

**INDEPENDENT
ACCOUNTANT'S AUDIT REPORT
CONSOLIDATED RURAL WATER
AND SEWER DISTRICT NO. 1**

SEPTEMBER 30, 2016

BY



Consolidated Rural Water and Sewer District No. 1

Hastings, Oklahoma
Year Ended September 30, 2016

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Consolidated Rural Water and Sewer District No. 1
Jefferson County
Hastings, Oklahoma

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Consolidated Rural Water and Sewer District No. 1, Jefferson County, Hastings, Oklahoma (the District), as of and for the year ended September 30, 2016, and the related notes to the financial statements, 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 in accordance with accounting principles standards generally accepted in the United States of America; this includes 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 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. 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 entity'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 entity's internal control. Accordingly, we express no 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 obtained is sufficient and appropriate to provide a basis for our audit opinion.

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 Consolidated Rural Water and Sewer District No. 1, as of September 30, 2016, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require the budgetary comparison information on page 18 and the grant schedule on page 19 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. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary comparison and grant schedule is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Consolidated Rural Water and Sewer District No. 1's basic financial statements. The combining statement of net position, combining statement of revenue and expense and schedule of outstanding long-term debt are presented for purposes of additional analysis and are not a required part of the basic financial statements.

These supplemental schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining financial statements and the schedule of outstanding long-term debt are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 16, 2016, 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 and 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 District's internal control over financial reporting and compliance.

Furrh & Associates PC

Furrh & Associates, PC
Lawton, Oklahoma
November 16, 2016

Consolidated Rural Water and Sewer District No. 1

Hastings, Oklahoma Statement of Net Position For Year Ended September 30, 2016

ASSETS

Current Assets

Cash - Operating Accounts	\$ 1,893,889	
Temporary Investments - Due after 90 Days	571,613	
Net Accounts Receivable	191,517	
Accrued Interest Receivable	77	
Inventory	84,050	
Prepaid Expense	32,302	
Total Current Assets		\$ 2,773,448

Fixed Assets

Water and Sewer System	\$ 17,084,561	
Accumulated Depreciation	(7,853,195)	9,231,366
Machinery and Equipment	175,243	
Accumulated Depreciation	(106,640)	68,603
Transportation Equipment	222,054	
Accumulated Depreciation	(113,966)	108,088
Office Equipment	24,956	
Accumulated Depreciation	(19,822)	5,134
Buildings	114,359	
Accumulated Depreciation	(58,814)	55,545
Net Fixed Assets		9,468,736

Other Assets

Cash - Reserve Accounts	132,281	
Certificates of Deposit - Reserve	200,000	
Total Other Assets		332,281
Total Assets		\$ 12,574,465

Please see accompanying notes to financial statements.

Consolidated Rural Water and Sewer District No. 1

Hastings, Oklahoma

Statement of Net Position

For Year Ended September 30, 2016

LIABILITIES AND NET POSITION

Current Liabilities

Current Portion of Long-Term Debt	\$ 185,691	
Accounts Payable	169,931	
Accrued Compensated Absences	38,892	
Accrued Interest Payable	2,507	
Payroll Taxes & Related Payables	2,422	
Total Current Liabilities		\$ 399,443

Long-Term Liabilities

Notes Payable - Rural Development Administration	5,202,898	
Less Current Portion	(185,691)	
Total Long-Term Liabilities		<u>5,017,207</u>

Total Liabilities 5,416,650

Net Position

Invested in Capital Assets, Net of Related Debt	4,265,838	
Restricted for Debt Service	332,281	
Unrestricted	2,559,696	
Total Net Position		<u>7,157,815</u>

Total Liabilities and Net Position \$ 12,574,465

Please see accompanying notes to financial statements.

