

**CHOCTAW COUNTY RURAL WATER  
AND SEWER DISTRICT NO. 1**

GRANT, OKLAHOMA

FINANCIAL STATEMENTS AND AUDITOR'S REPORT

YEAR ENDED OCTOBER 31, 2016

Audited by

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

BROKEN ARROW, OK

CHOCTAW COUNTY RURAL WATER AND SEWER DISTRICT NO. 1  
BOARD OF DIRECTORS  
OCTOBER 31, 2016

BOARD OF DIRECTORS

Chairperson	Susan Brewer
Vice-Chairperson	Ernie Taylor
Secretary/Treasurer	Odis Brewer
Member	Candy Tollett
Member	Ricky Hunter

USERS

Water	859
Sewer	98

MANAGER

James W. Bailey

Charles W. Motes

Office Manager

Sandy Barcheers

CHOCTAW COUNTY RURAL WATER AND SEWER DISTRICT NO. 1  
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# SANDERS, BLEDSOE & HEWETT

CERTIFIED PUBLIC ACCOUNTANTS, LLP

## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Choctaw County Rural Water and Sewer District No. 1  
Grant, Oklahoma

We have audited the accompanying financial statements of the business-type activities of the Choctaw County Rural Water and Sewer District No. 1 (the District), Grant, Oklahoma, as of and for the year ended October 31, 2016, which collectively comprise the District's basic financial statements, and the related notes, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

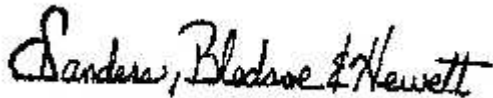
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the District as of October 31, 2016, and the respective changes in financial position and cash flows thereof for the year then ended 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 December 2, 2016, 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. 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4-7 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining and individual fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole on the basis of accounting generally accepted in the United States.

A handwritten signature in black ink that reads "Sanders, Bledsoe & Hewett". The signature is written in a cursive, flowing style.

Sanders, Bledsoe & Hewett  
Certified Public Accountants, LLP

December 2, 2016

## **RURAL WATER AND SEWER DIST#1, CHOCTAW COUNTY**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**DECEMBER 1, 2016**

Our discussion and analysis of the Rural Water & Sewer Dist#1, Choctaw County's financial performance provides an overview of the District's financial activities for the fiscal year ended October 31, 2016. Please read it in conjunction with the District's financial statements that begin on page 12

#### **FINANCIAL HIGHLIGHTS**

- The District has over 800 users on its system.
- The District's Net position increased \$26,541 for the current fiscal year.
- The District's operating revenues exceeded operating expenses by \$101,916. During the 2015-16 fiscal year, the District actually brought in \$694,510 and spent \$592,594.
- The District continues to make payment on the Bonds that was borrowed against from Bank of Oklahoma.

#### **Using This Report**

This annual 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 Statement**

One of the most important questions asked about the District's finances is, "Is the District as a whole better or worse off as a result of the year's activities?" The Statement of Net Position, the Statement of Revenues, Expenses and Changes in

the Statement of Cash Flows report information about the District and its activities in a way that helps answer this question.

These three statements report the District's net position and the changes in them. You can think of the District's net position-the difference between assets and liabilities - as one way to measure the District's financial position. Over time, increases in the District's net position 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.

### **Net Position, and Changes in Net Position**

The Districts Net Position was higher in 2015-2016, increasing from \$1,802,243 to \$1,828,784. Last year net assets increased by \$54,634. Looking at the Net Position and net Expenses of business-type activities separately, however, two different stories can emerge. Our analysis below focuses on the Net Position (Table1) and in Net position (Table 2) of the District's business-type activities.

