

**Hughes County Rural Water District No. 1**  
**Wetumka, Oklahoma**

Financial Statements and Auditor's Reports

Year Ended December 31, 2015

Audited by

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

BROKEN ARROW, OK

Hughes County Rural Water District No. 1  
Wetumka, Oklahoma  
Board of Directors  
December 31, 2015

**BOARD OF DIRECTORS**

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**Vice Chairman**

Roll Bray

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Debbie Kardokus

**Members**

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**MANAGER**

John Wilkerson

**BOOKKEEPER**

Wanda Price

Hughes County Rural Water District No. 1  
Wetumka, Oklahoma  
December 31, 2015

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# SANDERS, BLEDSOE & HEWETT

## CERTIFIED PUBLIC ACCOUNTANTS, LLP

### **INDEPENDENT AUDITOR'S REPORT**

Board of Directors  
Hughes County Rural Water District No. 1  
Wetumka, Oklahoma

We have audited the accompanying financial statements of the business-type activities of the Hughes County Rural Water District No. 1 (the District), Wetumka, Oklahoma, as of and for the year ended December 31, 2015, 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. Management is also responsible for 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 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 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 District'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 District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the 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 have obtained is sufficient and appropriate to provide a basis for our opinions.

### **Opinions**

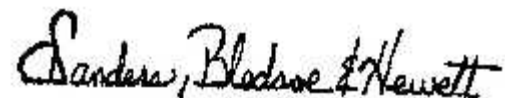
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the District as of December 31, 2015, and the respective changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

### **Other Matters**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 and 6 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 supplemental 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 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.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated March 14, 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 or on 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 Authority's internal control over financial reporting and compliance.

  
Sanders, Bledsoe & Hewett  
Certified Public Accountants, LLP

March 14, 2016

Hughes County Rural Water District No. 1  
Management's Discussion and Analysis  
December 31, 2015

Our discussion and analysis of the Rural Water District No. 1, Hughes County's financial performance provides an overview of the District's financial activities for the fiscal year ended December 31, 2015. Please read it in conjunction with the District's financial statements that begin on page 13.

### **FINANCIAL HIGHLIGHTS**

- The District's total operating expenses exceeded total operating revenues by \$41,676. Overall, the District had a net loss of (\$50,200), and its cash and cash equivalents increased by \$291,307 in the current fiscal year. These amounts include \$72,290 in annual depreciation costs.
- The District is now indebted by two notes to the Oklahoma Office of Rural Development. The District was able to pay off the four existing loans in 2015.
- The District was approved for two federal loans in the amount of \$2,579,000 and federal grants in the amount of \$1,544,500 in 2014 for improvements and expansion of the water system and a water treatment plant. The loan proceeds were all received in 2015 and \$193,129 of the grant proceeds were received in 2015.
- The District was forced to increase water rates in 2014, due to the City of Wetumka raising their rates.

### **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 Position, the Statement of Revenues, Expenses and Changes in Net Position, 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, 2015, the District had \$3,190,811 invested in fixed assets, net of depreciation, including land, the water system, vehicles, equipment, and construction in progress relating to the water well/filtration project. The District made \$1,955,271 of improvements to the water system and the water treatment plant during the 2015 fiscal year.

### **Long-Term Debt**

The District was indebted to the USDA, Oklahoma Office of Rural Development on three notes obtained for previously extensive extensions and the current water system. The outstanding principal balances from these loans were paid off with the new USDA/RD loan/grant proceeds received in 2015. The District now has two new 40 year, 2.25% notes, \$2,218,000 and \$361,000, which they began making payments on in early 2016.

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

The District attempts to absorb water rate increases, but may be forced to increase our customer rates if additional increases are made by their water sources.

The District's budget for fiscal year 2016 will remain much like previous years budgets. Your Board of Directors does anticipate small budget changes made primarily to better allow for office and field personnel operations, without the necessity of hiring additional part-time or permanent employees.

### **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 160, Wetumka, OK 74536 or call (918) 569-4326.



# 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  
Hughes County Rural Water District No. 1  
Wetumka, 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 Hughes County Rural Water District No. 1 (the District), Wetumka, Oklahoma, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 14, 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. However, as described in the accompanying schedule of findings and responses, we identified a certain deficiency in the internal controls that we considered to be a material weakness.

*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. We consider the deficiency described in the accompanying schedule of findings and responses as item 15-1, to be a material weakness.

#### 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*.

#### District's Response to Findings

The District's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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

March 14, 2016



# SANDERS, BLEDSOE & HEWETT

CERTIFIED PUBLIC ACCOUNTANTS, LLP

## **REPORT ON COMPLAINE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Directors  
Hughes County Rural Water District No. 1  
Wetumka, Oklahoma

### **Compliance**

We have audited the compliance of Hughes County Rural Water District No. 1, (the District) Wetumka, Oklahoma, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2015. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we consider necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2015.