Consolidated Rural Water and Sewer District No. 1

Hastings, Oklahoma

Statement of Revenue, Expense, and Changes in Net Position

Year Ended September 30, 2016

Operating Revenue

Water Revenue	\$ 1,930,424	
ODOT Revenue	138,362	
Tower Maintenance	127,460	
Construction Revenue	127,460	
Grant Revenue - FEMA	62,667	
Benefit Unit Fees	39,143	
Penalty Revenue	30,117	
Other Revenue	28,754	
Sewer Revenue	12,008	
Reactivation Fees	5,957	
Meter Service Fees	2,756	
Total Revenue		\$ 2,505,108

Cost of Sales

System Maintenance and Repairs	737,881	
Water Purchased	74,213	
System Electricity	72,688	
Total Cost of Sales		884,782

Gross Operating Revenue 1,620,326

Operating Expense

Depreciation	487,025	
Salaries and Related Payroll Taxes	354,709	
Employee Health and Pension Benefits	67,984	
Insurance	54,610	
Auto and Truck Expense	46,372	
Office Supplies and Expense	30,984	
Miscellaneous	23,556	
Dues, Licenses, Fees, and Permits	18,351	
Utilities and Telephone	14,557	
Legal Expense	10,489	
Leases-Equipment	7,482	
Accounting	7,219	
Other Repairs and Maintenance	5,140	
Advertising	1,627	
Uniforms	998	
Total Operating Expense		1,131,103

Net Operating Revenue/(Loss) \$ 489,223

Please see accompanying notes to financial statements.

Consolidated Rural Water and Sewer District No. 1

Hastings, Oklahoma

Statement of Revenue, Expense, and Changes in Net Position

Year Ended September 30, 2016

Nonoperating Revenue (Expense)

Interest Income	\$ 6,046	
Interest Expense	<u>(147,169)</u>	
Total Nonoperating Revenue (Expense)		<u>\$ (141,123)</u>
Net Revenue/(Loss)		348,100
Net Position, September 30, 2015		<u>6,809,715</u>
Net Position, September 30, 2016		<u><u>\$ 7,157,815</u></u>

Please see accompanying notes to financial statements.

Consolidated Rural Water and Sewer District No. 1
Hastings, Oklahoma
Statement of Cash Flows
Year Ended September 30, 2016

Cash Flow from Operating Activities

Cash Received from Customers	\$ 2,327,966	
Cash Paid for Water	(889,084)	
Cash Paid for Salaries and Related Costs	(420,260)	
Cash Paid to Suppliers	(91,387)	
Net Cash Provided by Operating Activities		\$ 927,235

Cash Flow from Capital and Related Financing Activities

Payments on Long-Term Debt:		
Rural Development	(178,627)	
Interest on Long-Term Debt	(147,169)	
Decrease in Interest Payable	(349)	
Net Cash Used by Capital and Related Financing Activities		(326,145)

Cash Flow from Investing Activities

Purchase of Fixed Assets	(99,891)	
Interest Income	6,046	
Increase in Temporary Investments	2,335	
Decrease in Interest Receivable	153	
Net Cash Used by Investing Activities		(91,357)

Net Increase in Cash and Cash Equivalents		509,733
Cash and Cash Equivalents, September 30, 2015		1,516,437
Cash and Cash Equivalents, September 30, 2016		<u>\$ 2,026,170</u>

Please see accompanying notes to financial statements.

Consolidated Rural Water and Sewer District No. 1
Hastings, Oklahoma
Statement of Cash Flows
Year Ended September 30, 2016

Reconciliation of Operating Income to Net Cash Provided by		
Operating Activities		
Net Operating Revenue	\$	489,223
Add, Depreciation		487,025
(Increase) Decrease in Other Current Assets:		
Accounts Receivable	\$ (177,142)	
Prepaid Expense	(4,622)	
Inventory	(4,302)	
Increase (Decrease) in Other Current Liabilities:		
Accounts Payable	134,620	
Payroll Taxes Payable	358	
Compensated Absences	6,247	
Accrued Payroll Payable	<u>(4,172)</u>	
		<u>(49,013)</u>
Net Cash Provided by Operating Activities	\$	<u><u>927,235</u></u>

Please see accompanying notes to financial statements.

