

**Wagoner County Rural Water District No. 5
Coweta, Oklahoma**

Financial Statements and Auditor's Reports

Year Ended December 31, 2011

Audited by

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

BROKEN ARROW, OK

Okmulgee County Rural Water District No. 5
Coweta, Oklahoma
Board of Directors
December 31, 2011

BOARD OF DIRECTORS

Chairman

Frank Hollingshed

Vice-Chair

Louise Sarty

Secretary

Sam Keel

Treasurer

Junior Martin

Members

Fred Allee

MANAGER

Arvil Morgan

BOOKKEEPER

Lori Lenhart

Wagoner County Rural Water District No. 5
Coweta, Oklahoma
December 31, 2011

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SANDERS, BLEDSOE & HEWETT
CERTIFIED PUBLIC ACCOUNTANTS, LLP

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Independent Auditor's Report

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

We have audited the accompanying financial statements of the business-type activities of the Wagoner County Rural Water District No. 5 (the District), Coweta, Oklahoma, as of and for the year ended December 31, 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 the 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 December 31, 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.

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 a report dated January 31, 2012 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.



Sanders, Bledsoe & Hewett
Certified Public Accountants, LLP

January 31, 2012

RURAL WATER DISTRICT NO.5, WAGONER COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2011

Our discussion and analysis of the Rural Water District No. 5, Wagoner County's financial performance provides an overview of the District's financial activities for the fiscal year ended December 31, 2011. Please read it in conjunction with the District's financial statements that begin on page 11.

FINANCIAL HIGHLIGHTS:

- The District's total operating revenues exceeded total operating expenses by \$549,394, which was consistent with the prior year amount of \$563,106.
- The District's net assets increased by \$435,258 in the current fiscal year.
- Investment amounts increased by \$5,175 due to interest earnings, but interest amounts continued to decrease due to falling rates.
- The District continued to pay on their four outstanding notes.

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 December 31, 2011, the District had \$11,895,985 invested in fixed assets, net of depreciation, including land, the water system, vehicles and equipment. Additional amounts were included in 2010-11 for minor improvements and the purchase of a truck for District use.

Long-Term Debt

The District has three promissory notes with the Oklahoma Water Resources Board for \$2,310,000 (1.38%), \$4,735,000 (3.55%), and \$1,405,454 (3.66%). The current outstanding balances for these notes are for \$1,895,100, \$3,909,962 and \$1,280,828, respectively.

The District also has a loan with the Office of Rural Development. The note was for \$879,000, and will be paid back in monthly payments over 40 years. The monthly payments of principal and interest are \$3,745 and the fixed interest rate is 4.125%. The outstanding balance at December 31, 2011 is \$826,006.

Economic Factors and Next Year's Budget and Rates

For the upcoming fiscal year ending December 31, 2012, the District's budget is fairly consistent with the prior fiscal year. The normal cost of operation continues to increase for all areas of the economy, and rural water is not exempt from these increases.

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 835, Coweta, OK 74429 or call (918)486-5458.



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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
Wagoner County Rural Water District No. 5
Coweta, Oklahoma

We have audited the financial statements of the Wagoner County Rural Water District No. 5 (the District), Coweta, Oklahoma, as of and for the year ended December 31, 2011, and have issued our report thereon dated January 31, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States 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 auditing standards generally accepted in the United States.

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. 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. 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. We noted no matters involving the internal control over financial reporting and its operations that we considered to be material weaknesses.

This report is intended solely for the information of management and the Board of Directors, and is not intended to be, and should not be, used by anyone other than these specified parties.



Sanders, Bledsoe & Hewett
Certified Public Accountants, LLP

January 31, 2012

WAGONER COUNTY RURAL DISTRICT NO. 5
Disposition of Prior Year's Reportable Conditions
December 31, 2011

There were no prior year reportable conditions.

WAGONER COUNTY RURAL WATER DISTRICT NO. 5
Schedule of Audit Results
December 31, 2011

Section 1 – Summary of Auditor’s Results:

1. An unqualified opinion report was issued on the financial statements.
2. The audit disclosed no instances of noncompliance which were material to the financial statements.
3. The audit disclosed no reportable conditions in the internal controls over financial reporting which were considered to be material weaknesses.