### Internal Control Over Compliance

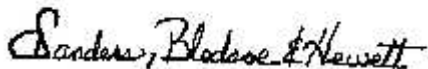
The management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material noncompliance with a type of compliance requirement of a federal program will not be detected or prevented by the entity's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information of the Board of Directors, management and the Federal Clearinghouse, 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

March 14, 2016

**HUGHES COUNTY RURAL DISTRICT NO. 1**  
**Disposition of Prior Year's Reportable Conditions**  
**December 31, 2015**

Lack of Segregation of Duties

The exception that there were inherent limitations resulting from a small number of employees performing functions that would normally be divided among employees were a larger number available which prevented a proper segregation of accounting functions which is necessary to assure adequate internal accounting controls continued in the current fiscal year.

**HUGHES COUNTY RURAL WATER DISTRICT NO. 1**  
**Schedule of Audit Results**  
**December 31, 2015**

Section 1 – Summary of Auditor’s Results:

1. An unqualified opinion report was issued on the financial statements.
2. The audit disclosed a reportable condition in the internal controls which was not considered a material weakness.
3. The audit disclosed no instances of noncompliance.
4. The audit disclosed no reportable conditions in the internal controls over major programs.
5. An unqualified opinion was issued on the compliance of major programs.
6. The audit disclosed no audit findings which are required to be reported under OMB Circular A-133 § 510(a).
7. The program determined to be major is the USDA/Rural Development Loans.
8. The dollar threshold used to determine between Type A and Type B programs was \$300,000.
9. The district was determined not to be a low-risk auditee.

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

15-1 – Lack of Segregation of Duties

Condition-

The inherent limitations resulting from a small number of employees performing functions that would normally be divided among employees were a larger number available prevent a proper segregation of accounting functions, which is necessary in order to assure adequate internal accounting controls.

Criteria-

An organization should ensure that there is a proper segregation of duties regarding cash collections and the payment of expenses.

Cause-

The District is not large enough to justify the hiring of additional personnel.

Effect-

There is always the possibility that not all collections are actually receipted or deposited, and the possibility that funds expended are not used for actual District obligations.

Recommendation-

The current procedures should not be changed. However, there should be additional personnel instilled into the collection, receipt, deposit, reconciliation and payment procedures when this becomes economically possible.

Response-

Additional personnel will be hired when the actual funds are available.

Section 3 – Findings and Questioned Costs for Federal Awards:

NONE

HUGHES COUNTY RURAL WATER DISTRICT NO. 1  
STATEMENT OF NET POSITION  
DECEMBER 31, 2015

ASSETS:

Current assets:

Cash	\$ 335,527
Deposits (ORWA)	1,000
Total current assets	<u>336,527</u>

Noncurrent assets:

Restricted cash and cash equivalents	103,278
Capital assets:	
Water distribution system-net	3,188,611
Equipment-net	2,200
Total noncurrent assets	<u>3,294,089</u>

Total Assets	<u>3,630,616</u>
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LIABILITIES:

Current liabilities:

Current portion of long-term debt	37,138
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Noncurrent liabilities:

Long-term notes payable	<u>2,541,862</u>
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Total Liabilities	<u>2,579,000</u>
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NET POSITION:

Invested in capital assets, net of related debt	715,089
Restricted for debt service	103,278
Unrestricted	<u>233,249</u>
Total Net Position	<u>\$ 1,051,616</u>

The accompanying notes are an integral part of the financial statements

HUGHES COUNTY RURAL WATER DISTRICT NO. 1  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
FOR THE YEAR ENDED DECEMBER 31, 2015

Operating Revenues:	
Water revenue	\$ 339,819
Benefit units	2,700
Other sales and services	12,914
Total operating revenues	<u>355,433</u>
Operating Expenses:	
Water purchases	174,792
Depreciation	72,290
Contract labor	55,041
Electricity	8,873
Repairs and maintenance	64,826
Insurance	3,890
Office	8,029
Professional fees	1,200
Testing and other fees	4,582
Miscellaneous	3,586
Total expenses from operations	<u>397,109</u>
Operating Income (Loss)	(41,676)
Non-Operating Revenues (Expenses):	
Grant proceeds received	193,129
Interest income	29
Interest paid on long-term debt	(8,553)
Total Non-Operating Revenues (Expenses)	<u>184,605</u>
Change in Net Assets	142,929
Total Net Position, beginning of period	<u>908,687</u>
Total Net Position, end of period	<u><u>\$ 1,051,616</u></u>

