

*Financial Statements*

*of*

**Rural Water District No. 7  
Wagoner County, Oklahoma**

December 31, 2011 and 2010

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***Clothier & Company CPA's P.C.***

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Rural Water District No. 9  
Wagoner County, Oklahoma

We have audited the accompanying financial statements of Rural Water District No. 9, Wagoner County, Oklahoma, as of and for the years ended December 31, 2011 and 2010. These financial statements are the responsibility of Rural Water District No. 9, Wagoner County, Oklahoma'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 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 Rural Water District No.9, Wagoner County, Oklahoma, as of December 31, 2011 and 2010, and the respective changes in financial position and, where applicable, cash flows, thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 25, 2012 on our consideration of Rural Water District No. 9, Wagoner County, Oklahoma's internal control over financial reporting and 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management Discussion and Analysis on page I is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United State of America. 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.

Our audit was conducted for the purpose for forming opinions on the financial statements that comprise the Rural Water District No.9, Wagoner County, Oklahoma basic financial statements. The Budgetary Comparison is presented for purposes of additional analysis and is not a required part of the basic financial statements. The Budgetary Comparison has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion.

*Clothier + Company CPA's*

Clothier & Company, CPA's, P.C.  
February 25, 2012

Rural Water District No. 7  
Wagoner County, Oklahoma

Management Discussion and Analysis Report  
February 16, 2012

Rural Water District No. 7 is a political subdivision of the State of Oklahoma organized in February, 1967, with its offices located in Wagoner County, Oklahoma. The District was formed to furnish water service to the residents of the district by constructing and maintaining a water system.

As the Board of Directors of the District, we offer readers of the District's financial statement this narrative overview and analysis of the financial and operational activities of the District for the calendar year ending December 31, 2011. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished.

For additional information, the reader is invited to study the Independent Auditor's Report prepared by Clothier and Co. CPA's.

FINANCIAL HIGHLIGHTS

The Total Assets of the District exceeded its Total Current Liabilities and Total Long Term Liabilities at the close of this calendar year (2011) by \$987,942.

The District's Total Assets increased by \$7,379 as compared to last year (2010).

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are composed of the Statement of Assets, Liabilities and Fund Balance, the Statement of Revenues, Expenses, and Changes in Fund Balances. These statements are designed to provide readers with a broad view of the District's finances, in a manner similar to a private sector business.

The actual statements will be found in the Independent Auditor's Report prepared by Clothier and Co. CPA's. This report consists of a condensed version of the information in the Independent Auditor's Report.

Assets, Liabilities, and Fund Balances Report

The Asset, Liabilities, and Fund Balances Report presents information on all of the District's assets, including current assets (cash, CD's, and employee advances), fixed assets (facilities, such as the water plant, office furniture, and trucks), and other assets (cash in reserve). This report also presents

information on all of the District's liabilities, things that the District is liable for, including current liabilities (taxes to be paid), long term liabilities (notes payable), and fund balances (undistributed earnings and current income or loss).

At the end of 2011, Total Assets were \$2,575,251 as compared to \$2,567,872 at the end of 2010, an increase of .29%.

Total Current Liabilities at the end of 2011 were \$76,991 as compared with \$73,652 at the end of 2010, an increase of 4.34%. Total Long-Term Liabilities at the end of 2011 were \$1,510,318 as compared with \$1,583,694 at the end of 2010, a decrease of 4.63%.

Total Fund Balance was \$987,942 at the end of 2011 as compared with \$910,526 at the end of 2010, an increase of 7.84%.

### Revenues, Expenses, and Changes in Fund Balances

The Receipts, Disbursements, and Changes in Fund Balances Report present information on the District's financial health. This statement is very similar to a business's profit and loss statement. It reports the income received from water sales and benefit unit sales, and the cost of providing potable water to the District's customers. Also reported are the operating expenses of the District, such as salaries, taxes, and other operating expenses. The result of this report is the net income or loss for the District. Net Income at the end of 2011 was \$77,417 as compared with \$73,595 at the end of 2010, an increase of 4.94%.

### Statement of Cash Flows

The Statement of Cash Flows presents information on the flow of cash from operating activities (cash received from customers and cash paid to employees and suppliers), cash flows from capital and related financing activities (payment of debt, purchases of property and equipment, depreciation expense, and increases in CD's).

