

Hughes County Rural Water District No. 2
Stuart, Oklahoma

Financial Statements and Auditor's Reports

Year Ended June 30, 2016

Audited by

SANDERS, BLEDSOE & HEWETT
CERTIFIED PUBLIC ACCOUNTANTS, LLP

BROKEN ARROW, OK

Hughes County Rural Water District No. 2
Stuart, Oklahoma
Board of Directors
June 30, 2016

BOARD OF DIRECTORS

Chairman

Ronda Talley

Vice-Chair

Beth Bain

Secretary/Treasurer

Don Gwinn

Members

Jerry Hickerson

Haskell Taylor

BOOKKEEPER

April Morse

Hughes County Rural Water District No. 2
Stuart, Oklahoma
June 30, 2016

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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 and the related notes, as of and for the year ended June 30, 2016, 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.

Opinion

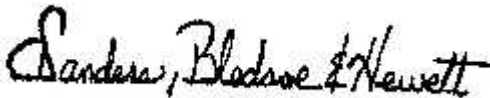
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the District as of June 30, 2016, and the respective changes in financial position and cash flows thereof for the year then ended in conformity with Accounting Principles Generally Accepted in the United States of America.

Other Matters

Accounting Principles Generally Accepted in the United States of America require that the Management's Discussion and Analysis on pages 5-8 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 October 6, 2016 on our consideration of the Authority'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

October 6, 2016

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

JUNE 30, 2016

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, 2016. Please read it in conjunction with the District's financial statements that begin on page 13.

FINANCIAL HIGHLIGHTS

- The District has over 450 users on its system.
- The District's Net Position decreased by \$24,261 for the current fiscal year.
- The District's operating expenses exceeded operating revenues by \$17,718. During the 2015-16 fiscal year, the District actually brought in \$360,426 and spent \$378,144 before payment of long-term debt.
- The District received \$24,148 in 2015-16 from the FEMA reimbursements and \$5,894 from CDBG Grant for system repairs and improvements.
- The District continued to make payments on its three long-term notes with the Office of Rural Development.

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 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 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 health or financial position. Over time, increases or decreases 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 District's Net Position were lower in 2015-16, decreasing from \$3,196,661 to \$3,172,400. Last year net assets decreased by \$24,261. 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 (Table 1) and Changes in Net Position (Table 2) of the District's business-type activities.

Table 1 – Net Position:

	2015-16	2014-15	Variances
Current and other assets	\$ 177,304	111,502	65,802
Capital assets, net	4,198,590	4,298,377	(99,787)
Total Assets	<u>\$ 4,375,894</u>	<u>4,409,879</u>	<u>(33,985)</u>
Current liabilities	\$ 74,465	71,733	(2,732)
Long-term liabilities	1,129,029	1,141,485	12,456
Total Liabilities	<u>\$ 1,203,494</u>	<u>1,213,218</u>	<u>9,724</u>
Invest. In capital assets, net of related debt	\$ 3,037,035	3,125,557	(88,522)
Restricted	50,711	42,392	8,319
Unrestricted	84,654	28,712	55,942
Total Net Position	<u>\$ 3,172,400</u>	<u>3,196,661</u>	<u>(24,261)</u>

Net Position of the District decreased by .76 percent (\$3,172,5400 compared to \$3,196,661). 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 – increased from \$28,712 to \$84,654.

Table 2 – Changes in Net Position:

	2015-16	2014-15	Variances
Revenues:			
Charges for services	\$ 360,426	328,036	32,390
Sale of fixed assets	-	6,000	(6,000)
FEMA and Grant proceeds	30,042	-	30,042
Interest	53	26	27
Total Revenues	\$ 390,521	334,062	56,459
Expenses:			
Salaries, taxes and benefits	\$ 101,472	92,114	(9,358)
Maintenance and repairs	79,078	83,838	4,760
Other expenses	58,553	73,724	15,171
Depreciation	139,041	129,513	(9,528)
Interest on debt	36,638	31,634	(5,004)
Total Expenses	\$ 414,782	410,823	(3,959)
Changes in Net Position	(24,261)	(76,761)	52,500
Net Position, Beginning	3,196,661	3,273,422	(76,761)
Net Position, Ending	\$ 3,172,400	3,196,661	(24,261)

The District's total revenues increased by 16.9 percent (\$56,459). The total cost of all services decreased by .96 percent (-\$3,959).