The accompanying notes are an integral part of the financial statements

HUGHES COUNTY RURAL WATER DISTRICT NO. 1  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2015

Cash Flows from Operating Activities:

Receipts from customers	\$ 355,433
Payments to vendors	(324,819)
Net Cash Provided by (used in) Operating Activities	<u>30,614</u>

Cash Flows from Financing Activities:

Fixed asset additions	(1,955,271)
Principal paid on long-term debt	(547,641)
Interest paid on long-term debt	(8,553)
Net Cash Provided by (used in) Financing Activities	<u>(2,511,465)</u>

Cash Flows from Investing Activities:

Loan proceeds	2,579,000
Grant proceeds	193,129
Interest earned on investments	29
Net Cash Provided by (used in) Investing Activities	<u>2,772,158</u>

Net increase (decrease) in cash and cash equivalents 291,307

Cash and cash equivalents, beginning of period 148,498

Cash and cash equivalents, end of period \$ 439,805

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

Operating Income (loss)	\$ (41,676)
Adjustments to reconcile net income to net cash provided (used) by operating activities:	
Depreciation Expense	<u>72,290</u>
Net cash provided by operating activities	<u><u>\$ 30,614</u></u>

The accompanying notes are an integral part of the financial statements

**HUGHES COUNTY RURAL WATER DISTRICT NO. 1**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

**Note A – Significant Accounting Policies**

Reporting Entity

The District is recognized as a public, not-for-profit rural water district under Oklahoma Statutes, Title 82. The District is an independent, self-contained reporting entity with no associated component units. It is operated in a manner similar to a private business enterprise, where the cost of providing water services is financed through user charges. The District purchases water primarily from the City of Wetumka.

Basis of Accounting

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

Cash and cash equivalents

The District's cash and cash equivalents, shown in the financial statements, are amounts that are not subject to fluctuations and have a maturity of less than three months. Cash and investments are detailed as follows:

	December 31,	
	2015	2014
Citizens Security Bank:		
Operating Account	\$ 65,247	83,473
Construction Account	270,280	804
Less: Outstanding checks	-	(50)
ORWA deposit	1,000	1,000
LaSalle St. Securities:		
Money Market Account	103,278	63,271
Balance	<u>\$ 439,805</u>	<u>148,498</u>

Collateral Pledged

It appears that all funds were adequately insured by the \$250,000 of FDIC coverage and additional collateral pledged by the banking institution as of December 31, 2015.

**HUGHES COUNTY RURAL WATER DISTRICT NO. 1**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

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

Restricted Asset – Investment Reserves

In compliance with the United States Department of Agriculture Rural Development regulations, cash reserves have been established to collect up to one year's payments on the notes payable, or \$99,660, at which time deposits in the reserve can be suspended. The reserve account funds have been deposited in an interest bearing savings account at LaSalle St. Securities, which is insured by the federal government. At December 31, 2015, the restricted asset-investment reserve balance was \$103,278.

Inventory

The District does not maintain inventory records of parts and supplies, but charges these purchases to maintenance or supplies, as they are needed.

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.

**Note B - Fixed Assets**

Fixed assets and additions are recorded at cost. Depreciation of the waterworks system and improvements is provided using the straight-line method based on a forty-year life. Equipment is depreciated over a five-year life. Depreciation expense for the year is presented as an operating expense and closed, along with other operating expenses, directly to retained earnings.

The fixed asset information for the District is shown below:

	12/31/2014 Amount	Additions	Deletions	12/31/2015 Amount
Water System & Equipment	\$ 2,856,386	-	-	2,856,386
Contruction in Progress Water Treatment Plant	-	1,955,271	-	1,955,271
Equipment	11,626	-	-	11,626
Less: Accumulated Depreciation	(1,560,182)	(72,290)	-	(1,632,472)
Total	<u>\$ 1,307,830</u>	<u>1,882,981</u>	<u>-</u>	<u>3,190,811</u>

**HUGHES COUNTY RURAL WATER DISTRICT NO. 1**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

**Note C – Long-Term Debt**

The District is indebted to the USDA Rural Development Program on two notes obtained to finance system improvements. The notes are secured by system revenues and property, plant and equipment. Long-term debt at December 31 is summarized as follows:

Note No. 91-14, issued for \$2,218,000, dated 1-28-15, at 2.25% interest, due in monthly installments of \$7,142 for 40 years, or until paid	\$ 2,218,000
Note No. 91-16, issued for \$361,000, dated 1-28-15, at 2.25% interest, due in monthly installments of \$1,163 for 40 years, or until paid;	361,000
Less: Current maturities of long-term debt	<u>(37,138)</u>
Total Long-Term Debt, Less Current Maturities	<u><u>\$ 2,541,862</u></u>