### Revenues, Cost of Sales, and Operating Expenses

Revenues of RWD #7 for 2011 were \$434,078. The source of this revenue was primarily Water Sales (92.6%) The remainder was made up of Benefit Unit Sales and Penalties (4.1%) and Other Service Charges (3.3%).

Cost of Sales for 2011 was \$63,833. Cost of Sales is made up of Water Purchases (10.1%), Repairs Equipment Hire (27%), Plant Supplies (42.5%), and Repair Supplies (20.4%).

Operating Expenses for 2011 was \$297,144. Operating Expenses is made up of Salaries (25.1%), Taxes (2.2%), Employee Benefits (1.6%), Insurance

(5.1%), Utilities (7.3%), Office Supplies and Postage (3.1%), Depreciation Expense (26.2%), Interest Expense (15%), Professional/ Loan Fees (2.8%), and other similar expenses (11.6%).

Other revenue came from Interest Income of \$4,316 in 2011.

This resulted in a Net Income for 2011 of \$77,417.

### OPERATIONAL HIGHLIGHTS

1. Hi, my name is Brian Hathaway. I am the new plant manager as of April 15, 2011. I really enjoy working with all the people in the district and will do the best job I can.
2. In 2011, we added 7 meters & pulled 11 for a loss of 4 meters.
3. We are currently putting the GPS coordinates of meters, valves and fill plugs on a topographical map of the district including water lines by size. This should be completed in the next few weeks and will become very helpful in the future.
4. We are starting the process of boring the railroad tracks on 49<sup>th</sup> street going south. This is to continue the increase flow of water in our Southern areas.
5. There was a small fire in late February of 2011, due to an electrical heater malfunction. Burggraf was brought in to do the restoration of the damage and did a good job.
6. We are working with ODOT in the moving and upgrading a water line on highway 16 from 25<sup>th</sup> street through Gibson Station to 100<sup>th</sup> street. This is for the widening of highway 16.
7. J.T Carvell and I are working on locating water leaks in the district to cut down on water loss.
8. All 4 water towers have been inspected and cleaned. This is an ongoing process every 2 years.
9. The office has had a facelift and looks good.

Sincerely,  
Brian Hathaway

### 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 operations, and to show the District's accountability for the money it receives. If you have questions about this report, contact the District's Office Manager at P.O. Box 67, Okay, Oklahoma 74446, or by telephone at 918-683-4737.

Gary R. Crow  
Chairman of the Board

**Rural Water District No.7 Wagoner County**  
**STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCE**  
**As of December 31, 2011 and 2010**

	<u>2011</u>	<u>2010</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 132,561	\$ 142,275
Employee Salary Advance	<u>807</u>	<u>807</u>
<b>Total Current Assets</b>	<u>133,368</u>	<u>143,082</u>
<b>PROPERTY AND EQUIPMENT</b>		
Land	11,000	11,000
Loan Application Costs	60,896	60,896
Water Plant/Facilities	2,622,375	2,620,375
Office Furn. & Fixtures	13,669	13,669
Autos And Trucks	29,496	29,496
Equipment Maintenance	60,506	53,448
Buildings	43,940	41,940
Less: Accumulated Depreciation	<u>(772,598)</u>	<u>(694,732)</u>
<b>Net Property and Equipment</b>	<u>2,069,284</u>	<u>2,136,092</u>
<b>OTHER ASSETS</b>		
Cash in Reserve	<u>372,598</u>	<u>288,698</u>
<b>Total Other Assets</b>	<u>372,598</u>	<u>288,698</u>
<b>TOTAL ASSETS</b>	<u>\$ 2,575,251</u>	<u>\$ 2,567,872</u>
<b>CURRENT LIABILITIES</b>		
Accrued Expense	3,557	2,327
Current Portion of LT Debt	<u>73,434</u>	<u>71,325</u>
<b>Total Current Liabilities</b>	<u>76,991</u>	<u>73,652</u>
<b>LONG-TERM LIABILITIES</b>		
Note Payable	1,583,752	1,655,019
Less Current Maturities	<u>(73,434)</u>	<u>(71,325)</u>
<b>Total Long-Term Liabilities</b>	<u>1,510,318</u>	<u>1,583,694</u>
<b>Total Liabilities</b>	<u>1,587,309</u>	<u>1,657,346</u>
<b>FUND BALANCE</b>		
Fund Balance	<u>987,942</u>	<u>910,526</u>
<b>Total Fund Balance</b>	<u>987,942</u>	<u>910,526</u>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<u>\$ 2,575,251</u>	<u>\$ 2,567,872</u>

See accompanying footnotes and auditors' report.