Fixed Assets

At June 30, 2016, the District had \$4,198,590 invested in fixed assets, net of depreciation, including land, the water system, treatment plant, vehicles and equipment. In 2015-16, the District added \$39,254 in additions to fixed assets, including a new truck. The District considers any item purchased in excess of \$1,000, and a useful life of over three years, to be classified as a fixed asset.

Long-Term Debt

The District has three outstanding notes with the Office of Rural Development. These notes were incurred to construct the water system and plant, and make various improvements and expansions over the years. The District also has a 2015 note with The Bank, used to purchase a truck, trailer and trackhoe. In 2015-16, the District obtained another note with BancFirst for the purchase of a truck. At June 30, 2016, the District had outstanding long-

term debt of \$1,161,556 on these five notes. The balances of these loans are shown in detail in the notes section of this audit report.

Economic Factors and Next Year's Budget and Rates

For the upcoming fiscal year ending June 30, 2017, the District's operating budget is fairly consistent with prior years.

The District is always attempting to obtain additional financing for the expansion and improvement of its water system.

Customer water rates were recently increased. However, if the current economic conditions continue and expenses continue to increase, future rate increases may become necessary.

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 47, Stuart, OK 74570 or call (918) 546-2611.



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. 2
Stuart, 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. 2 (the District), Stuart, Oklahoma, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated October 6, 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

October 6, 2016

HUGHES COUNTY RURAL DISTRICT NO. 2
Disposition of Prior Year's Significant Deficiencies
June 30, 2016

There were no prior year instances of noncompliance.

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

HUGHES COUNTY RURAL WATER DISTRICT NO. 2
Statement of Net Position
June 30, 2016

ASSETS

Current assets:

Cash	\$ 72,141
Current portion of receivables	24,610
Prepaid expenses	14,076
Total current assets	<u>110,827</u>

Noncurrent assets:

Restricted cash	50,711
Refundable deposits	15,596
Fixed assets-	
Water system and improvements, net of depreciation	<u>4,198,590</u>
Total noncurrent assets	<u>4,264,897</u>

Other assets:

Utility deposits	<u>170</u>
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Total Assets	<u>4,375,894</u>
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LIABILITIES

Current liabilities:

Accounts payable	5,412
Refundable deposits	36,527
Current maturities of long-term debt	<u>32,526</u>
Total current liabilities	<u>74,465</u>

Noncurrent liabilities:

Notes payable	<u>1,129,029</u>
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Total Liabilities	<u>1,203,494</u>
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NET POSITION

Net investment in capital assets	3,037,035
Temporarily restricted assets	50,711
Unrestricted assets	<u>84,654</u>
Total Net Position	<u><u>\$ 3,172,400</u></u>

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

HUGHES COUNTY RURAL WATER DISTRICT NO. 2
Statement of Revenues, Expenses and Changes in Net Position
For The Year Ended June 30, 2016

Operating Revenues:	
Water sales	\$ 360,426
Operating Expenses:	
Water purchases	26,439
Operating supplies and materials	47,412
Salaries and taxes	101,472
Contract labor	3,277
Licences & dues	5,532
Insurance	10,608
Professional fees	6,265
Vehicle expenses	7,874
Office expense	1,651
Postage	3,138
Telephone	2,872
Utilities	20,437
Water testing	1,950
Miscellaneous	176
Depreciation	139,041
Total expenses from operations	<u>378,144</u>
Operating Income (Loss)	(17,718)
Non-Operating Revenues (Expenses):	
Interest income	53
Grant proceeds (CDBG)	5,894
FEMA reimbursements	24,148
Interest expense on debt	(36,638)
Total non-operating revenues (expenses)	<u>(6,543)</u>
Change in Net Assets	(24,261)
Total Net Assets, beginning of period	<u>3,196,661</u>
Total Net Assets, end of period	<u><u>\$ 3,172,400</u></u>

