

**Hughes County Rural Water District No. 2
Stuart, Oklahoma**

Financial Statements and Auditor's Reports

Year Ended June 30, 2012

Audited by

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

BROKEN ARROW, OK
SHAWNEE, OK

Hughes County Rural Water District No. 2
Stuart, Oklahoma
Board of Directors
June 30, 2012

BOARD OF DIRECTORS

Chairman

Jim Wilson

Secretary/Treasurer

Janet Frederick

Members

Raymond Foster

Kevin Morris

Wayne Waldrup

MANAGER

Vivian Moody

Hughes County Rural Water District No. 2
Stuart, Oklahoma
June 30, 2012

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SANDERS, BLEDSOE & HEWETT

CERTIFIED PUBLIC ACCOUNTANTS, LLP

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Hughes County Rural Water District No. 2
Stuart, Oklahoma

We have audited the accompanying financial statements of the business-type activities of the Hughes County Rural Water District No. 2 (the District), Stuart, Oklahoma, as of and for the year ended June 30, 2012, 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 an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by 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 June 30, 2012, and the respective changes in financial position thereof for the year then ended in conformity with the basis of accounting generally accepted in the United States of America.

The Management Discussion and Analysis 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 19, 2015 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 of America.

A handwritten signature in cursive script that reads "Sanders, Bledsoe & Hewett".

Sanders, Bledsoe & Hewett
Certified Public Accountants, LLP

January 19, 2015

RURAL WATER DISTRICT NO. 2, HUGHES COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2012

Our discussion and analysis of the Rural Water District No. 2, Hughes County's financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2012. Please read it in conjunction with the District's financial statements that begin on page 11.

FINANCIAL HIGHLIGHTS:

- The District's total operating expenses exceeded total operating revenues by \$21,206. Overall, the District's total net assets decreased by \$47,415 in the current fiscal year.
- The District had four outstanding notes in 2012, and paid \$26,249 in interest.
- The District obtained a \$840,000 note from Rural Development. These funds were used to pay off the OWRB outstanding loan and make further improvements on the water system.
- The District was also awarded a \$1,402,642 grant from Rural Development, a \$53,457 grant from Oklahoma Water Resources Board, and a \$219,750 grant from Choctaw Nation. These funds were used for wellfield and waterline improvements and extensions.

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 June 30, 2012 the District had \$3,928,809 invested in fixed assets, net of depreciation, including land, the water system, pump station and lines. The District made \$2,195,589 in improvements to the water system in 2011-12.

Long-Term Debt

The total outstanding loan balances for the District at June 30, 2012 was \$1,219,959, an increase of \$543,483,294 from the prior year. An additional \$840,000 loan was obtained from Rural Development, and some of these proceeds were used to pay off the existing OWRB loan.

Economic Factors and Next Year's Budget and Rates

For the upcoming fiscal year ending June 30, 2013, the District's projected budget is fairly consistent with the 2012 fiscal year.

Contacting the District

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, please contact the District Office.



SANDERS, BLEDSOE & HEWETT

CERTIFIED PUBLIC ACCOUNTANTS, LLP

**REPORT ON COMPLAINT AND ON INTERNAL CONTROL OVER
FINANCIAL REPORTING BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

Board of Directors
Hughes County Rural Water District No. 2
Stuart, Oklahoma

We have audited the financial statements of the Hughes County Rural Water District No. 2 (the District), Stuart, Oklahoma, as of and for the year ended June 30, 2012, and have issued our report thereon dated January 19, 2015. 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

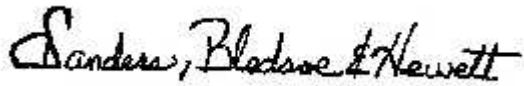
As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the 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. We noted no certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the district's ability to record, process summarize and report financial data consistent with the assertions of management in the financial statements.

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 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. 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.

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.

A handwritten signature in cursive script that reads "Sanders, Bledsoe & Hewett".

Sanders, Bledsoe & Hewett
Certified Public Accountants, LLP

January 19, 2015

**Report On Compliance 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. 2
Stuart, Oklahoma

Compliance

We have audited the compliance of Hughes County Rural Water District No. 2, (the District) Stuart, 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 June 30, 2012. 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 June 30, 2012.

Internal Control Over Compliance

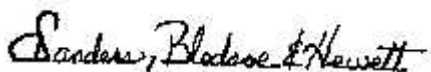
The management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over 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

January 19, 2015

HUGHES COUNTY RURAL DISTRICT NO. 2
Disposition of Prior Year's Reportable Conditions
June 30, 2012

There were no prior year instances of noncompliance.