**Rural Water District No.7 Wagoner County**  
**STATEMENT OF REVENUES, EXPENSES, ANDRWD7**  
**CHANGES IN FUND BALANCE**  
**For the Years Ended December 31, 2011 and 2010**

	<u>2011</u>	<u>2010</u>
<b>Sales</b>		
Water Service	\$ 402,190	\$ 363,378
Benefit Unit Sales	9,000	11,600
Penalties	8,776	7,909
Other Service Charges	14,112	13,648
Less: Returns & Allowances	<u>0</u>	<u>0</u>
<b>Total Sales</b>	<u>434,078</u>	<u>396,535</u>
<b>Cost of Goods Sold</b>		
Water Purchases	6,448	6,469
Repairs Supplies	13,061	2,059
Repairs Equipment Hire	17,209	8,480
Plant Supplies	<u>27,115</u>	<u>26,809</u>
<b>Total Cost of Goods Sold</b>	<u>63,833</u>	<u>43,817</u>
<b>Gross Profit</b>	<u>370,245</u>	<u>352,718</u>
<b>Operating Expenses</b>		
Salaries	74,679	61,940
Payroll Taxes	6,438	5,041
Employee Benefits	4,856	13,816
Insurance Expense	15,198	13,818
Rental - Equipment	0	1,260
Truck Expense	6,136	5,753
Bank Fees	76	44
Licenses, Permits, Dues & Sub.	5,890	7,165
Utilities	21,645	23,766
Telephone	4,073	4,303
Accounting and Auditing	2,900	2,900
Postage	3,638	2,258
Office Supplies and Exp.	5,554	5,534
Professional Fees	378	2,430
Bad Debts	10,666	0
Depreciation	77,866	75,237
Interest Expense	44,495	45,757
Loan Fees	8,045	8,289
Miscellaneous	1,306	1,535
Lab Tests	<u>3,305</u>	<u>4,972</u>
<b>Total Operating Expenses</b>	<u>297,144</u>	<u>285,818</u>
<b>Operating Income (Loss)</b>	<u>73,101</u>	<u>66,900</u>
<b>Other Income (Expense)</b>		
Interest Income	4,316	4,889
Other Income	<u>0</u>	<u>1,806</u>
<b>Total Other Income (Expense)</b>	<u>4,316</u>	<u>6,695</u>
<b>Net Change in Fund Balance</b>	77,417	73,595
<b>Fund Balance - Beginning of Year</b>	<u>910,525</u>	<u>836,931</u>
<b>Fund Balance - End of Year</b>	<u>\$ 987,942</u>	<u>\$ 910,526</u>

See accompanying footnotes and auditors' report.

**Rural Water District No. 7 Wagoner County**  
**STATEMENT OF CASH FLOWS**  
**As of December 31, 2011 and 2010**

	<u>2011</u>	<u>2010</u>
<b>Cash Flows From Operating Activities:</b>		
Cash received from customers	\$ 419,966	\$ 382,887
Cash received from other sources	14,112	15,452
Cash paid to employees	(74,679)	(61,129)
Cash paid to suppliers	(63,833)	(43,817)
Other operating payments	(98,876)	(102,884)
Net Cash Flows from Operating Activities	196,690	190,509
<b>Cash Flows From Capital and Related Financing Activities:</b>		
Proceeds from issuance of debt	0	0
Payment of debt	(71,267)	(69,037)
Acquisition and construction of capital assets	(11,058)	(82,326)
Payment of Interest	(44,495)	(45,757)
Net Cash (Used) By Capital and Related Financing Activities	(126,820)	(197,120)
<b>Cash Flows From Investing Activities:</b>		
Decrease (Increase) in certificates of deposit	(83,900)	(4,389)
Receipt of interest and dividends	4,316	4,889
Net Cash Provided (Used) By Investing Activities	(79,584)	500
Net Increase (Decrease) In Cash	(9,714)	(6,111)
Cash Beginning of Year	142,275	148,386
Cash End of Year	\$ 132,561	\$ 142,275
<b>Reconciliation of Operating Income to Net Cash Flows from Operating Activities:</b>		
Operating income (loss)	\$ 73,101	\$ 66,900
Add depreciation expense	77,866	75,237
Add interest expense	44,495	45,757
(Increase)/Decrease in Current Assets:		
Accounts receivables, net	0	0
Prepaid expenses	0	0
Increase/(Decrease) in Current Liabilities:		
Accounts payable	0	0
Accrued expenses	1,228	809
Customer deposits	0	0
Net Cash Flows from Operating Activities	\$ 196,690	\$ 188,703

See accompanying footnotes and auditors' report.