**Table 1- Net Position:**

	2015-16	2014-15	Variances
Assets			
Current and other assets	\$732,839	\$585,432	\$147,407
Non-Current Assets	\$493,842	\$769,983	(\$276,141)
Capital Assets	\$2,684,089	\$2,510,666	\$173,423
Total Assets	\$3,910,770	\$3,866,081	\$44,689
Liabilities			

Current Liabilities	\$156,986	\$98,838	\$58,148
Non-Current Liabilities	\$1,925,000	\$1,965,000	(\$40,000)
Total Liabilities	\$2,081,986	\$2,063,838	\$18,148
Net Position			
Invest. In capital assets, net			
Of relates debt	\$719,089	\$505,666	\$213,423
Restricted	\$138,675	\$140,105	\$1,430
Unrestricted	\$971,020	\$1,156,472	\$185,452
Total Net Position	\$1,828,784	\$1,802,243	\$26,541

Net Position of the District increased by 1.47% (\$1,828,784 compared to \$1,802,243). Unrestricted net position-the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements-decreased from \$1,156,472 to \$971,020.

**Table 2- Changes in Net position:**

	2015-16	2014-15	Variances
Expenses:			
Total expenses	\$694,510	\$873,274	\$11,236
Program Revenue:			
Total program revenue	\$692,699	\$671,931	(\$20,768)
Net program income	\$1,811	\$11,343	(\$9,532)
General Revenues:			
Interest and dividends	\$3,659	\$1,882	\$1,777
Miscellaneous	\$21,071	\$41,409	(\$20,338)



Total general revenues	\$24,730	\$43,291	(\$18,561)
Change in net assets	\$26,541	\$54,634	(\$28,561)
Net Assets-beginning of year	\$1,802,243	\$1,747,609	\$54,634
Net Assets-end of year	\$1,828,784	\$1,802,243	\$26,541

The District's total revenue increased by 1.64 percent (\$11,236). The total cost of all services increased by 3.09 percent (-\$20,768).

### **Fixed Assets**

At October 31, 2016, the District had \$2,684,089 invested in fixed assets, net of depreciation, including land, the water system, treatment plant, vehicles and equipment. In 2015-2016, the District added \$295,485 in additions to fixed assets, including a new truck and a gooseneck trailer. The District considers any item purchased in excess of \$1000. And a useful life of over three years, to be classified as a fixed asset.

### **Long-Term Debt**

The District has two outstanding Bonds with Bank of Oklahoma. These bonds were incurred to construct the water system and wells, and make various improvements and expansions over the years. On October 31, 2016 the District had outstanding long-term debt of \$1,965,000 on these two loans. The balances of these bonds are shown in detail in the notes section of this audit report on page 17.

### **Economic Factors and Next Year's Budget and Rates**

For the upcoming fiscal year ending October 31, 2017, the District's operating budget is fairly consistent with prior years.

### **Contacting the District's Financial Management**

This financial report is designed to provide our customers and creditors with a general overview of the District's finances and to show 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 63, Grant, OK or call (580) 326-7777



# SANDERS, BLEDSOE & HEWETT

CERTIFIED PUBLIC ACCOUNTANTS, LLP

**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 Directors  
Choctaw County Rural Water and Sewer District No. 1  
Grant, Oklahoma

We have audited, 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, the accompanying financial statements of the Choctaw County Rural Water and Sewer District No. 1 (the District), Grant, Oklahoma, as of and for the year ended October 31, 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 December 2, 2016.

**Internal Control Over Financial Reporting**

Management of the District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting in order to determine our auditing procedures that are appropriate for the purpose of expressing our opinion 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 the District's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified no deficiencies in the internal controls that we considered to be material weaknesses.

*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 District'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.

#### 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 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 that are required to be reported under *Government Auditing Standards*.

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



Sanders, Bledsoe & Hewett  
Certified Public Accountants, LLP

December 2, 2016

CHOCTAW COUNTY RURAL WATER AND SEWER DISTRICT NO.1  
DISPOSITION OF PRIOR YEAR'S SIGNIFICANT DEFICIENCIES  
OCTOBER 31, 2016

There were no prior year significant deficiencies.

CHOCTAW COUNTY RURAL WATER AND SEWER DISTRICT NO. 1  
SCHEDULE OF AUDIT RESULTS, FINDINGS AND QUESTIONED COSTS  
OCTOBER 31, 2016

Section 1 – Summary of Auditor's Results:

1. An unmodified opinion was issued on the financial statements.
2. The audit disclosed no significant deficiencies in the internal controls.
3. The audit disclosed no instances of noncompliance.