Section 2 – Findings relating to the financial statements required to be reported in accordance with GAGAS:

None

COMBINED FINANCIAL STATEMENTS

WAGONER COUNTY RURAL WATER DISTRICT NO. 5

Statement of Net Assets

December 31, 2011

ASSETS:

Current Assets:

| | |
|--------------------------------|------------------|
| Cash and cash equivalents | \$ 975,551 |
| Investments | 550,006 |
| Current portion of receivables | 148,545 |
| Inventory on hand | 102,761 |
| Prepaid assets | 18,720 |
| Total current assets | <u>1,795,583</u> |

Noncurrent Assets:

| | |
|--------------------------|-------------------|
| Reserve account | 160,280 |
| Project trust funds | 40,980 |
| Capital Assets- | |
| Land | 129,199 |
| Plant and equipment, net | 11,766,786 |
| Total noncurrent assets | <u>12,097,245</u> |

Other Assets:

| | |
|-----------------|---------------|
| Loan costs, net | <u>37,735</u> |
|-----------------|---------------|

| | |
|--------------|-------------------|
| Total Assets | <u>13,930,563</u> |
|--------------|-------------------|

LIABILITIES:

Current Liabilities:

| | |
|-----------------------------------|----------------|
| Accounts payable | 5,526 |
| Accrued interest | 48,260 |
| Current portion of long-term debt | 296,998 |
| Total current liabilities | <u>350,784</u> |

Noncurrent Liabilities:

| | |
|---|------------------|
| Long-term debt, less current maturities | <u>7,578,898</u> |
|---|------------------|

| | |
|-------------------|------------------|
| Total Liabilities | <u>7,929,682</u> |
|-------------------|------------------|

NET ASSETS:

| | |
|---|---------------------|
| Invested in capital assets, net of related debt | 4,020,089 |
| Restricted for debt service | 201,260 |
| Unrestricted assets | 1,779,532 |
| Total Net Assets | <u>\$ 6,000,881</u> |

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

WAGONER COUNTY RURAL WATER DISTRICT NO. 5

Statement of Activities

For The Year Ended December 31, 2011

Operating Revenues:

| | |
|-------------------------------|------------------|
| Water sales | \$ 2,092,708 |
| Charges and late penalties | 66,343 |
| Service income | 10,950 |
| Other income | 5,360 |
| Total revenue from operations | <u>2,175,361</u> |

Operating Expenses:

| | |
|--------------------------------|------------------|
| Water purchases | 40,714 |
| Salaries and benefits | 306,914 |
| Payroll taxes | 24,734 |
| Repairs and maintenance | 60,241 |
| Chemicals | 244,000 |
| Power plant costs | 97,113 |
| Contract wages | 9,863 |
| Employee insurance | 85,009 |
| Health reimbursement | 13,500 |
| Vehicle expense | 10,583 |
| Insurance | 41,985 |
| Supplies and materials | 94,758 |
| Office expenses | 57,501 |
| Depreciation | 439,033 |
| Amortization | 6,483 |
| Professional fees | 39,867 |
| Utilities and phone | 15,576 |
| Dues and fees | 20,893 |
| Travel | 17,200 |
| Total expenses from operations | <u>1,625,967</u> |

Operating Income (Loss) 549,394

Non-Operating Revenues (Expenses):

| | |
|---|------------------|
| Interest income | 8,113 |
| Extraordinary income | 14,786 |
| Capital contributions- | |
| Memberships | 96,452 |
| Interest paid on long-term debt | (233,487) |
| Total Non-Operating Revenues (Expenses) | <u>(114,136)</u> |

Change in Net Assets 435,258

Total Net Assets, beginning of period 5,565,623

Total Net Assets, end of period \$ 6,000,881

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

WAGONER COUNTY RURAL WATER DISTRICT NO. 5
Statement of Cash Flows
For the Year Ended December 31, 2011

Cash Flows from Operating Activities:

| | |
|---|------------------|
| Receipts from customers | \$ 2,176,094 |
| Payments to employees | (306,914) |
| Payments to vendors | <u>(868,757)</u> |
| Net Cash Provided by Operating Activities | <u>1,000,423</u> |