## **NOTES TO FINANCIAL STATEMENTS**

For the Years Ended December 31, 2011 and 2010

### **1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

Rural Water District No. 7 is a political subdivision of the State of Oklahoma organized in February of 1967, with its offices located in Wagoner County, Oklahoma. The District was formed to furnish water service to the residents of the district by constructing and maintaining a water system.

#### **Basis of Accounting**

The financial statements of the District are prepared using the cash basis of accounting where revenues are recognized when received and expenses are recognized when paid. This is a comprehensive basis of accounting other than generally accepted accounting principles.

The District's financial statements are prepared using a method other than generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. Although the District had the option to apply FASB pronouncements issued after that date to its business-type activities and enterprise funds, it has chosen not to do so.

#### **Cash and Cash Equivalents**

For the purpose of the statement of cash flows, cash and cash equivalents include highly liquid instruments with maturities of three months or less at the date of their acquisition. Funds held in reserve are not considered to be part of cash.

#### **Funds on Deposit**

The District maintains the following account for funds deposited with a fully insured bank:

Operating Account - Gross revenues of the District are to be deposited to this account and then transferred to the Money Market/Savings account when funds exceed two months expenses (about \$30,000). The reasonable and necessary current expenses of operating and maintaining the District for each month are also paid from this account.

Money Market/Savings Account - Depository account for excess funds from the Operating Account. This account will maintain a balance that the board determines necessary. The excess funds will be transferred to the Cash in Reserve.

Cash in Reserve - This fund consists of certificates of deposit. The excess funds from the Money Market/Savings Account are transferred to the different certificates of deposits up to twice a year.

#### **Property and Equipment**

Property and equipment are recorded at cost, with depreciation provided on a straight-line method over the estimated useful lives of the assets.

**Benefit Units**

Residents wishing water services are required to purchase a benefit unit at \$1,500.00. In accordance with Article 6, Section 3 of the By Laws, consideration paid for benefit units is considered a donation.

**Income Tax**

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

**Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures as of the date of the financial statements. Accordingly, actual results could differ from those estimates.

**2. LONG-TERM DEBT**

Rural Water District No. 7 secured a 20 year loan from the Oklahoma Water Resource Board for a new water plant in August 2007. The original loan amount is \$1,850,000. The security for the note includes a pledge and assignment of revenues derived by Rural Water District No. 7. The note bears interest at a rate of 3.26% per annum plus an administrative fee at the rate of .5% per annum on the out standing balance of disbursed loan proceeds. Payments are made twice a year in March and September. The interest payments began in March 2008. The principal payments began September 19, 2009. The outstanding balance as of December 31, 2011 was \$1,583,752.

The following is a schedule of the future payments on the outstanding balance:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$73,434	\$43,924	\$117,359
2013	76,027	41,729	117,756
2014	78,561	39,584	118,145
2015	81,179	37,367	118,547
2016	83,767	35,176	118,943
2017-2021	463,157	138,358	601,515
2022-2026	545,687	68,486	614,173
Thereafter	181,938	5,110	187,048
Totals	<u>\$1,583,752</u>	<u>\$409,734</u>	<u>\$1,993,486</u>

**3. CONCENTRATION OF CREDIT RISK**

Rural Water District No. 7  
Wagoner County, Oklahoma

Rural Water District No. 7 maintains its cash, savings, and certificates of deposits at First Bank and Trust Company and Arvest Bank in Wagoner, Oklahoma. The balance of accounts held by the bank as of year-end is \$504,989, does not include \$170 in petty cash, which is above the \$500,000 guaranteed by the Federal Deposit Insurance Corporation for each bank. Protection has been provided by First Bank and Trust Company for the balance above \$250,000 by purchasing bonds as collateralized deposits in the amount of \$200,000. All deposits were insured or collateralized at December 31, 2011.