Consolidated Rural Water and Sewer District No. 1
Hastings, Oklahoma
Notes to Financial Statements
September 30, 2016

Note 1 – Summary of Significant Accounting Policies

The Consolidated Rural Water and Sewer District No. 1, Jefferson County, Oklahoma (the District), was organized December 1, 1975, by consolidation of previously existing Rural Water and Sewer District No. I, Jefferson County, Oklahoma, and Rural Water and Sewer District No. II, Jefferson County, Oklahoma. The District is organized under the Oklahoma Rural Water and Sewer Districts Act and is a political subdivision of the State of Oklahoma.

The District operates a water distribution and sewer service system for the communities of Addington and Hastings, Oklahoma, and a water distribution system over the remainder of its service area, which includes an area of approximately 1600 square miles in Jefferson, Stephens, Carter, Cotton, and Love Counties, Oklahoma. The District has installed its own water wells and purchases supplemental water from the cities of Comanche, Duncan, and Waurika, Oklahoma.

In addition to service to individual consumers, the District provides water to the Corps of Engineers Waurika Project and the Towns of Loco, Healdton, Terral, and Wilson, Oklahoma, for their respective distribution systems.

The District operates as an autonomous proprietary fund and its bookkeeping accounts and financial statements are maintained and presented as Enterprise Fund accounts.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

The District keeps its books and prepares its financial statements on the accrual basis of accounting. Water and sewer revenues are recognized when billed. Cost of water sold is recognized when billed by the supplier. Service and installation fees are reported as revenue when received. Meter and installation costs are expensed as current operating costs. Inventories are recorded at the lower of cost or market value.

Accounts receivable is stated at net realizable value. Bad debts are recorded by the specific charge-off method.

Note 2 – Bank Accounts

For the purpose of the Statement of Cash Flows, the District considers all highly liquid investments to be cash equivalents. Certificates of deposit and other time deposits with an

Consolidated Rural Water and Sewer District No. 1

Hastings, Oklahoma

Notes to Financial Statements

September 30, 2016

original maturity date of 90 days or less are considered cash equivalents. Cash and cash equivalents include the following accounts:

Arvest Bank	\$	85	
Petty Cash Fund		500	
Checking/Savings Accounts			
First Bank and Trust Company - Debit Card Acct		2,500	
First Farmers National Bank - Hi Fi Account		6,431	*
First Bank and Trust Company - Membership		58,783	*
(1) First Bank and Trust Company - Reserve Account		64,961	*
(1) First Farmers National Bank - Reserve Account		67,320	*
First Farmers National Bank-Construction Acct.		306,963	*
First Farmers National Bank - CDBG Account		210,847	*
First Farmers National Bank - Operating Acct		787,695	
First Farmers National Bank - Tower Account		520,085	*
Total	\$	<u>2,026,170</u>	

(1) Reserve Accounts – Restricted cash accounts, held for mortgage loan reserve guaranty, that are not available for operating activities.

* Interest Bearing Accounts

The bank accounts used by the District are covered by F.D.I.C. insurance and a collateral pledge held by both First Farmers National Bank and First Bank and Trust.

Note 3 – Income Tax Status

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

Note 4 – Fixed Assets

Fixed assets are recorded at cost and expenditures for maintenance and repairs are charged to current operations as incurred. Fixed assets costing less than \$500 per unit are charged to current expense.

Consolidated Rural Water and Sewer District No. 1

Hastings, Oklahoma

Notes to Financial Statements

September 30, 2016

Depreciation is computed by the straight line method, using the following estimated useful lives.

Building	40 years
Water and Sewer System	40 years
Master Meters	20 years
Furniture and Fixtures	5 years
Machinery and Equipment	5-8 years
Transportation Equipment	3-5 years

Total depreciation expense for the current year was \$487,025, which was charged against current operations.

