

FINANCIAL STATEMENTS

OF

***RURAL WATER DISTRICT NO. 9
WAGONER COUNTY, OKLAHOMA***

December 31, 2011 and 2010



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. 9

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Manage Discussion and Analysis
For Year Ended December 31, 2011

For Wagoner County Rural Water District No. 9, this is our presentation of Management's Discussion and Analysis (MD&A). This analysis serves as an introduction to the financial statements for users to facilitate whether overall financial health has improved or deteriorated as a result of the past year's operation. A required component of the MD&A is to briefly describe the reasons for change in our revenue, liability, asset, and expenditure balances compared to the previous (2010) year.

Business Activities:

In this review, total revenue account decreased by \$82,521 because in 2010 the District received a Community Development Block Grant for the purpose of building a Water Tower and Pumping Station which was completed and has been on line for the past year. We renewed two Certificates of Deposit (\$109,976) each. With the terms of our revenue bond loan, we have a C.D. in the amount of (\$213,818) to offset against future rate increase.

The District's expenses increased \$39,847 from 2010. With the construction of the Water Tower Project complete, most of this year was dedicated to the maintenance of the existing system, plant repairs and replacing water lines.

For the year ended December 31, 2011, total assets exceeded liabilities by \$1,301,470. The District has a note payable to Bank of Oklahoma in the amount of \$3,935,000. The balance sheet has a net increase of \$44,132.

Future Activities of Wagoner County Rural Water District No. 9:

The 2012 year will see the District focusing on updating and replacing water lines through out the District, replacing water meters and continuing to make improvement to the water plant and distribution system.

Overall Outlook:

The quality of the water continues to be superb and we will continue working to improve the distribution system. The District remains financially strong as we make improvements through out the system, meeting the EPA standards, and paying our bills.

Wagoner County Rural Water District #9
BALANCE SHEET
As of December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 694,427	\$ 672,829
Accounts Receivable (Net)	79,834	69,994
Prepaid Expenses	<u>21,086</u>	<u>21,086</u>
Total Current Assets	<u>795,347</u>	<u>763,909</u>
PROPERTY AND EQUIPMENT		
Water Systems & Plant	5,498,438	4,821,141
Office Equipment	53,664	53,664
Trucks and Equipment	400,439	371,052
Buildings & Improvements	205,956	204,971
Land	25,408	25,408
Less: Accumulated Depreciation	<u>(2,505,125)</u>	<u>(2,315,419)</u>
Net Property and Equipment	<u>3,678,780</u>	<u>3,160,817</u>
OTHER ASSETS		
Loan Fees	318,033	318,033
Accumulated Amortization	(87,733)	(68,494)
Debt Service Sinking Fund	0	7
Rate Stabilization Fund	200,000	200,000
Debt Service Bond Acct.	118,381	117,992
Cash - Reserve	143,975	143,961
Debt Service Construction Fund	<u>160,736</u>	<u>647,162</u>
Total Other Assets	<u>853,392</u>	<u>1,358,661</u>
TOTAL ASSETS	<u><u>\$ 5,327,519</u></u>	<u><u>\$ 5,283,387</u></u>

See accompanying footnotes and auditors' report.

Wagoner County Rural Water District #9
BALANCE SHEET
As of December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
CURRENT LIABILITIES		
Accounts Payable	\$ 24,966	\$ 24,958
Accrued Expense	66,086	67,221
Current Maturities	<u>70,000</u>	<u>65,000</u>
Total Current Liabilities	<u>161,052</u>	<u>157,179</u>
LONG-TERM LIABILITIES		
Loan - Wells Fargo	3,935,000	4,000,000
Less: Current Maturities	<u>(70,000)</u>	<u>(65,000)</u>
Total Long-Term Liabilities	<u>3,865,000</u>	<u>3,935,000</u>
Total Liabilities	<u>4,026,052</u>	<u>4,092,179</u>
FUND BALANCE		
Invested in Capital Assets	(256,220)	(589,644)
Unrestricted	824,337	439,102
Restricted for Debt Service	623,092	1,109,122
Current Income (Loss)	<u>110,258</u>	<u>232,628</u>
Total Fund Balance	<u>1,301,467</u>	<u>1,191,209</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 5,327,519</u>	<u>\$ 5,283,387</u>

See accompanying footnotes and auditors' report.