Cash Flows from Financing Activities:

| | |
|---|------------------|
| Sale (purchase) of fixed assets | (113,571) |
| Principal paid on long-term debt | (303,370) |
| Interest paid on long-term debt | <u>(233,487)</u> |
| Net Cash Provided by (used in) Financing Activities | <u>(650,428)</u> |

Cash Flows from Investing Activities:

| | |
|---|----------------|
| Capital contributions - Memberships | 96,452 |
| Extraordinary income | 14,786 |
| Interest earned on investments | <u>8,113</u> |
| Net Cash Provided by (used in) Investing Activities | <u>119,351</u> |

| | |
|--|----------------------------|
| Net Increase (Decrease) in Cash | 469,346 |
| Cash and cash equivalents, beginning of period | <u>1,257,471</u> |
| Cash and cash equivalents, end of period | <u><u>\$ 1,726,817</u></u> |

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

| | |
|--|----------------------------|
| Operating Income | \$ 549,394 |
| Adjustments to reconcile net income to net cash provided (used) by operating activities: | |
| Depreciation Expense | 439,033 |
| Amortization Expense | 6,483 |
| Change in assets and liabilities: | |
| (Increase) decrease in accounts receivable | 9,800 |
| (Increase) decrease in prepaid insurance | 7,852 |
| (Increase) decrease in inventory | (6,031) |
| Increase (decrease) in accounts payable | 1,933 |
| Increase (decrease) in accruals | <u>(8,041)</u> |
| Net cash provided by operating activities | <u><u>\$ 1,000,423</u></u> |

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

WAGONER COUNTY RURAL WATER DISTRICT NO. 5
Coweta, Oklahoma
Notes to the Financial Statements
December 31, 2011

Note A – Significant Accounting Policies

Basis of Accounting

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

Reporting Standard

In June 1999, the GASB issued Statement No. 34 “Basic Financial Statements and Management’s Discussion and Analysis for State and Local Government.” This statement establishes new financial reporting requirements for state and local governments throughout the United States. It creates new information and restructures much of the information that governments have presented in the past. Comparability with reports issued in all prior years is affected.

Cash and equivalents

The District’s cash accounts at November 30th are detailed as follows:

| | December 31, | |
|----------------------------------|--------------|----------|
| | 2011 | 2010 |
| Petty cash (on hand) | \$ 500 | 500 |
| Bancfirst, Coweta, Ok- | | |
| Revenue account | 17,985 | 20,074 |
| O&M account | 45,468 | 47,953 |
| Payroll account | 42,550 | 38,091 |
| Savings account | 925,251 | 451,705 |
| Less: (Outstanding checks)/DIT | (56,203) | (46,228) |
| Total Operating Cash | \$ 975,551 | 512,095 |
| Bank of Oklahoma, Tulsa, Ok- | | |
| OWRB-02 Debt Svc Reserve account | \$ 160,280 | 160,280 |
| OWRB-02 Debt Service account | 6,962 | 6,926 |
| OWRB-08 Debt Svc account | 34,018 | 33,339 |
| Total Reserve Cash | \$ 201,260 | 200,545 |

WAGONER COUNTY RURAL WATER DISTRICT NO. 5
Coweta, Oklahoma
Notes to the Financial Statements
December 31, 2011

Note A – Significant Accounting Policies – cont'd

Investments

The District's investments at December 31, 2011 are detailed as follows:

| | |
|--|-------------------|
| First National Bank, Coweta, Ok- Certificate of deposit no. 20585 | \$ 127,806 |
| Certificate of deposit no. 20740 | 94,772 |
| Certificate of deposit no. 21538 | 106,838 |
| Certificate of deposit no. 21539 | 106,838 |
| Certificate of deposit no. 21184 (reserve) | <u>113,752</u> |
| Total Investments | <u>\$ 550,006</u> |

Collateral Pledged

Deposit Categories of Credit Risk

- (A) Insured by Federal Deposit Insurance
- (B) Collateralized with securities held by the pledging financial institution's trust department or agent in the District's name
- (C) Uncollateralized

| | <u>Category</u> | | | Bank Balance | Carrying Amount |
|-------------|-------------------|------------------|------------|------------------|--------------------|
| | <u>(A)</u> | <u>(B)</u> | <u>(C)</u> | | |
| Cash | \$ 451,260 | 781,754 | | 1,233,014 | 975,551 |
| Investments | <u>250,000</u> | <u>250,006</u> | | <u>550,006</u> | <u>550,006</u> |
| Total | <u>\$ 701,260</u> | <u>1,031,760</u> | <u>0</u> | <u>1,783,020</u> | <u>1,525,557</u> |

Accounts Receivable

Billings for accounts receivable at December 31, 2011 were \$155,004. An allowance for doubtful accounts was computed at \$6,479.