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, 2016

Cash Flows from Operating Activities:	
Receipts from customers	\$ 356,340
Payments to employees	(102,943)
Payments to vendors	(147,400)
Net Cash Provided by Operating Activities	<u>105,997</u>
Cash Flows from Financial Activities:	
Fixed assets added	(39,254)
Loan proceeds	20,069
Principal paid on debt	(31,334)
Interest paid on debt	(36,638)
Net cash provided by (used in) financial activities	<u>(87,157)</u>
Cash Flows from Investing Activities:	
Meter deposits collected	2,027
Grant/FEMA proceeds	30,042
Interest revenue	53
Net cash provided by (used in) investing activities	<u>32,122</u>
Net Increase (Decrease) in Cash and Equivalents	50,962
Cash and cash equivalents, beginning of period	<u>87,486</u>
Cash and cash equivalents, end of period	<u><u>\$ 138,448</u></u>
Reconciliation of operating income (loss) to net cash provided by operating activities:	
Operating Income (loss)	\$ (17,718)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation Expense	139,041
(Increase) decrease in accounts receivable	(4,086)
(Increase) decrease in prepaid expenses	(10,754)
Increase (decrease) in accounts payable	985
Increase (decrease) in payroll taxes payable	(1,471)
Net Cash Provided by Operating Activities	<u><u>\$ 105,997</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, 2016

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,	
	2016	2015
Operation and Maint. Account	\$ 46,044	8,650
System Updates & Emerg Acct	25,870	16,105
RD Account	1	3,869
Atty Fee & DEQ	225	2,915
Deposit Account	15,597	13,555
Total	<u>\$ 87,737</u>	<u>45,094</u>

HUGHES COUNTY RURAL WATER DISTRICT NO. 2
Notes to Financial Statements
June 30, 2016

Note A – Significant Accounting Policies – cont'd

Investments

The District had no outstanding investments.

Accounts Receivable

Billings for accounts receivable at June 30, 2016 were \$24,610. 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 the \$250,000 FDIC or other secured collateral as of June 30, 2016.

Fixed Assets

Any items purchased or constructed in excess of \$1,000 and a useful life of over two years is considered a fixed asset by the District, and will be depreciated over a specific time. The fixed asset information for the District is shown below:

	6/30/2015 Amount	Additions	Deletions	6/30/2016 Amount
Land	\$ 148,357	-	-	148,357
Water system	5,843,339	9,300	-	5,852,639
Equipment	60,702	-	-	60,702
Vehicles	55,812	29,954	-	85,766
Total Fixed Assets	6,108,210	39,254	-	6,147,464
Less: Accumulated Depreciation	(1,809,833)	(139,041)	-	(1,948,874)
Total	\$ 4,298,377	(99,787)	-	4,198,590

HUGHES COUNTY RURAL WATER DISTRICT NO. 2
Notes to Financial Statements
June 30, 2016

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

Note B – Long-Term Debt

Long-Term Debt consists of the following notes;

	<u>June 30,</u>	
	<u>2016</u>	<u>2015</u>
Rural Development note payable, issued for \$280,200, dated 1995, 4.5% interest, paid in monthly payments of \$1,273, until paid;	\$ 193,578	199,986
Rural Development note payable, issued for \$210,000, dated 1995, 4.5% interest, paid in monthly payments of \$954, until paid;	145,107	149,907
Rural Development note payable, issued for \$840,000, dated 2011, 2.5% interest, paid in monthly payments of \$2,772, until paid;	776,196	789,868
The Bank note payable, issued for \$35,155, dated 2015, interest rate of 5.00%, payable in monthly payments of \$660, until paid;	26,605	33,059
BanFirst note payable, issued for \$20,069, dated 2016, interest rate of 2.785%, payable in monthly payments of \$358, until paid;	<u>20,069</u>	<u>-</u>
Total Long-Term Debt	<u>\$ 1,161,555</u>	<u>1,172,820</u>

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

HUGHES COUNTY RURAL WATER DISTRICT NO. 2
Notes to Financial Statements
June 30, 2016

Note B – Long-Term Debt – cont'd

<u>Year</u>	<u>Total</u>	<u>Rural Dev. (3)</u>	<u>The Bank</u>	<u>BancFirst</u>
2016-17	\$ 35,999	25,742	6,784	3,473
2017-18	37,658	26,636	7,131	3,891
2018-19	39,059	27,562	7,496	4,001
2019-20	37,832	28,524	5,194	4,114
2020-21	33,753	29,522	-	4,231
2021-26	164,330	163,971	-	359
2026-31	195,334	195,334	-	-
2031-36	200,548	200,548	-	-
2036-41	121,499	121,499	-	-
2041+	295,543	295,543	-	-
Total	<u>\$ 1,161,555</u>	<u>1,114,881</u>	<u>26,605</u>	<u>20,069</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. The District maintains a savings account at The Bank, NA as a reserve account. At June 30, 2016, the Reserve account had a balance of \$50,711.