Current year changes to fixed assets were as follows:

	Balance 09/30/15	Additions	Disposals	Balance 09/30/16
<u>Assets</u>				
Water & Sewer System	\$ 17,049,700	\$ 34,861	\$ 0	\$ 17,084,561
Transportation Equipment	200,954	21,100	0	222,054
Machinery/Equip.	131,313	43,930	0	175,243
Buildings	114,359	0	0	114,359
Office Equipment	24,956	0	0	24,956
Total	\$ 17,521,282	\$ 99,891	\$ 0	\$ 17,621,173
<u>Accum. Depreciation</u>				
Water & Sewer System	\$ 7,414,452	\$ 438,743	\$ 0	\$ 7,853,195
Transportation Equipment	78,314	35,652	0	113,966
Machinery/Equip.	97,934	8,706	0	106,640
Buildings	55,973	2,841	0	58,814
Office Equipment	18,739	1,083	0	19,822
Total	\$ 7,665,412	\$ 487,025	\$ 0	\$ 8,152,437

Note 5 – Inventory

Inventories of replacement parts and consumable supplies are recorded at cost.

Consolidated Rural Water and Sewer District No. 1

Hastings, Oklahoma Notes to Financial Statements September 30, 2016

Note 6 – Investments

The District has the following investments which are legal investments under the Oklahoma Statutes:

Certificates of Deposit:

Arvest Bank, Duncan, OK	
Maturity 06/12/17, Interest Paid Quarterly at 0.35%	\$ 52,127
First Farmers National Bank, Waurika, OK	
Maturity 11/16/16, Interest Paid Monthly at 0.35%	100,000
First Bank and Trust Company, Duncan, OK	
Maturity 03/31/17, Interest Paid Monthly at 1.79%	127,686
First Farmers National Bank, Waurika, OK	
Maturity 06/21/16, Interest Paid Monthly at 0.35%	131,000
Arvest Bank, Duncan, OK	
Maturity 05/26/17, Interest Paid Monthly at 0.40%	160,800
First Bank and Trust Company, Duncan, OK	
Maturity 04/23/17, Interest Paid Monthly at 0.28%	200,000
Total	<u>\$ 771,613</u>

All investments are covered by FDIC insurance and/or collateral pledge agreements.

Note 7 – Insurance against Loss Contingencies

The District maintains the following insurance coverage for protection against possible loss contingencies:

Description

Rural Water Association Assurance Group
 Officers and Directors Liability
 Business Property Protection
 General Liability
 Automobile Protection
 Fidelity Bond Coverage
 Workers Compensation & Employers Liability

Consolidated Rural Water and Sewer District No. 1

Hastings, Oklahoma

Notes to Financial Statements

September 30, 2016

Note 8 – Debt

The total annual debt service requirements of the long-term mortgage notes to Rural Development Administration detailed on page 22 amounts to \$185,691 plus interest at 2.5-5.0% per annum, payable in total monthly payments of \$27,792.

Changes in total long-term debt for the current year were as follows:

Balance, September 30, 2015	\$	5,381,525
Less, Principal Payments		(178,627)
Balance, September 30, 2016	\$	<u>5,202,898</u>

The principal maturities for the succeeding five years and thereafter on the long-term debt will be approximately as follows:

	Principal	Interest	Total
Year Ended September 30, 2017	\$ 185,691	\$ 140,361	\$ 326,052
Year Ended September 30, 2018	193,059	132,993	326,052
Year Ended September 30, 2019	200,738	125,314	326,052
Year Ended September 30, 2020	208,729	117,323	326,052
Year Ended September 30, 2021	192,236	111,468	303,704
Years Ended September 30, 2053	<u>4,222,445</u>	<u>2,276,913</u>	<u>6,499,358</u>
Total	\$ <u>5,202,898</u>	\$ <u>2,904,372</u>	\$ <u>8,107,270</u>

Note 9 – Supplemental Disclosures

Supplemental disclosure of cash flow information:

Cash paid during the year for interest expense	\$ <u>147,169</u>
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Note 10 – Compensated Absences

Accrued compensated absences includes the following:

Earned Unpaid Vacation/Sick Leave	\$ <u>38,892</u>
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Consolidated Rural Water and Sewer District No. 1

Hastings, Oklahoma

Notes to Financial Statements

September 30, 2016

Note 11 – Pension Accounting

The District sponsors an employee deferred compensation plan under Section 457 of the Internal Revenue Code. All full time employees are eligible to participate, on a voluntary basis, with no waiting period requirements. Participating employees are 100% vested in all elected deferrals. Salary reductions under the plan may not exceed the lesser of \$7,500 or 1/3 of the participant's includable compensation. Employee contributions to the plan are made from payroll deductions from the participating employees. The District matches the employee contributions up to 4.5% of compensation contributed by the employee.