WAGONER COUNTY RURAL WATER DISTRICT NO. 5

Coweta, Oklahoma

Notes to the Financial Statements

December 31, 2011

Note A – Significant Accounting Policies – cont'd

Prior Year Information

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

Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District carries commercial insurance, including workers compensation, for risk of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Fixed Assets

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

| | |
|-----------------------------|------------|
| Land | N/A |
| Office furniture & fixtures | 5-10 years |
| Equipment & tools | 5-10 years |
| Transportation equipment | 5 years |
| Water system | 40 years |
| Buildings | 30 years |
| Radio read meters | 20 years |
| Computer equipment | 5 years |

WAGONER COUNTY RURAL WATER DISTRICT NO. 5
Coweta, Oklahoma
Notes to the Financial Statements
December 31, 2011

Note A – Significant Accounting Policies – cont'd

The fixed asset information for the District is shown below:

| | 12/31/2010 Amount | Additions | Deletions | 12/31/2011 Amount |
|-----------------------------------|-----------------------------|-------------------------|------------------------|--------------------------|
| Land | \$ 114,800 | 14,399 | - | 129,199 |
| Water dist. system | 7,115,274 | 56,541 | - | 7,171,815 |
| Water plant | 7,840,029 | 20,493 | - | 7,860,522 |
| Buildings and furn. | 139,311 | - | - | 139,311 |
| Vehicles | 241,569 | 34,406 | (11,268) | 264,707 |
| Office equipment | 67,765 | - | - | 67,765 |
| Total Fixed Assets | 15,518,748 | 125,839 | (11,268) | 15,633,319 |
| Less: Accumulated Depreciation | <u>(3,297,301)</u> | <u>(439,033)</u> | <u>-</u> | <u>(3,736,334)</u> |
| Total | <u>\$ 12,221,447</u> | <u>(313,194)</u> | <u>(11,268)</u> | <u>11,896,985</u> |

Note B – Long-Term Debt

Long-Term Debt consists of four notes:

The District has a 2001 promissory note in the amount of \$2,310,000 with the Oklahoma Water Resources Board (OWRB) for a period of 30 years. The District makes monthly deposits into a trust account at Bank of Oklahoma. The trust account then makes the variable quarter-annual payments of principal and interest to the OWRB. The current variable interest rate on this note is 1.38%. The water system and future water revenues are used as security for this note.

The District has a 2007 promissory note in the amount of \$4,735,000 with the Oklahoma Water Resources Board (OWRB) for a period of 20 years. The District makes monthly deposits into a trust account at Bank of Oklahoma. The trust account then makes the variable semi-annual payments of principal and interest to the OWRB. The fixed interest rate on this note is 3.55%. The water plant and future water revenues are used as security for this note.

WAGONER COUNTY RURAL WATER DISTRICT NO. 5

Coweta, Oklahoma

Notes to the Financial Statements

December 31, 2011

Note B – Notes Payable – cont'd

The District has a 2009 promissory note in the amount of \$1,405,454 with the Oklahoma Water Resources Board (OWRB) for a period of 20 years. The District makes monthly deposits into a trust account at Bank of Oklahoma. The trust account then makes the variable semi-annual payments of principal and interest to the OWRB. The fixed interest rate on this note is 3.66%. The water system and future water revenues are used as security for this note.

In 2007, the District was approved for a \$879,000 loan with the Office of Rural Development for continued improvements on their water system and plant. The interest rate is 4.125%, and the District is required to make monthly payments of principal and interest of \$3,745. The water system and future water revenues are used as security for this note.