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

NONE

CHOCTAW COUNTY RURAL WATER AND SEWER DISTRICT NO. 1  
STATEMENT OF NET POSITION  
OCTOBER 31, 2016

ASSETS

Current Assets:	
Cash on hand	\$ 100
Cash in bank	390,469
Investments	176,907
Accounts receivable	66,969
Supplies Inventory	83,133
Prepaid insurance	15,261
Total current assets	<u>732,839</u>
Non-Current Assets:	
Bond trustee accounts	441,788
Bond issuance costs	52,054
Total non-current assets	<u>493,842</u>
Capital Assets:	
Office furniture and fixtures	38,585
Equipment and tools	169,280
Transportation equipment	120,858
Water and sewer system	4,247,587
Buildings	55,941
Land and water rights	93,745
Total capital assets	4,725,996
Less accumulated depreciation	<u>(2,041,907)</u>
Total capital assets (net)	<u>2,684,089</u>
Total Assets	<u>3,910,770</u>

LIABILITIES

Current Liabilities:	
Accounts payable	13,672
Debt services payable	103,314
Current portion due within one year	40,000
Total current liabilities	<u>156,986</u>
Non-Current Liabilities:	
Revenue bonds payable	<u>1,925,000</u>
Total Liabilities	<u>2,081,986</u>

NET POSITION

Invested in capital assets, net of related debt	719,089
Restricted for debt service	138,675
Unrestricted	971,020
Total Net Position	<u>\$ 1,828,784</u>

The accompanying notes are an integral part of the financial statements

CHOCTAW COUNTY RURAL WATER AND SEWER DISTRICT NO. 1  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
FOR THE YEAR ENDED OCTOBER 31, 2016

Revenue from Operations:	
Water sales	\$ 641,792
Sewer sales	25,468
Installation	7,700
Reconnect fees	5,797
Miscellaneous	392
Late charges	7,548
Deposits	5,813
Total revenue from operations	<u>694,510</u>
Expenses from Operations:	
Salaries	184,203
Taxes	21,821
Professional fees	11,119
Contract labor	10,122
Utilities	20,023
Insurance	39,813
Repairs and maintenance	86,762
Gas and oil	7,073
Membership fees, dues and permits	6,681
Telephone	3,598
Office materials and supplies	10,171
Water purchases	20,560
Depreciation	122,062
Amortization	2,519
Vehicle maintenance	4,553
Postage	4,226
Bad debts	19,124
Miscellaneous	11,952
Uniforms	6,212
Total expenses from operations	<u>592,594</u>
Net Income (Loss) from Operations	101,916
Non-Operating Income/Expense:	
Interest revenue	3,659
Membership income	449
Reimbursement from ODOT	20,622
Interest expense on debt payments	(100,105)
Total non-operating income/expense	<u>(75,375)</u>
Change in net position - net income (loss)	26,541
Net Position - beginning of year	<u>1,802,243</u>
Net Position - end of year	<u><u>\$ 1,828,784</u></u>

The accompanying notes are an integral part of the financial statements

CHOCTAW COUNTY RURAL WATER AND SEWER DISTRICT NO. 1  
STATEMENT OF CASH FLOWS  
FOR YEAR ENDED OCTOBER 31, 2016

**Cash Flows from Operating Activities:**

Cash received from customers	\$ 661,880
Cash payments to suppliers for goods and contractors and other services	(408,842)
Net Cash Provided by Operating Activities	<u>253,038</u>

**Cash Flows from Investing Activities:**

Capital assets purchased	(295,485)
Membership units	448
ODOT reimbursements	20,622
Interest and dividends	3,659
Net Cash Provided by Investing Activities	<u>(270,756)</u>

**Cash Flows from Financing Activities:**

Interest payments on debt	(100,105)
Principal payments on debt	(40,000)
Net Cash Provided by Financing Activities	<u>(140,105)</u>