HUGHES COUNTY RURAL DISTRICT NO. 2
Schedule of Audit Results, Findings and Questioned Costs
June 30, 2012

Section 1 – Summary of Auditor’s Results:

1. An unqualified opinion was issued on the financial statements.
2. The audit disclosed no reportable conditions in the internal controls.
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 programs determined to be major are the Rural Development \$1,402,642 grant and \$840,000 long-term note.
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:

NONE

Section 3 – Findings and Questioned Costs for Federal Awards:

NONE

HUGHES COUNTY RURAL WATER DISTRICT NO. 2
Statement of Net Assets
June 30, 2012

ASSETS

Current assets:

Cash	\$ 125,669
Current portion of receivables	36,394
Prepaid expenses	1,354
Total current assets	<u>163,417</u>

Noncurrent assets:

Restricted cash	6,701
Refundable deposits	14,521
Fixed assets-	
Water system and improvements, net of depreciation	<u>3,928,809</u>
Total noncurrent assets	<u>3,950,031</u>

Other assets:

Utility deposits	<u>170</u>
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Total Assets	<u>4,113,618</u>
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LIABILITIES

Current liabilities:

Accounts payable	4,129
Refundable deposits	29,797
Current maturities of long-term debt	<u>26,207</u>
Total current liabilities	<u>60,133</u>

Noncurrent liabilities:

Notes payable	<u>1,193,752</u>
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Total Liabilities	<u>1,253,885</u>
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NET ASSETS

Invested in capital assets, net of related debt	2,708,850
Temporarily restricted assets	6,701
Unrestricted assets	<u>144,182</u>
Total Net Assets	<u>\$ 2,859,733</u>

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

HUGHES COUNTY RURAL WATER DISTRICT NO. 2
Statement of Activities
For The Year Ended June 30, 2012

Operating Revenues:	
Water sales	\$ 343,344
	<hr/>
Operating Expenses:	
Operating supplies and materials	71,214
Salaries and taxes	78,520
Contract labor	18,000
Licences & dues	8,667
Insurance	1,986
Professional fees	39,973
Vehicle expenses	6,173
Office expense	1,040
Postage	3,432
Telephone	3,430
Utilities	35,737
Water testing	3,997
Miscellaneous	23
Depreciation	92,358
Total expenses from operations	<hr/> 364,550 <hr/>
Operating Income (Loss)	(21,206)
Non-Operating Revenues (Expenses):	
Interest income	40
Grant proceeds	1,675,849
Interest expense on debt	(26,249)
Total non-operating revenues (expenses)	<hr/> 1,649,640 <hr/>
Change in Net Assets	1,628,434
Total Net Assets, beginning of period	<hr/> 1,231,299 <hr/>
Total Net Assets, end of period	<hr/> \$ 2,859,733 <hr/>

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

HUGHES COUNTY RURAL WATER DISTRICT NO. 2
Statement of Cash Flows
For Year Ended June 30, 2012

Cash Flows from Operating Activities:	
Receipts from customers	\$ 331,716
Payments to employees	(77,932)
Payments to vendors	(194,824)
Net Cash Provided by Operating Activities	<u>58,960</u>
Cash Flows from Financial Activities:	
Fixed assets added	(2,195,589)
Principal paid on debt	(296,517)
Interest paid on debt	(31,898)
Net cash provided by (used in) financial activities	<u>(2,524,004)</u>
Cash Flows from Investing Activities:	
Loan proceeds	840,000
Grant proceeds	1,675,849
Interest revenue	40
Net cash provided by (used in) investing activities	<u>2,515,889</u>
Net Increase (Decrease) in Cash and Equivalents	50,845
Cash and cash equivalents, beginning of period	<u>96,046</u>
Cash and cash equivalents, end of period	<u><u>\$ 146,891</u></u>

Reconciliation of operating income (loss) to net cash provided by operating activities:	
Operating Income (loss)	\$ (21,206)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation Expense	92,358
(Increase) decrease in accounts receivable	(11,628)
(Increase) decrease in prepaid expenses	(475)
Increase (decrease) in accounts payable	(677)
Increase (decrease) in payroll taxes payable	588
Net Cash Provided by Operating Activities	<u><u>\$ 58,960</u></u>

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

HUGHES COUNTY RURAL WATER DISTRICT NO. 2
Notes to Financial Statements
June 30, 2012

Note A – Significant Accounting Policies

Organization

Hughes County Rural Water District No. 2, Stuart, Oklahoma (the District) is recognized as a rural water district under Oklahoma Statutes, Title 82. The purpose of the organization is to provide potable water to residential and commercial customers who are members of the District.