The District has an OWRB debt service reserve and debt service of \$118,904 and \$5, respectively, on deposit with Bank of Oklahoma in a trustee account for use in retiring the note. The reserve is not available for any other purposes.

| | <u>December 31,</u> | |
|---|---------------------|------------------|
| | <u>2011</u> | <u>2010</u> |
| Oklahoma Water Resources Board note payable, issued for \$2,310,000, at 1.38% interest, due in quarter-annual installments, until paid; | \$ 1,859,100 | 1,915,150 |
| Oklahoma Water Resources Board note payable, issued for \$4,735,000, at 3.55% interest, due in semi-annual installments, until paid; | 3,909,962 | 4,095,373 |
| Oklahoma Water Resources Board note payable, issued for \$1,405,454, at 3.66% interest, due in semi-annual installments, until paid; | 1,280,828 | 1,332,108 |
| Rural Development note payable, issued for \$879,000 at 4.125% interest, payable in monthly payments of \$3,745, until paid; | <u>826,006</u> | <u>836,635</u> |
| Long-Term Debt Outstanding | 7,875,896 | 8,179,266 |
| Less: Current maturities of long-term debt | <u>(296,998)</u> | <u>(305,101)</u> |
| Total Long-Term Debt, Net | <u>\$ 7,578,898</u> | <u>7,874,165</u> |

WAGONER COUNTY RURAL WATER DISTRICT NO. 5
Coweta, Oklahoma
Notes to the Financial Statements
December 31, 2011

Note B – Notes Payable – cont'd

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

| Year | Total | ORWB (3) | Rural Dev. (1) |
|---------|---------------------|------------------|----------------|
| 2012 | \$ 296,998 | 285,923 | 11,075 |
| 2013 | 304,600 | 293,059 | 11,541 |
| 2014 | 314,331 | 302,305 | 12,026 |
| 2015 | 324,395 | 311,864 | 12,531 |
| 2016 | 334,833 | 321,775 | 13,058 |
| 2017-21 | 1,843,147 | 1,769,146 | 74,001 |
| 2022-26 | 2,163,345 | 2,072,425 | 90,920 |
| 2027+ | 2,294,247 | 1,693,393 | 600,854 |
| Total | <u>\$ 7,875,896</u> | <u>7,049,890</u> | <u>826,006</u> |

The District is required to maintain a schedule of rates or charges for the services of the system which together with other revenues shall provide funds at least 125% of the maximum annual debt service requirements for OWRB land and any other loans of parity. This schedule of rates and charges should also always generate sufficient monies to pay operation and maintenance expenses of the system without consideration of any other revenue source. Operating results for the year ended December 31, 2011 are summarized below:

| | |
|--|---------------------|
| Net income from system (before debt service) | \$ 549,394 |
| Membership fees | 96,452 |
| Interest expenses | 233,487 |
| Depreciation expense | 439,033 |
| Total Funds Available for Debt Service | <u>\$ 1,318,366</u> |
| 125% of Maximum Annual Debt Service | <u>\$ 672,444</u> |
| Total Revenue from the water system | \$ 2,175,361 |
| Operation and maintenance expenses | <u>(1,625,967)</u> |
| Net Operating Income | <u>\$ 549,394</u> |

As of December 31, 2011 the District had met the requirements of the rate covenant as described above.