Net increase (decrease) in cash and cash equivalents	(157,823)
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Cash & cash equivalents, beginning of period	<u>1,167,087</u>
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Cash & cash equivalents, end of period	<u><u>\$ 1,009,264</u></u>
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**Reconciliation of operating income (loss) to net cash provided by operating activities:**

Operating income (loss)	\$ 101,916
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation and amortization expense	124,581
(Increase) decrease in accounts receivable	12,846
(Increase) decrease in prepaid expenses	(4,185)
(Increase) decrease in supplies inventory	(40,268)
(Decrease) increase in accounts payable	1,312
(Decrease) increase in debt services accounts payable	56,836
Net cash provided by operating activities	<u><u>\$ 253,038</u></u>

The accompanying notes are an integral part of the financial statements



CHOCTAW COUNTY RURAL WATER AND SEWER DISTRICT NO. 1  
NOTES TO FINANCIAL STATEMENTS  
OCTOBER 31, 2016

**Note A – Significant Accounting Policies**

Nature of Organization

The Choctaw County Rural Water and Sewer District No. 1 (the District) was created under the provisions of Title 82 of Oklahoma Statutes, Section 1324.1 – 1324.35 and the Laws of the State of Oklahoma. The purpose of this District is to provide water and sewer services to users.

Basis of Accounting

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

Cash

The District's accounts are with Bancfirst in Hugo, Oklahoma, and, at October 31, 2016, are detailed as follows:

Savings account (included in investments)	\$ 972
Water and Sewer account	434,833
Less: outstanding checks	<u>(44,364)</u>
Total	<u><u>\$ 391,441</u></u>

Investments

All investments are recorded at cost. Investments at October 31, 2016, are detailed as follows:

Bancfirst, Hugo, Oklahoma	
Certificate of Deposit No. 45463, dated 9-23-14, due 9-23-17, @ 1.20%	<u><u>\$ 176,935</u></u>

Statement of Cash Flows

For purposes of the statement of cash flows, the District considers all highly liquid investments, such as certificates of deposit and savings accounts, as cash equivalents. Also included are the bond trustee accounts.

CHOCTAW COUNTY RURAL WATER AND SEWER DISTRICT NO. 1  
NOTES TO FINANCIAL STATEMENTS  
OCTOBER 31, 2016

**Note A – Significant Accounting Policies – cont’d**

Accounts Receivable

Billings for accounts receivable at October 31, 2016 were \$66,969. An allowance for doubtful accounts was not computed on this balance. The direct write-off method is used by the District for bad accounts, which is not materially different from computing an allowance.

Inventory

Supplies inventory is valued at the lower of cost or market, using the FIFO method (first in, first out).

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 (any item over \$1,000) are as follows:

Land	-0-
Water rights	-0-
Office furniture & fixtures	5-10 years
Equipment & tools	5-10 years
Transportation equipment	3-10 years
Water system	40 years
Sewer system	40 years
Buildings	15-25 years

Federal Income Tax

The District is exempt from federal and state income taxes.

**Note B – Cash and Investments**

The District's investment policies are governed by state statute. Permissible investments include direct obligations of the United States government and agencies; certificates of deposit of savings and loan associations, banks and trust companies; savings accounts or savings certificates of savings and loan associations, banks and trust companies; and warrants, bonds or judgments of the District.

CHOCTAW COUNTY RURAL WATER AND SEWER DISTRICT NO. 1  
NOTES TO FINANCIAL STATEMENTS  
OCTOBER 31, 2016

**Note B – Cash and Investments – cont’d**

Cash and investments – The District’s cash deposits and investments at October 31, 2016, are categorized to give an indication of the level of risk assumed by the District at year end.

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

	Category			Bank	Carrying
	(A)	(B)	(C)	Balance	Balance
Cash	\$ 250,000	184,833		434,833	390,469
Investments	176,907			176,907	176,907
Total	<u>\$ 426,907</u>	<u>184,833</u>	<u>0</u>	<u>611,740</u>	<u>567,376</u>

**Note C – Accumulated Unpaid Vacation and Sick Pay**

At October 31, 2016, no determination of the aggregate dollar value of vacation or sick pay had been made.

