calculated liability for all compensated absences is not recorded in the financial statements. Such amounts will be recorded as an expense when paid to the appropriate employee.

A Simple IRA Plan was established by the District on November 15, 1999. The District contributes 3 percent of gross salary for all participating employees and also pays an annual administrative fee of \$15.00 per employee.

PUSHMATAHA COUNTY RURAL WATER DISTRICT NO. 3
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

Note I – Grant Revenue

In prior years, the District has received development grants from the Farmers Home Administration, Ozarks Regional Commission, Oklahoma Highway Department, Choctaw Nation, State Parks Department, and the Department of Economic and Community Affairs. These moneys were used to partially finance construction of the water distribution system and a water treatment facility. During the fiscal year ended June 30, 2011, no additional grant revenue was received.

Note J – Insurance Coverage

At June 30, 2011, the District maintained the following insurance coverage through the Oklahoma Rural Water Association Assurance Group:

Comprehensive General Liability-

Bodily injury, property damage, and errors/omissions

Limits: \$25,000 property damage each loss
 \$125,000 other losses each loss
 \$1,000,000 aggregate per occurrence
Deductible: \$1,000 per occurrence

Business Automobiles-

Bodily injury, property damage, and errors/omissions

Limits: \$25,000 property damage each loss
 \$100,000 other losses each loss
 \$1,000,000 aggregate per occurrence
Comprehensive and Collision Coverage: Stated auto valuation: \$14,137 - \$27,075
Deductible: \$250 per occurrence

Property Coverage-

Stated asset value: \$1,423,452
Deductible: \$500 per occurrence

Employee Fidelity and Crime-

Limits: \$10,000 money and securities, public employee, and treasurer

OTHER SUPPLEMENTARY INFORMATION

PUSHMATAHA COUNTY RURAL WATER DISTRICT NO. 3
BALANCE SHEET
JUNE 30, 2011

	June 30,	
<u>ASSETS</u>	2010	(memo only) 2010
Current Assets:		
Cash in banks	\$ 328,492	209,572
Investments	277,462	271,334
Accounts receivable	85,713	75,969
Prepaid insurance	20,962	21,761
Total current assets	712,629	578,636
Property, Plant, and Equipment:		
Land	59,448	59,448
Construction in progress	-	143,002
Water distribution system	5,614,724	5,485,297
Water treatment plant	2,921,269	2,921,269
Building	98,852	98,852
Office equipment	38,953	38,953
Automobiles and machinery	311,829	310,959
Sub-total	9,045,075	9,057,780
Less: accumulated depreciation	(2,427,658)	(2,292,005)
Total property, plant, and equipment	6,617,417	6,765,775
Other Assets:		
Participation certificates	39,162	39,162
Total Assets	\$ 7,369,208	7,383,573
<u>LIABILITIES AND MEMBER EQUITY</u>		
Current Liabilities:		
Payroll taxes payable	\$ 7,279	11,660
Rental deposits payable	21,785	19,995
Current portion of long-term debt	62,100	59,394
Total current liabilities	91,164	91,049
Long-term Debt, Less Current Maturities:		
Notes payable	3,677,653	3,739,712
Total Liabilities	3,768,817	3,830,761
Member Equity:		
Contributed capital	2,161,828	2,163,352
Retained earnings	1,438,563	1,389,460
Total member equity	3,600,391	3,552,812
Total Liabilities and Member Equity	\$ 7,369,208	7,383,573

PUSHMATAHA COUNTY RURAL WATER DISTRICT NO. 3
 INCOME STATEMENT
 FOR THE YEAR ENDED JUNE 30, 2011

	2010-11	(memo only) 2009-10
Operating Revenues:		
Water sales	\$ 920,755	844,202
Service connections and charges	11,568	12,105
Penalties	8,138	7,900
Miscellaneous income	3,243	3,747
Total Operating Revenue	<u>943,704</u>	<u>867,954</u>
Operating Expenses:		
Salaries	241,224	233,364
Employee health insurance	49,180	43,088
Payroll taxes	43,808	42,197
Employer retirement expense	7,615	6,121
Office and postage	14,844	18,176
Repairs and maintenance	12,744	15,206
Materials and supplies	40,845	45,413
Legal, engineering and accounting	9,658	11,144
Insurance and bonds	25,070	25,902
Auto expenses	19,203	20,632
Utilities	90,772	85,638
Chemicals	31,466	37,919
Dues and fees	13,289	25,516
Schools, meetings, and travel	4,260	6,135
Water storage fees	874	594
Miscellaneous expense	1,932	1,720
Total Operating Expenses	<u>606,784</u>	<u>618,765</u>
Operating Revenues Over (Under) Operating Expenses	<u>336,920</u>	<u>249,189</u>
Other Revenues (Expenses):		
Interest income	3,518	5,347
Gain (loss) on sale of assets	6,685	6,081
Membership fees	9,150	10,625
NSF check fees	251	568
Leak adjustments	(1,475)	(939)
Depreciation expense	(135,653)	(142,501)
Interest expense	(170,293)	(172,870)
Total Other Revenues (Expenses)	<u>(287,817)</u>	<u>(293,689)</u>
Increase (Decrease) in Retained Earnings	49,103	(44,500)
Retained Earnings, Beginning of Year	<u>1,389,460</u>	<u>1,433,960</u>
Retained Earnings, End of Year	<u>\$ 1,438,563</u>	<u>1,389,460</u>