Costs of contributions for the current year were:

District	\$ 8,639
Employees	<u>10,354</u>
Total	<u>\$ 18,993</u>

Pension cost to the District for the past three years was:

9/30/16	\$ 8,639
9/30/15	8,683
9/30/14	<u>9,776</u>
Total	<u>\$ 27,098</u>

Assets of the plan, which are invested in individual employee insurance annuity contracts, are not included in the financial statement of the District because of the fiduciary responsibility to use the plan assets only for the payment of benefits.

Note 12 – Subsequent Events

In preparing the accompanying audited financial statements, management reviewed all known events that have occurred after September 30, 2016 and through November 16, 2016, the date the financial statements were available for issuance, for inclusion in the financial statements and footnotes.



**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 Trustees
Consolidated Rural Water and Sewer District No. 1
Jefferson County
Hastings, Oklahoma

We have audited, in accordance with the 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 financial statements of the business-type activities of Consolidated Rural Water and Sewer District No. 1, as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 16, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Consolidated Rural Water and Sewer District No. 1's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions 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 Consolidated Rural Water and Sewer District No. 1's internal control.

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 a 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. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Consolidated Rural Water and Sewer District No. 1's financial statements are free from 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*.

Purpose of this Report

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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Furrh & Associates PC

FURRH & ASSOCIATES, PC

Lawton, Oklahoma
November 16, 2016

Consolidated Rural Water and Sewer District No. 1

Hastings, Oklahoma

Revenues and Expenses Compared with Budget

Year Ended September 30, 2016

	Budget	Actual	Over (Under) Budget
<u>Revenue</u>			
Water Revenue	\$ 1,903,435	\$ 1,930,424	\$ 26,989
Other Revenue	293,000	28,754	(264,246)
ODOT Revenue	200,000	138,362	(61,638)
Construction Revenue	129,000	127,460	(1,540)
Tower Maintenance	129,000	127,460	(1,540)
Benefit Unit Fees	52,200	39,143	(13,057)
Penalty Revenue	36,000	30,117	(5,883)
Sewer Revenue	13,900	12,008	(1,892)
Reactivation Fees	9,000	5,957	(3,043)
Meter Service Fees	5,000	2,756	(2,244)
Grant Revenue - FEMA	0	62,667	62,667
Total Revenue	2,770,535	2,505,108	(265,427)
<u>Cost of Sales</u>			
System Maintenance and Repairs	1,228,560	737,881	(490,679)
Water Purchased	120,000	74,213	(45,787)
System Electricity	96,000	72,688	(23,312)
Total Cost of Sales	1,444,560	884,782	(559,778)
Gross Revenue	1,325,975	1,620,326	294,351
<u>Operating Expense</u>			
Salaries and Related Payroll Taxes	367,500	354,709	(12,791)
Depreciation	365,000	487,025	122,025
Auto and Truck Expense	97,500	46,372	(51,128)
Insurance	84,950	54,610	(30,340)
Employee Health and Pension Benefits	61,500	67,984	6,484
Office Supplies and Expense	51,000	30,984	(20,016)
Other Repairs and Maintenance	36,500	5,140	(31,360)
Dues, Licenses, Fees, and Permits	31,500	18,351	(13,149)
Legal Expense	20,000	10,489	(9,511)
Miscellaneous	20,000	23,556	3,556
Utilities and Telephone	16,725	14,557	(2,168)
Accounting	13,800	7,219	(6,581)
Leases-Equipment	11,000	7,482	(3,518)
Uniforms	2,000	998	(1,002)
Advertising	2,000	1,627	(373)
Total Operating Expense	1,180,975	1,131,103	(49,872)
Interest Expense	(150,000)	(147,169)	2,831
Interest Income	5,000	6,046	1,046
Net Revenue (Loss)	\$ 0	\$ 348,100	\$ 348,100

Please see accompanying notes to the financial statements.