**4. PROPERTY, PLANT AND EQUIPMENT**

	Cost	Additions	Accumulated Depreciation	Book Value
Land	\$11,000	\$0	\$0	\$11,000
Water District Facilities	2,620,375	2,000	(660,587)	1,961,788
Office Furniture/Fixture	13,669	0	(12,848)	821
Autos/ Trucks	29,496	0	(29,496)	0
Maintenance Equipment	53,448	7,058	(21,445)	39,061
Loan Application Costs	60,896	0	(12,857)	48,039
New Water Plant	41,940	2,000	(35,365)	8,575
	<u>\$2,830,824</u>	<u>\$11,058</u>	<u>(\$772,598)</u>	<u>\$2,069,284</u>

**5. WATER RATES**

The District has not raised its rates since March 1, 2010. The rates are as follows:

0 - 1,000 Gallons (minimum)	\$23.00
Next 1,000 Gallons	\$4.00
Next 1,000 Gallons	\$4.50
Next 1,000 Gallons	\$5.00
Next 1,000 Gallons	\$5.50
Next 1,000 Gallons	\$6.00
Next 1,000 Gallons	\$6.50
Next 1,000 Gallons	\$7.00
Next 1,000 Gallons	\$7.50
Next 1,000 Gallons	\$8.00
Next 10,000 Gallons (per thousand)	\$8.50
Over 20,000 Gallons (per thousand)	\$9.00



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**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***

To the Board of Directors  
Rural Water District No. 7  
Wagoner County, Oklahoma

We have audited the financial statements of Rural Water District No. 7 Wagoner County, Oklahoma, as of and for the years ended December 31, 2011 and 2010, and have issued our report thereon dated February 13, 2012. 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.

As described in Note 1, the District prepares its financial statements on the cash basis, which is a comprehensive basis of accounting other than accounting principals generally accepted in the United States of America.

**Internal Control Over Financial Reporting**

Management of Rural Water District No. 7 is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Rural Water District No. 7's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion of the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

*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 entity's financial statements will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in

internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Rural Water District No. 7'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*.

This report is intended solely for the information and use of management, the Board of Directors, others within the organization, Oklahoma Water Resources Board, and State of Oklahoma Auditor and Inspector and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Clothier & Company CPA's". The signature is written in black ink and is positioned above the printed name of the firm.

Clothier & Company, CPA's, P.C.  
February 13, 2012

## Supplemental Information

**Rural Water District No. 7 Wagoner County**  
**BUDGET TO ACTUAL COMPARISON**  
**December 31, 2011**

	Original	Final	Actual	Variance
Water Sales	402,000	402,000	402,190	190
Penalties	8,500	8,500	8,776	276
Benefit Units	12,000	12,000	9,000	(3,000)
Other Service Charges	17,500	17,500	14,122	(3,378)
Interest Income	7,000	7,000	4,316	(2,684)
Total Income	<u>447,000</u>	<u>447,000</u>	<u>438,404</u>	<u>(8,596)</u>
Water Purchased	7,000	7,000	6,448	(552)
Repairs Supplies	2,500	2,500	13,061	10,561
Repairs Equipment Hires	9,000	9,000	17,209	8,209
Tower Maintenance	10,000	10,000	0	(10,000)
Plant Supplies	28,500	28,500	27,115	(1,385)
Salaries	65,000	65,000	74,679	9,679
Payroll Taxes	5,500	5,500	6,438	938
Employee Benefits	5,000	5,000	4,856	(144)
Insurance Expense	15,000	15,000	15,198	198
Equipment Rental	0	0	0	0
Truck Expense	6,000	6,000	6,136	136
Licenses, Permits, Dues & Sub.	0	0	5,890	5,890
Utilities	25,000	25,000	21,645	(3,355)
Telephone	4,500	4,500	4,073	(427)
Accounting & Auditing	3,000	3,000	2,900	(100)
Postage	3,500	3,500	3,638	138
Office Supplies & Expenses	6,000	6,000	5,554	(446)
Bad Debts	1,500	1,500	10,666	9,166
Depreciation	76,000	76,000	77,866	1,866
Miscellaneous	10,000	10,000	1,392	(8,608)
Lab Tests	6,000	6,000	3,305	(2,695)
Professional Fees	500	500	378	(122)
Capital Outlay	0	0	0	0
Total Operating Expenses	<u>289,500</u>	<u>289,500</u>	<u>308,447</u>	<u>18,947</u>
OWRB Debt Service	123,139	123,139	123,807	668
Total Expenses	<u>412,639</u>	<u>412,639</u>	<u>432,254</u>	<u>19,615</u>
Net Income (Loss)	<u>34,361</u>	<u>34,361</u>	6,150	<u>(28,211)</u>
Add back principal payment on LTD			<u>71,267</u>	
Change in Fund Balance			<u>77,417</u>	

See accompanying footnotes and auditors' report.