The estimated maturities for future years, based on the required monthly payments, are detailed as follows:

Year	Loan 91-14	Loan 91-16	Total
2016	\$ 31,982	5,156	37,138
2017	35,015	5,748	40,763
2018	36,118	5,878	41,996
2019	36,939	6,012	42,951
2020	37,779	6,149	43,928
2021-25	202,173	32,906	235,079
2026-30	226,222	36,819	263,041
2031-35	253,132	41,201	294,333
2036+	<u>1,358,640</u>	<u>221,131</u>	<u>1,579,771</u>
Total	<u><u>\$ 2,218,000</u></u>	<u><u>361,000</u></u>	<u><u>2,579,000</u></u>

**Note D – Subsequent Events**

Management has evaluated subsequent events through March 14, 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.

HUGHES COUNTY RURAL WATER DISTRICT NO. 1  
BALANCE SHEET  
DECEMBER 31, 2015

	DECEMBER 31,	
	2015	(memo only) 2014
<u>ASSETS</u>		
Current Assets:		
Cash in bank	\$ 335,527	84,227
Investments	0	16,195
Deposits (ORWA)	1,000	1,000
Total Current Assets	<u>336,527</u>	<u>101,422</u>
Fixed Assets:		
Water distribution system	2,856,386	2,856,386
Construction in progress (water treatment plant)	1,955,271	0
Equipment	11,626	11,626
Less: accumulated depreciation	<u>(1,632,472)</u>	<u>(1,560,182)</u>
Total Fixed Assets (net of depreciation)	<u>3,190,811</u>	<u>1,307,830</u>
Restricted Assets:		
Investment reserves	<u>103,278</u>	<u>47,076</u>
Total Assets	<u>\$ 3,630,616</u>	<u>1,456,328</u>
<u>LIABILITIES AND EQUITY</u>		
Current Liabilities:		
Current maturities of long-term debt	\$ 37,138	120,662
Long-Term Debt, less current maturities:		
Notes payable	<u>2,541,862</u>	<u>426,979</u>
Total Liabilities	<u>2,579,000</u>	<u>547,641</u>
Equity:		
Contributed capital	209,829	16,700
Retained earnings	841,787	891,987
Total Equity	<u>1,051,616</u>	<u>908,687</u>
Total Liabilities and Equity	<u>\$ 3,630,616</u>	<u>1,456,328</u>

HUGHES COUNTY RURAL WATER DISTRICT NO. 1  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS  
FOR YEAR ENDED DECEMBER 31, 2015

	2015	(memo only) 2014
Revenue from operations:		
Water revenue	\$ 339,819	300,398
Benefit units	2,700	3,400
Reimbursements	11,714	2,580
Miscellaneous	1,200	1,206
Total revenue from operations	<u>355,433</u>	<u>307,584</u>
Expenses from operations:		
Water purchases	174,792	149,940
Depreciation	72,290	72,290
Contract labor	55,041	54,194
Electricity	8,873	5,486
Repairs and maintenance	64,826	12,772
Insurance	3,890	3,615
Office	8,029	2,465
Professional fees	1,200	1,200
Testing and other fees	4,582	3,320
Miscellaneous	3,586	2,086
Total expenses from operations	<u>397,109</u>	<u>307,368</u>
Net Income (Loss) From Operations	(41,676)	216
Non-operating revenue:		
Interest earnings	<u>29</u>	<u>17</u>
Non-operating expenses:		
Interest paid on long-term debt	<u>(8,553)</u>	<u>(24,818)</u>
Net Income (Loss)	(50,200)	(24,585)
Retained earnings, beginning of period	<u>891,987</u>	<u>916,572</u>
Retained earnings, end of period	<u><u>\$ 841,787</u></u>	<u><u>891,987</u></u>

HUGHES COUNTY RURAL WATER DISTRICT NO. 1  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2015

<u>Federal Grantor / Pass Through Grantor / Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal Grantor's/ Pass-through No.</u>	<u>Program or Award Amount</u>	<u>Balance at 1/1/15</u>	<u>Revenue Collected</u>	<u>Total Expenditures</u>	<u>Balance at 12/31/15</u>
<u>United States Dept. of Agriculture-</u>							
<u>Passed Through the Okla. Office of Rural Development:</u>							
Rural Development Loan	10.n/a	91-14	\$ 2,218,000	0	2,218,000	2,218,000	0
		91-16	361,000	0	361,000	284,305	76,695
Rural Development Grant	10.n/a		1,554,500	0	193,129	0	193,129
			<u>\$ 4,133,500</u>	<u>0</u>	<u>2,772,129</u>	<u>2,502,305</u>	<u>269,824</u>