Note C – Insurance and Surety Bond Coverage

At June 30, 2016 the District had appropriate coverage against all major perils.

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. In 2012-13, The District received an additional \$40,219 from Rural Development and \$42,392 from Oklahoma Water Resources Board for additional improvements. In 2013-15, the District received \$39,439 from Rural Development for additional water system improvements. In 2014-15, the District received \$2,553 from OWRB, and received a CDBG grant for \$203,868, which was operated through Hughes County, for a booster station and water line improvements. In 2015-16, the District received another \$9,300 of CDBG grant project funds operated through Hughes County, and received additional direct CDBG grant funds of \$5,894.

HUGHES COUNTY RURAL WATER DISTRICT NO. 2
Notes to Financial Statements
June 30, 2016

Note E – Subsequent Events

Management has evaluated subsequent events through October 6, 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. 2
Balance Sheet
June 30, 2016

	JUNE 30,	
	2016	(memo only) 2015
<u>ASSETS</u>		
Current Assets:		
Cash in bank	\$ 72,141	31,539
Accounts receivable	24,610	20,524
Prepaid insurance	14,076	3,322
Total current assets	<u>110,827</u>	<u>55,385</u>
Fixed Assets:		
Land	148,357	148,357
Water system and improvements	5,852,639	5,843,339
Equipment	60,702	60,702
Vehicles	85,766	55,812
Total fixed assets	<u>6,147,464</u>	<u>6,108,210</u>
Less: accumulated depreciation	<u>(1,948,874)</u>	<u>(1,809,833)</u>
Total fixed assets (net)	<u>4,198,590</u>	<u>4,298,377</u>
Other Assets:		
Restricted cash	50,711	42,392
Refundable customers deposits	15,596	13,555
Utility deposits	170	170
Total other assets	<u>66,477</u>	<u>56,117</u>
Total Assets	<u>\$ 4,375,894</u>	<u>4,409,879</u>
<u>LIABILITIES AND FUND EQUITY</u>		
Current Liabilities:		
Accounts payable	\$ 4,352	3,367
Payroll taxes payable	1,060	2,531
Refundable deposits	36,527	34,500
Current maturities of long-term debt	32,526	31,335
Total current liabilities	<u>74,465</u>	<u>71,733</u>
Long-Term Debt, less current maturities-		
Notes payable	<u>1,129,029</u>	<u>1,141,485</u>
Total Liabilities	<u>1,203,494</u>	<u>1,213,218</u>
Fund Equity:		
Contributed capital	2,010,214	2,004,320
Retained earnings	1,162,186	1,192,341
Total Fund Equity	<u>3,172,400</u>	<u>3,196,661</u>
Total Liabilities and Fund Equity	<u>\$ 4,375,894</u>	<u>4,409,879</u>

HUGHES COUNTY RURAL WATER DISTRICT NO. 2
Statement of Revenue, Expenses and Changes in Retained Earnings
For Years Ended June 30, 2016

	2015-16	(memo only) 2014-15
Revenue from Operations:		
Water sales	\$ 360,426	328,036
Other income and fees	0	0
Total revenue from operations	<u>360,426</u>	<u>328,036</u>
Expenses from Operations:		
Water purchases	26,439	27,671
Operating supplies and materials	47,412	33,525
Salaries and taxes	101,472	92,114
Contract labor	3,277	11,481
Licences & dues	5,532	6,960
Insurance	10,608	16,069
Professional fees	6,265	9,551
Vehicle expenses	7,874	10,311
Office expense	1,651	2,017
Postage	3,138	3,427
Telephone	2,872	2,993
Utilities	20,437	21,024
Water testing	1,950	11,161
Miscellaneous	176	1,372
Depreciation	139,041	129,513
Total expenses from operations	<u>378,144</u>	<u>379,189</u>
Net Income (Loss) from Operations	(17,718)	(51,153)
Other Income:		
Interest earnings	53	26
FEMA reimbursements	24,148	0
Sale of fixed assets	0	6,000
Total other income	<u>24,201</u>	<u>6,026</u>
Other Expenses:		
Interest on debt	<u>(36,638)</u>	<u>(31,634)</u>
Net Income (Loss)	(30,155)	(76,761)
Retained earnings, beginning of period	<u>1,192,341</u>	<u>1,269,102</u>
Retained earnings, end of period	<u><u>\$ 1,162,186</u></u>	<u><u>1,192,341</u></u>