Wagoner County Rural Water District #9
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND BALANCE
As of December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Sales		
Water Revenue	\$ 1,055,697	\$ 1,038,101
Miscellaneous Income	12,614	16,909
Benefit Unit Revenue	8,250	2,000
Transfer Fees	4,500	4,300
Ambulance Revenue-Pass Through	12,900	13,260
New Service	11,250	10,250
Collected Bad Debt	3,978	5,196
	1,109,189	1,090,016
Cost of Goods Sold		
Water Purchases	16,566	14,520
Merchant Bank Card Fees	1,707	715
Chemicals	59,915	61,884
Heavy Equipment Agreement	7,413	6,451
Equipment Maintenance	2,948	2,872
Water Testing	10,522	8,662
Repairs and Supplies	29,419	26,075
Truck	23,208	14,955
Lab Supplies	7,313	8,261
Plant Repairs	76,269	31,344
Ambulance-Pass Through	12,910	13,340
	248,190	189,079
	Gross Profit	900,937
Operating Expenses		
Salaries	252,099	276,910
Payroll Taxes	20,488	22,296
Retirement Expense	6,015	3,403
Employee Medical Insurance	29,868	31,814
Insurance	27,793	27,047
Workman's Compensation Ins.	7,682	8,652
Accounting	3,970	6,615
Legal	12,959	11,250
Maintenance - Mowing	733	592
DEQ Fees	5,320	5,320
Membership Fees	1,108	1,111
Miscellaneous	1,667	1,067
Bank Charges	(586)	(748)
Advertising	1,113	2,123
Office Supplies	7,334	6,496
Postage	7,229	7,207

See accompanying footnotes and auditors' report.

Wagoner County Rural Water District #9
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND BALANCE
As of December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Schools & Training	1,168	1,381
District Manager Expense	34	0
Bad Debts	2,633	5,835
Telephone	5,145	5,251
Cell Phones	3,396	4,033
Security System	288	288
Utilities	52,313	46,458
Trash Service	720	720
Depreciation	189,706	165,984
Amortization	19,239	19,239
Bonus	2,500	1,750
Drug Testing	225	450
Loan Service Fees	225	2,250
Interest	216,871	219,688
Board Training	1,964	3,713
Theft Loss, Net Insurance	0	7,693
Manager Expense	99	85
Line Projects	0	4,609
	<hr/>	<hr/>
Total Operating Expenses	881,318	900,582
	<hr/>	<hr/>
Operating Income (Loss)	(20,319)	355
	<hr/>	<hr/>
Other Income (Expense)		
Grant Income	124,731	225,269
Interest Revenue	5,849	7,005
	<hr/>	<hr/>
Total Other Income (Expense)	130,580	232,274
	<hr/>	<hr/>
Change in Fund Balance	\$ 110,261	\$ 232,629
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See accompanying footnotes and auditors' report.

Wagoner County Rural Water District #9
STATEMENT OF CASH FLOWS
As of December 31, 2011 and 2010