Reporting Entity

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 produces its own water supply.

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 The Bank NA, McAlester, Oklahoma, and are detailed as follows:

	June 30,	
	2012	2011
Operation and Maint. Account	\$ 9,399	2,310
REAP Account	1	3,891
OWRB REAP Account	2,126	-
Atty Fee & DEQ	4,392	-
Deposit Account	14,522	35,446
RD Project Account	109,751	-
Less: Outstanding checks	-	(994)
Total	<u>\$ 140,191</u>	<u>40,653</u>

HUGHES COUNTY RURAL WATER DISTRICT NO. 2
Notes to Financial Statements
June 30, 2012

Note A – Significant Accounting Policies – cont'd

Investments

The District had no outstanding investments.

Accounts Receivable

Billings for accounts receivable at June 30, 2012 were \$36,394. Allowance for doubtful accounts was not computed on this balance because uncollectibles do not have a material effect on the balance sheet.

Collateral Pledged

All District funds were adequately insured by FDIC or other secured collateral as of June 30, 2012.

Fixed Assets

The fixed asset information for the District is shown below:

	6/30/2011 Amount	Additions	Deletions	6/30/2012 Amount
Land	\$ 148,357	-	-	148,357
Water system	2,938,579	2,195,589	-	5,134,168
Equipment	59,992	-	-	59,992
Vehicles	20,657	-	-	20,657
Total Fixed Assets	3,167,585	2,195,589	-	5,363,174
Less: Accumulated Depreciation	(1,342,007)	(92,358)	-	(1,434,365)
Total	<u>\$ 1,825,578</u>	<u>2,103,231</u>	<u>-</u>	<u>3,928,809</u>

HUGHES COUNTY RURAL WATER DISTRICT NO. 2
Notes to Financial Statements
June 30, 2012

Note A – Significant Accounting Policies – cont'd

Federal Income Tax

The District is exempt from Federal and State income taxes.

Accumulated Unpaid Vacation and Sick Pay

At June 30, 2012, no determination of the aggregate dollar value of vacation or sick pay had been made.

Prior Year Information

Prior year information is shown on the financial statements for comparative purposes only. No assurance is given on prior year amounts.

Note B – Long-Term Debt

Long-Term Debt consists of the following notes;

	June 30,	
	2012	2011
Rural Development note payable, issued for \$280,200, dated 1995, 4.5% interest, paid in monthly payments of \$1,273, until paid;	\$ 218,077	223,733
Rural Development note payable, issued for \$210,000, dated 1995, 4.5% interest, paid in monthly payments of \$954, until paid;	163,461	167,728
Rural Development note payable, issued for \$840,000, dated 2011, 2.5% interest, paid in monthly payments of \$2,772, until paid;	830,088	-
Oklahoma Water Resources Board note payable, issued for \$520,000, dated 2010, variable interest, paid in monthly payments of \$2,304, until paid;	-	273,150
BancFirst note payable, issued for \$17,657, dated 2009, interest rate of \$9.09%, payable in monthly payments of \$369, until paid;	8,333	11,825
Total Long-Term Debt	<u>\$ 1,219,959</u>	<u>676,436</u>

HUGHES COUNTY RURAL WATER DISTRICT NO. 2
Notes to Financial Statements
June 30, 2012

Note B – Long-Term Debt

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

<u>Year</u>	<u>Total</u>	<u>Rural Dev. (3)</u>	<u>BancFirst (1)</u>
2012-13	26,207	22,390	3,817
2013-14	27,364	23,158	4,206
2014-15	24,263	23,953	310
2015-16	24,782	24,782	-
2016-21	137,401	137,401	-
2021-26	163,255	163,255	-
2026-31	194,453	194,453	-
2031+	622,900	622,900	-
Total	<u>\$ 1,220,625</u>	<u>1,212,292</u>	<u>8,333</u>

According to the loan agreements with Rural Development, the District is required to make monthly deposits of \$227 to a designated account known as a reserve account. A total balance of \$59,988 is to be accumulated in the reserve account, which represents a balance equal to one annual payment on each loan. At June 30, 2012, the Reserve account had a balance of \$6,701.

Note C – Insurance and Surety Bond Coverage

The District appears to have had adequate insurance to cover all major perils at June 30, 2012.