**Note D – Long-Term Debt**

Long-term debt at October 31, 2016, is summarized as follows:

Oklahoma Refunding and Capital Improvement Revenue Bonds Series 2007 dated June 12, 2007, due June 1, 2037, payable in annual principal and interest installments	\$ 890,000
Capital Improvement Revenue Bonds, totaling \$1,135,000, Series 2013 dated April 1, 2013, due April 1, 2043, payable in annual principal and interest installments	<u>1,075,000</u>
Total	<u>\$ 1,965,000</u>

CHOCTAW COUNTY RURAL WATER AND SEWER DISTRICT NO. 1  
NOTES TO FINANCIAL STATEMENTS  
OCTOBER 31, 2016

**Note D – Long-Term Debt** – cont'd

The estimated maturities for long-term debt mortgages for the next five (5) years, and in total thereafter, are detailed as follows:

Year Ending October 31,	Principal	Interest*	Total
2017	40,000	98,675	138,675
2018	45,000	97,245	142,245
2019	45,000	95,322	140,322
2020	45,000	93,290	138,290
2021	50,000	91,167	141,167
2021-26	290,000	417,687	707,687
2026-31	365,000	332,762	697,762
2031-36	480,000	222,160	702,160
2036+	605,000	103,885	708,885
Total	<u>\$ 1,965,000</u>	<u>1,552,193</u>	<u>3,517,193</u>

\*The interest rate is variable, therefore this column represents estimates only.

**Note E – Restricted Assets**

Under the terms of the Revenue Bonds Series 2007 and 2013 loan agreements, the District must maintain reserve funds. The loan agreement requires the District to maintain trustee accounts in the form of a debt service fund, a debt reserve fund and a construction fund. The balances of these accounts as of October 31, 2016 are as follows:

	2007 Bonds	2013 Bonds	Total
Debt service account	\$ 28,714	74,600	103,314
Debt service reserve account	71,535	16,177	87,712
Construction account	3,829	246,933	250,762
Total restricted accounts	<u>\$ 104,078</u>	<u>337,710</u>	<u>441,788</u>

During the 2015-16 fiscal year, the District expended and drew down \$272,063 of 2013 Bond funds for additional on-going system improvements.

**Note F – Subsequent Events**

Management has evaluated subsequent events through December 2, 2016, which is the date the financial statements were available to be issued and have determined that no additional information needs to be added to the financial statements.

CHOCTAW COUNTY RURAL WATER AND SEWER DISTRICT NO. 1  
BALANCE SHEETS  
FOR YEARS ENDED OCTOBER 31, 2016 AND 2015

<u>ASSETS</u>	October 31,	
	2016	2015
Current Assets:		
Cash on hand	\$ 100	100
Cash in bank	390,469	276,415
Investments	176,907	175,161
Accounts receivable	66,969	79,815
Supplies Inventory	83,133	42,865
Prepaid insurance	15,261	11,076
Total current assets	<u>732,839</u>	<u>585,432</u>
Restricted Assets:		
Bond trustee accounts	<u>441,788</u>	<u>715,411</u>
Fixed Assets (Note A):		
Construction in progress	-	375,352
Office furniture and fixtures	38,585	38,585
Equipment and tools	169,280	161,610
Transportation equipment	120,858	86,770
Water and sewer system	4,247,587	3,618,508
Buildings	55,941	55,941
Land and water rights	93,745	93,745
Total fixed assets	<u>4,725,996</u>	<u>4,430,511</u>
Less accumulated depreciation	<u>(2,041,907)</u>	<u>(1,919,845)</u>
Total fixed assets (net)	<u>2,684,089</u>	<u>2,510,666</u>
Other Assets:		
Bond issuance costs	<u>52,054</u>	<u>54,572</u>
Total Assets	<u><u>\$ 3,910,770</u></u>	<u><u>3,866,081</u></u>
 <u>LIABILITIES AND MEMBER EQUITY</u>		
Current Liabilities:		
Accounts payable	\$ 13,672	12,360
Notes payable - current portion	40,000	40,000
Debt services accounts payable	103,314	46,478
Total current liabilities	<u>156,986</u>	<u>98,838</u>
Long-term Liabilities:		
Note payable	<u>1,925,000</u>	<u>1,965,000</u>
Member Equity:		
Members investment - discounted notes	191,564	191,564
Member benefit units - water	50,248	49,947
Member benefit units - sewer	11,057	10,907
Contributed capital	703,083	703,083
Retained earnings:		
Unrestricted	872,832	846,742
Total member equity	<u>1,828,784</u>	<u>1,802,243</u>
Total Liabilities and Member Equity	<u><u>\$ 3,910,770</u></u>	<u><u>3,866,081</u></u>