	2011	2010
Cash Flows From Operating Activities:		
Cash received from customers	\$ 1,069,857	\$ 1,054,515
Cash received from other sources	29,492	27,338
Cash paid to employees	(252,099)	(276,910)
Cash paid to suppliers	(251,368)	(187,516)
Other operating payments	(205,884)	(222,007)
Net Cash Flows from Operating Activities	<u>389,998</u>	<u>395,420</u>
Cash Flows From Noncapital Financing Activities:		
Grant	<u>124,731</u>	<u>225,269</u>
Net Cash Flows from Noncap. Finan. Activities	124,731	225,269
Cash Flows From Capital and Related Financing Activities:		
Proceeds from issuance of debt	0	0
Payment of debt	(65,000)	(60,000)
Acquisition and construction of capital assets	(707,669)	(453,854)
Payment of Interest	(218,086)	(219,688)
Net Cash (Used) By Capital and Related Financing Activities	<u>(990,755)</u>	<u>(733,542)</u>
Cash Flows From Investing Activities:		
Decrease (Increase) in restricted cash	486,030	423,773
Receipt of interest and dividends	<u>5,797</u>	<u>7,005</u>
Net Cash Provided (Used) By Investing Activities	<u>491,827</u>	<u>430,778</u>
Net Increase (Decrease) In Cash	(108,930)	92,656
Cash Beginning of Year	<u>440,555</u>	<u>347,899</u>
Cash End of Year	<u>\$ 331,625</u>	<u>\$ 440,555</u>
Reconciliation of Operating Income to Net Cash Flows from Operating Activities:		
Operating income (loss)	\$ (23,562)	\$ 355
Add depreciation/amortization expense	208,945	185,223
Add interest expense	218,086	219,688
Less interest income	(5,797)	(7,005)
(Increase)/Decrease in Current Assets:		
Accounts receivables, net	(9,840)	(136)
Prepaid expenses	0	(1,022)
Increase/(Decrease) in Current Liabilities:		
Accounts payable	1,705	0
Accrued expenses	2,158	(3,243)
Customer deposits	(1,697)	1,560
Net Cash Flows from Operating Activities	<u>\$ 389,998</u>	<u>\$ 395,420</u>

See accompanying footnotes and auditors' report.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2011

NOTE 1 - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Rural Water District No. 9 is a political subdivision of the State of Oklahoma organized in August of 1978, with its office 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.

Method of Accounting

The accrual method of accounting is utilized in reporting financial information in accordance with U. S. generally accepted accounting principles. The accrual basis of accounting records revenue in the period in which earned rather than when received and records expenses in the period incurred rather than when paid. 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, it has chosen not to do so.

Cash and Cash Equivalents

For the purposes of preparing the statement of cash flows, cash on hand, cash in savings and checking, and certificates of deposit with an original maturity of three months or less, are considered cash equivalents.

Funds on Deposits

The district maintains the following accounts for funds deposited with a fully insured bank:

Operations and Maintenance – The gross revenues of the District are deposited to this account and the bills of the District are generally paid. Excess revenues are transferred to savings as needed.

Savings Account - A cash reserve is set aside in this account for unforeseen catastrophes, extensions and improvements to the water system.

Reserve Account – A reserve is set aside in this account for unforeseen catastrophes, extensions or improvements to the water system, and payments on the loan.

Debt Service – The District transfers money into this account monthly to satisfy loan requirements. The Trust company then makes semi-annual payments to the bondholders.

Construction Fund – The loan proceeds were placed in this account to pay for line projects and the new tower project. The District submits invoices to the Trust company for payment.

Rural Water District No. 9
Wagoner County, Oklahoma

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.

Income Tax

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

Benefit Units

Residents wishing water service are required to purchase a benefit unit at \$1,000. In accordance with Article 6, Section 3 of the By Laws, consideration paid for benefit units is considered a donation.

Use of Estimates

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

NOTE 2 - LONG TERM DEBT

Notes payable to Well Nelson & Associates, LLC., payments due in yearly installments of principal and interest. The interest is variable and increase every five years. Current interest rate on the note is 4.25%. District revenues are pledged as collateral as well as assets. The balance as of December 31, 2011 was \$3,935,000. The note matures August 1, 2038. Funds not used to pay off loans were and are being used to replace deteriorated water lines and build a new water tower.

The following are the current maturity and debt service requirements:

	<u>Maturities</u>	<u>Debt Service</u>
2012	\$70,000	\$285,375
2013	70,000	282,400
2014	75,000	284,425
2015	75,000	280,863
2016	80,000	282,300
2017-2021	475,000	1,423,300
2022-2026	605,000	1,415,900
2027-2031	785,000	1,348,000
2032-2036	1,040,000	1,386,050
2037-2038	660,000	721,525
	<u>\$3,935,000</u>	<u>\$7,710,138</u>

NOTE 3 – RENTER’S DEPOSITS

The District adopted a policy that requires renters to pay a deposit of \$100. When they leave the property, they are refunded the deposit or it may be applied to water bills they owe. These deposits are deposited in a separate checking account and the refunds are paid out of this account. If the deposit is used to pay a water bill, the District writes a check from this account to the operations and maintenance account.