Consolidated Rural Water and Sewer District No. 1

Hastings, Oklahoma

ODOC Community Development Block Grant 2014

Grant Schedule

Year Ended September 30, 2016

<u>Revenue</u>	<u>Budget</u>	<u>Prior Year</u>	<u>Current Year</u>	<u>Total</u>	<u>(Over) Under Budget</u>
Grant Funds	\$ 179,999	\$ 0	\$ 0	\$ 0	\$ 179,999
Matching Funds	180,001	21,211	70,568	91,779	88,222
Total Income	360,000	21,211	70,568	91,779	268,221
<u>Expenditures</u>					
Construction	308,000	0	45,643	45,643	262,357
Professional Fees	40,000	21,211	13,819	35,030	4,970
Administrative Costs	12,000	0	11,106	11,106	894
Total Expenditures	360,000	21,211	70,568	91,779	268,221
Revenue Over (Under) Expenditures	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0

Contract No.: 16425 CDBG 15

Contract Period: 08/14/15 - 08/14/17

US Department of Housing and Urban Development

CFDA: 14.228

Please see accompanying notes to the financial statements.

Consolidated Rural Water and Sewer District No. 1

Hastings, Oklahoma

Comparative Statement of Net Position

Years Ended September 30, 2016

	9/30/2016	09/30/15	Increase (Decrease)
<u>Current Assets</u>			
Cash	\$ 1,893,889	\$ 1,372,719	\$ 521,170
Temp. Investments - Due After 90 Days	571,613	569,278	2,335
Accounts Receivable	191,517	14,375	177,142
Interest Receivable	77	230	(153)
Inventory	84,050	79,748	4,302
Prepaid Expense	32,302	27,680	4,622
<u>Fixed Assets</u>			
Water and Sewer System (Net)	9,231,366	9,635,248	(403,882)
Machinery and Equipment (Net)	68,603	33,379	35,224
Transportation Equipment (Net)	108,088	122,640	(14,552)
Office Equipment (Net)	5,134	6,217	(1,083)
Buildings (Net)	55,545	58,386	(2,841)
<u>Other Assets</u>			
Cash - Reserve Accounts	132,281	131,047	1,234
Cash & CD's - Reserve Accounts	200,000	200,000	0
Total Assets	\$ 12,574,465	\$ 12,250,947	\$ 323,518
<u>Current Liabilities</u>			
Current Portion of LT Debt	\$ 185,691	\$ 178,569	\$ 7,122
Accounts Payable	169,931	35,311	134,620
Payroll Taxes & Related Payables	2,422	2,064	358
Accrued Payroll Payable	0	4,172	(4,172)
Compensated Absences	38,892	32,645	6,247
Accrued Interest Payable	2,507	2,856	(349)
<u>Long Term Liabilities</u>			
Notes Payable - Rural Development	5,017,207	5,202,956	(185,749)
Total Liabilities	5,416,650	5,458,573	(41,923)
<u>Net Position</u>			
Invested in Capital Assets (Net)	4,265,838	4,474,345	(208,507)
Restricted for Debt Service	332,281	331,047	1,234
Unrestricted	2,559,696	1,986,982	572,714
Total Net Position	7,157,815	6,792,374	365,441
Total Liabilities and Net Position	\$ 12,574,465	\$ 12,250,947	\$ 323,518

Please see accompanying notes to the financial statements.