CHOCTAW COUNTY RURAL WATER AND SEWER DISTRICT NO. 1  
STATEMENTS OF INCOME AND CHANGES IN RETAINED EARNINGS  
FOR YEARS ENDED OCTOBER 31, 2016 AND 2015

	2015-16	2014-15
Revenue from Operations:		
Water sales	\$ 641,792	639,475
Sewer sales	25,468	23,872
Installation	7,700	15,400
Reconnect fees	5,797	3,425
Miscellaneous	392	579
Late charges	7,548	8,045
Deposits	5,813	33,085
Total revenue from operations	<u>694,510</u>	<u>723,881</u>
Expenses from Operations:		
Salaries	184,203	177,161
Taxes	21,821	20,101
Professional fees	11,119	9,417
Contract labor	10,122	6,537
Utilities	20,023	19,153
Insurance	39,813	55,081
Repairs and maintenance	86,762	96,562
Gas and oil	7,073	7,382
Membership fees, dues and permits	6,681	4,764
Telephone	3,598	3,867
Office materials and supplies	10,171	8,460
Water purchases	20,560	23,869
Depreciation	122,062	107,289
Amortization	2,519	2,519
Vehicle maintenance	4,553	1,097
Postage	4,226	3,632
Bad debts	19,124	4,403
Miscellaneous	11,952	10,743
Uniforms	6,212	8,359
Total expenses from operations	<u>592,594</u>	<u>570,396</u>
Net Income (Loss) from Operations	101,916	153,485
Non-Operating Income/Expense:		
Interest revenue	3,659	1,882
Reimbursement from ODOT	20,622	-
Interest expense on debt payments	(100,105)	(101,535)
Total non-operating income/expense	<u>(75,824)</u>	<u>(99,653)</u>
Net Income (Loss)	26,092	53,832
Retained Earnings, beginning of period	<u>846,740</u>	<u>792,910</u>
Retained Earnings, end of period	<u><u>\$ 872,832</u></u>	<u><u>846,742</u></u>



# SANDERS, BLEDSOE & HEWETT

CERTIFIED PUBLIC ACCOUNTANTS, LLP

December 3, 2016

Mr. Charles Motes, Manager  
Choctaw County Rural Water District No. 1  
P.O. Box 16  
Grant, Oklahoma 74738

Dear Mr. Motes:

The following section contains the observations relayed to management that are control deficiencies, which we feel need to be communicated to you so appropriate action may be taken to correct these deficiencies. These items are not included in your audit report, as they are not considered material or immaterial in nature. They are simply observations of some minor findings that could evolve into immaterial or material findings if not addressed or corrected.

## Countersigned Checks

We observed that some checks issued during the 2015-16 fiscal year were not properly countersigned. We recommend that all checks be signed by at least two representatives from the Board of Directors. This control ensures that more than one member of the board is aware of the expense, and the vendor and amount paid appear accurate.

We take this opportunity to thank you and your professional staff for the outstanding cooperation and invaluable assistance you gave us during our recent onsite audit work.

Sincerely,

Eric M. Bledsoe

For

Sanders, Bledsoe & Hewett  
Certified Public Accountants, LLP