NOTE 4 – ACCOUNTS RECEIVABLE

Due for Water Services	83,664
Due for Ambulance pass Through	970
Allowance For Doubtful Accounts	<u>(4,800)</u>
 Total Accounts Receivable	 <u><u>\$79,834</u></u>

NOTE 5 - CONCENTRATION OF CREDIT RISK

The District maintains deposits at First Bank & Trust located in Wagoner, Oklahoma. The Dodd-Frank Act effective December 31, 2010 amends the Federal Deposit Insurance Act provides unlimited deposit insurance for noninterest-bearing accounts. The Federal Deposit Insurance Corporation up to \$250,000 insures deposits at each institution for all interest-bearing accounts. The District has a letter of credit with FHL Bank for \$100,000 through First Bank & Trust of Wagoner. As of December 31, 2011 cash balances totaled \$894,427 (\$300 cash on hand and \$200,000 Rate Stabilization Fund included). Deposits are categorized into three levels of custodial risk as follows:

1. Uncollateralized.
2. Collateralized with securities held by the pledging financial institution, or,
3. Collateralized with securities held by the pledging financial institution’s trust department or agent but not in the depositor’s name.

The District’s deposits were categorized as follows at December 31, 2011:

	<u>Balance</u>	<u>Insured</u>	<u>Category 1</u>	<u>Category 2</u>	<u>Category 3</u>
First Bank checking	\$252,372	\$252,372	\$0	\$0	\$0
First Bank CD's	433,771	250,000	83,771	100,000	0
First Bank Renter's	23,261	23,261	0	0	0
First Bank Savings	184,723	184,723	0	0	0
	<u><u>\$894,127</u></u>	<u><u>\$710,356</u></u>	<u><u>\$83,771</u></u>	<u><u>\$100,000</u></u>	<u><u>\$0</u></u>

NOTE 6 – GRANTS

The District was awarded a Community Development Block Grant (CDBG) from the Oklahoma Department of Commerce in August of 2009 in the amount of \$350,000 for water system improvements. The grant was awarded under the CDBG Water and Wastewater Phase II program. In November 2010 the District received \$225,269 of the funds for the water tower project. The District received balance of \$124,731 in April 2011.

NOTE 7 – PROPERTY AND EQUIPMENT

Property and equipment activity for the year ended December 31, 2011 was as follows:

	<u>Cost</u>	<u>Additions</u>	<u>Accumulated Depreciation</u>	<u>Book Value</u>
Water Plan & System	\$4,821,141	\$677,297	(\$2,062,604)	\$3,435,834
Office Furniture/Fixtures	53,664	0	(50,718)	2,946
Trucks & Equipment	371,052	29,387	(310,334)	90,105
Land	25,408	0	0	25,408
Building & Improvements	204,971	985	(81,469)	124,487
	<u>\$5,476,236</u>	<u>\$707,669</u>	<u>(\$2,505,125)</u>	<u>\$3,678,780</u>

NOTE 8 – OTHER INFORMATION

At December 31, 2011 the water rates in effect were as follows:

0 - 1,000 gallons	\$35.00	Minimum
1,000 - 9,999 gallons	\$3.50	per 1,000 gallons
10,000 gallons & above	\$4.00	per 1,000 gallons
Multi-User rates:		
0 - 10,000 gallons	\$100.00	Minimum
10,000+	\$10.00	per 1,000 gallons

The Board of Directors are as follows:

	Term Expires
Jim Stevens - Chairman	2012
Bob Biting - Vice Chairman	2012
Chuck Bradley - Secretary	2013
Pat Seck - Director	2014
Lester Gross - Director	2014

Rural Water District No. 9
Wagoner County, Oklahoma

NOTE 9 – SUBSEQUENT EVENT

In January 2011, a former employee of the District brought suit against the District. In January of 2012, the insurance carrier for the District agreed to settle this claim.