OTHER SUPPLEMENTARY INFORMATION

WAGONER COUNTY RURAL WATER DISTRICT NO. 5Balance Sheet
December 31, 2011

| <u>ASSETS</u> | DECEMBER 31, | |
|--|----------------------|---------------------|
| | 2011 | (memo only) 2010 |
| Current Assets: | | |
| Cash and cash equivalents | \$ 975,551 | 512,095 |
| Investments | 550,006 | 544,831 |
| Accounts receivable | 148,545 | 158,345 |
| Prepaid insurance | 18,720 | 26,572 |
| Inventory | 102,761 | 96,730 |
| Total current assets | <u>1,795,583</u> | <u>1,338,573</u> |
| Restricted Assets: | | |
| Reserve account | 160,280 | 160,280 |
| Project trust funds | 40,980 | 40,265 |
| Total restricted assets | <u>201,260</u> | <u>200,545</u> |
| Fixed Assets: | | |
| Land | 129,199 | 114,800 |
| Water distribution system | 7,171,815 | 7,115,274 |
| Water plant | 7,860,522 | 7,840,029 |
| Vehicles and equipment | 331,472 | 309,334 |
| Buildings and furnishings | 139,311 | 139,311 |
| Total fixed assets | <u>15,632,319</u> | <u>15,518,748</u> |
| Less: accumulated depreciation | <u>(3,736,334)</u> | <u>(3,297,301)</u> |
| Total fixed assets (net) | <u>11,895,985</u> | <u>12,221,447</u> |
| Other Assets: | | |
| Deferred loan costs | 50,701 | 50,701 |
| Less: Accumulated amortization | <u>(12,966)</u> | <u>(6,483)</u> |
| Total other assets | <u>37,735</u> | <u>44,218</u> |
| Total Assets | <u>\$ 13,930,563</u> | <u>13,804,783</u> |
| <u>LIABILITIES AND FUND EQUITY</u> | | |
| Current Liabilities: | | |
| Accounts payable | \$ 5,526 | 3,593 |
| Accrued interest on long-term debt | 48,260 | 56,301 |
| Current maturities of long-term debt | 296,998 | 305,100 |
| Total current liabilities | <u>350,784</u> | <u>364,994</u> |
| Long-Term Debt, less current maturities: | | |
| Notes payable | <u>7,578,898</u> | <u>7,874,166</u> |
| Total Liabilities | <u>7,929,682</u> | <u>8,239,160</u> |
| Fund Equity: | | |
| Members capital | 2,142,265 | 2,045,813 |
| Contributed capital | 801,973 | 801,973 |
| Retained earnings | 3,056,643 | 2,717,837 |
| Total fund equity | <u>6,000,881</u> | <u>5,565,623</u> |
| Total Liabilities and Fund Equity | <u>\$ 13,930,563</u> | <u>13,804,783</u> |

WAGONER COUNTY RURAL WATER DISTRICT NO. 5
Statement of Revenue, Expenses and Changes in Retained Earnings
For The Year Ended December 31, 2011

| | 2011 | (memo only) 2010 |
|--|---------------------|---------------------|
| Revenue from Operations: | | |
| Water sales | \$ 2,092,708 | 1,975,230 |
| Charges and late penalties | 66,343 | 59,571 |
| Service income | 10,950 | 10,225 |
| Other income | 5,360 | 4,144 |
| Total revenue from operations | <u>2,175,361</u> | <u>2,049,170</u> |
| Expenses from Operations: | | |
| Water purchases | 40,714 | 17,709 |
| Salaries and benefits | 306,914 | 314,838 |
| Payroll taxes | 24,734 | 30,996 |
| Repairs and maintenance | 60,241 | 11,977 |
| Chemicals | 244,000 | 260,042 |
| Power plant costs | 97,113 | 104,059 |
| Contract wages | 9,863 | 3,038 |
| Employee insurance | 85,009 | 68,455 |
| Health reimbursement | 13,500 | - |
| Vehicle expense | 10,583 | 3,411 |
| Insurance | 41,985 | 37,415 |
| Supplies and materials | 94,758 | 84,152 |
| Office expenses | 57,501 | 50,738 |
| Depreciation | 439,033 | 427,626 |
| Amortization | 6,483 | - |
| Professional fees | 39,867 | 35,367 |
| Utilities and phone | 15,576 | 6,249 |
| Dues and fees | 20,893 | 15,266 |
| Travel | 17,200 | 14,726 |
| Total expenses from operations | <u>1,625,967</u> | <u>1,486,064</u> |
| Net Income (Loss) from Operations | 549,394 | 563,106 |
| Non-operating revenues: | | |
| Extraordinary income | 14,786 | - |
| Interest earnings | 8,113 | 10,033 |
| Total non-operating revenues | <u>22,899</u> | <u>10,033</u> |
| Non-operating expenses: | | |
| Interest on long-term debt | <u>(233,487)</u> | <u>(264,471)</u> |
| Net Income (Loss) | 338,806 | 308,668 |
| Retained earnings, beginning of period | <u>2,717,837</u> | <u>2,409,169</u> |
| Retained earnings, end of period | <u>\$ 3,056,643</u> | <u>2,717,837</u> |