Note D – Contributed Capital

In the 2011-12 year, the District received \$1,402,642 of grant proceeds from the Office of Rural Development, \$53,457 of grant proceeds from Oklahoma Water Resources Board, and \$219,750 of grant proceeds from Choctaw Nation, all to repair, improve and expand the water system.

Note E – Subsequent Events

Management has evaluated subsequent events through January 19, 2015, 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. 2
Balance Sheet
June 30, 2012

	JUNE 30,	
	2012	(memo only) 2011
<u>ASSETS</u>		
Current Assets:		
Cash in bank	\$ 125,669	5,207
Accounts receivable	36,394	24,766
Prepaid insurance	1,354	879
Total current assets	<u>163,417</u>	<u>30,852</u>
Fixed Assets:		
Land	148,357	148,357
Water system and improvements	5,134,168	2,938,579
Equipment	59,992	59,992
Vehicles	20,657	20,657
Total fixed assets	<u>5,363,174</u>	<u>3,167,585</u>
Less: accumulated depreciation	<u>(1,434,365)</u>	<u>(1,342,007)</u>
Total fixed assets (net)	<u>3,928,809</u>	<u>1,825,578</u>
Other Assets:		
Restricted cash	6,701	55,393
Refundable customers deposits	14,521	35,446
Utility deposits	170	170
Total other assets	<u>21,392</u>	<u>91,009</u>
Total Assets	<u><u>\$ 4,113,618</u></u>	<u><u>1,947,439</u></u>
<u>LIABILITIES AND FUND EQUITY</u>		
Current Liabilities:		
Accounts payable	\$ 3,541	4,218
Payroll taxes payable	588	0
Refundable deposits	29,797	35,446
Current maturities of long-term debt	26,207	31,380
Total current liabilities	<u>60,133</u>	<u>71,044</u>
Long-Term Debt, less current maturities-		
Notes payable	<u>1,193,752</u>	<u>645,096</u>
Total Liabilities	<u>1,253,885</u>	<u>716,140</u>
Fund Equity:		
Contributed capital	1,675,849	0
Retained earnings	1,183,884	1,231,299
Total Fund Equity	<u>2,859,733</u>	<u>1,231,299</u>
Total Liabilities and Fund Equity	<u><u>\$ 4,113,618</u></u>	<u><u>1,947,439</u></u>

HUGHES COUNTY RURAL WATER DISTRICT NO. 2
Statement of Revenue, Expenses and Changes in Retained Earnings
For Years Ended June 30, 2012

	2011-12	(memo only) 2010-11
Revenue from Operations:		
Water sales	\$ 333,124	253,403
Late charges	9,689	0
Memberships	0	1,700
Other income and fees	531	0
Total revenue from operations	<u>343,344</u>	<u>255,103</u>
Expenses from Operations:		
Operating supplies and materials	71,214	51,700
Salaries and taxes	78,520	49,628
Contract labor	18,000	20,119
Licences & dues	8,667	8,975
Insurance	1,986	11,691
Professional fees	39,973	3,863
Vehicle expenses	6,173	5,148
Office expense	1,040	490
Postage	3,432	2,504
Telephone	3,430	3,210
Utilities	35,737	32,452
Water testing	3,997	5,100
Miscellaneous	23	3,972
Depreciation	92,358	70,402
Total expenses from operations	<u>364,550</u>	<u>269,254</u>
Net Income (Loss) from Operations	(21,206)	(14,151)
Other Income:		
Interest earnings	<u>40</u>	<u>63</u>
Other Expenses:		
Interest on debt	<u>(26,249)</u>	<u>(25,055)</u>
Net Income (Loss)	(47,415)	(39,143)
Retained earnings, beginning of period	<u>1,231,299</u>	<u>1,270,442</u>
Retained earnings, end of period	<u><u>\$ 1,183,884</u></u>	<u><u>1,231,299</u></u>

HUGHES COUNTY RURAL WATER DISTRICT NO. 2
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2012

<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 7/1/11</u>	<u>Revenue Collected</u>	<u>Total Expenditures</u>	<u>Balance at 6/30/12</u>
OWRB Grant	66.n/a		\$ 53,457		53,457	53,457	
Rural Development:							
*Grant Proceeds	10.n/a		1,402,642		1,402,642	1,402,642	
*Loan Proceeds	10.n/a		840,000		840,000	840,000	
Choctaw Nation Grant	15.n/a		219,750		219,750	219,750	
Total Federal Awards			<u>\$ 2,515,849</u>	<u>0</u>	<u>2,515,849</u>	<u>2,515,849</u>	<u>0</u>

* - Major Programs