Consolidated Rural Water and Sewer District No. 1

Hastings, Oklahoma

Comparative Statement of Revenue and Expense

Year Ended September 30, 2016

	Year Ended 9/30/16	Year Ended 9/30/15	(Increase) Decrease
<u>Revenue</u>			
Water Revenue	\$ 1,930,424	\$ 1,571,599	\$ 358,825
ODOT Revenue	138,362	110,895	27,467
Construction Revenue	127,460	128,425	(965)
Tower Maintenance	127,460	128,425	(965)
Grant Revenue - FEMA	62,667	0	62,667
Benefit Unit Fees	39,143	37,724	1,419
Penalty Revenue	30,117	30,950	(833)
Other Revenue	28,754	18,405	10,349
Sewer Revenue	12,008	12,263	(255)
Reactivation Fees	5,957	7,339	(1,382)
Meter Service Fees	2,756	3,235	(479)
Total Revenue	2,505,108	2,049,260	455,848
<u>Cost of Sales</u>			
System Maintenance and Repairs	737,881	797,790	(59,909)
Water Purchased	74,213	98,521	(24,308)
System Electricity	72,688	80,472	(7,784)
Total Cost of Sales	884,782	976,783	(92,001)
Gross Operating Revenue	1,620,326	1,072,477	547,849
<u>Operating Expense</u>			
Depreciation	487,025	483,027	3,998
Salaries and Related Payroll Taxes	354,709	334,629	20,080
Employee Health and Pension Benefits	67,984	66,903	1,081
Insurance	54,610	47,683	6,927
Auto and Truck Expense	46,372	74,186	(27,814)
Office Supplies and Expense	30,984	37,516	(6,532)
Miscellaneous	26,181	22,123	4,058
Dues, Licenses, Fees, and Permits	18,351	24,330	(5,979)
Utilities and Telephone	14,557	14,375	182
Legal Expense	10,489	10,579	(90)
Leases-Equipment	7,482	9,496	(2,014)
Accounting	7,219	8,079	(860)
Other Repairs and Maintenance	5,140	18,441	(13,301)
Total Operating Expense	1,131,103	1,151,367	(20,264)
Net Operating Revenue/(Loss)	489,223	(78,890)	568,113
<u>Nonoperating Revenue/(Expense)</u>			
Interest Income	6,046	6,659	(613)
Interest Expense	(147,169)	(153,832)	6,663
Total Nonoperating Revenue/(Expense)	(141,123)	(147,173)	6,050
Net Revenue/(Loss)	348,100	(226,063)	574,163
Net Position, Beg of year	6,809,715	7,018,437	(208,722)
Net Position, End of Year	\$ 7,157,815	\$ 6,792,374	\$ 365,441

Please see accompanying notes to the financial statements.

Consolidated Rural Water and Sewer District No. 1

Hastings, Oklahoma Schedule of Long Term Debt Year Ended September 30, 2016

<u>Description</u>	<u>Original Note Balance</u>	<u>Balance as of 09/30/2016</u>
United States Department of Agriculture Rural Development Administration		
Mortgage Note #9112, November 5, 1981, Matures November 5, 2021	<u>\$ 106,228</u>	
Monthly Payment \$514, Including 5% Interest Principal Balance, September 30, 2016		\$ 25,961
 Mortgage Note #9213, November 5, 1981, Matures November 5, 2021	<u>76,787</u>	
Monthly Payment \$371, Including 5% Interest Principal Balance, September 30, 2016		18,027
 Mortgage Note #9314, November 5, 1981, Matures November 5, 2021	<u>170,675</u>	
Monthly Payment \$796, Including 4.75% Interest Principal Balance, September 30, 2016		42,521
 Mortgage Note #9115, November 5, 1981, Matures November 5, 2021	<u>424,690</u>	
Monthly Payment \$2,052, Including 5% Interest Principal Balance, September 30, 2016		107,066
 Mortgage Note #9116, November 5, 1981, Matures November 5, 2021	<u>955,816</u>	
Monthly Payment \$5,238, Including 5% Interest Principal Balance, September 30, 2016		233,088
 Mortgage Note #9117, November 5, 1981, Matures November 5, 2021	<u>497,988</u>	
Monthly Payment \$2,406, Including 5% Interest Principal Balance, September 30, 2016		121,245
 Mortgage Note #9121, March 28, 2013, Matures April 28, 2053	<u>4,900,000</u>	
Monthly Payment \$16,415, Including 2.5% Interest Principal Balance, September 30, 2016		<u>4,654,990</u>
 Total United States Department of Agriculture Notes		<u>\$ 5,202,898</u>

Please see accompanying notes to the financial statements.