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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. 9
Wagoner County, Oklahoma

We have audited the financial statements of Rural Water District No. 9, Wagoner County, Oklahoma, as of and for the years ended December 31, 2011 and 2010, and have issued our report thereon dated February 25, 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.

Internal Control Over Financial Reporting

Management of Rural Water District No. 9, Wagoner County, Oklahoma 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 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. 9, Wagoner County, Oklahoma'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, and State of Oklahoma 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 CPAs".

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

SUPPLEMENTAL INFORMATION

Wagoner County Rural Water District #9
Budget to Actual (Unaudited)
December 31, 2011

	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
REVENUES:				
Water Sales & Penalties	1,067,150	1,067,150	1,055,697	(11,453)
Benefit Units/New Serv/Transfers	2,000	2,000	24,000	22,000
Interest	7,550	7,550	5,849	(1,701)
Collection of Bad Debt	3,300	3,300	3,978	678
Ambulance-Pass Through	13,080	13,080	12,900	(180)
Grants- CDBG	0	0	124,731	124,731
Miscellaneous Income	4,300	4,300	12,614	8,314
Total Revenue	<u>1,097,380</u>	<u>1,097,380</u>	<u>1,239,769</u>	<u>142,389</u>
EXPENDITURES:				
Water Purchased - GRDA	14,900	14,900	16,566	1,666
Chemicals	58,900	58,900	59,915	1,015
Maintenance Agreements	18,150	18,150	10,361	(7,789)
Water Testing	17,040	17,040	10,522	(6,518)
Field Repairs/Supplies	27,760	27,760	29,419	1,659
Truck Expenses	26,500	26,500	23,208	(3,292)
Lab Supplies	10,270	10,270	7,313	(2,957)
Plant Repairs	59,200	59,200	76,269	17,069
Ambulance - City of Wagoner	13,080	13,080	12,910	(170)
Salary Expense	275,600	275,600	252,099	(23,501)
Payroll Taxes	22,840	22,840	20,488	(2,352)
Retirement Expense	5,200	5,200	6,015	815
Medical Insurance-Employee	36,900	36,900	29,868	(7,032)
Workers Comp	8,850	8,850	7,682	(1,168)
Plant System/Truck Insurance	33,950	33,950	27,793	(6,157)
CPA/Audit Fees	5,000	5,000	3,970	(1,030)
Legal Fees	4,300	4,300	12,959	8,659
Supplies/Lawn Mower/Cleanup	800	800	733	(67)
ORWA/Association Fees	1,200	1,200	1,108	(92)
DEQ Fees	5,600	5,600	5,320	(280)
Miscellaneous	1,800	1,800	1,667	(133)
NSF Bank Charges	2,938	2,938	1,121	(1,817)
Office Supplies	7,700	7,700	7,334	(366)
Postage	7,550	7,550	7,229	(321)
Training Session/Exams/Travel	1,500	1,500	1,168	(332)
Telephone/Cell Phone	9,100	9,100	8,541	(559)
Security	300	300	288	(12)

See accompanying footnotes and auditors' report.

Bad Debts	8,640	8,640	2,633	(6,007)
Utilities	51,640	51,640	53,033	1,393
Advertising	1,800	1,800	1,113	(687)
Employee Bonuses	2,000	2,000	2,500	500
Medical/Drug Screening	900	900	225	(675)
Board Training/Conferences	4,000	4,000	1,964	(2,036)
Manager Expense	450	450	133	(317)
Plant Expense	400	400	0	(400)
Line Projects/Water Towers	26,000	26,000	0	(26,000)
Principal Payments	290,600	290,600	282,096	(8,504)
Total Expenditures	<u>1,063,358</u>	<u>1,063,358</u>	<u>985,563</u>	<u>(77,795)</u>
Net Income (Loss)	<u>34,022</u>	<u>34,022</u>	254,206	<u>220,184</u>
Less: Depreciation/Amortization			(208,945)	
Add: Principal payment			<u>65,000</u>	
Change in Fund Balance			<u>110,261</u>	

See accompanying footnotes and auditors' report.