

**Muskogee County Rural Water District No. 5  
Muskogee, Oklahoma**

Financial Statements and Auditor's Reports

Year Ended December 31, 2015

Audited by

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

BROKEN ARROW, OK

Muskogee County Rural Water District No. 5  
Muskogee, Oklahoma  
Board of Directors  
December 31, 2015

**BOARD OF DIRECTORS**

**Chairman**

T.A. Staton  
2016

**Vice Chairman**

Robert Plunkett  
2016

**Secretary/Treasurer**

Beverly Delmedico  
2017

**Member**

Wayne Herriman  
2018

**Member**

Bobby Jones, Sr.  
2017

**MANAGER**

Kentley D. McCullar

**ASSISTANT MANAGER**

Eugene Rhodes

**BOOKKEEPER**

Rita Boydston

**CLERK**

Linda Roberts

Muskogee County Rural Water District No. 5  
Muskogee, Oklahoma  
December 31, 2015

TABLE OF CONTENTS

	<u>Page</u>
Board of Directors	1
Table of Contents	2
Independent Auditor's Report	3
Management's Discussion and Analysis	5
Report on Internal Control and on Compliance Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	8
Disposition of Prior Year's Reportable Conditions	10
Schedule of Audit Results	11
<u>COMBINED FINANCIAL STATEMENTS:</u>	
Statement of Net Position	12
Statement of Revenue, Expenses and Changes in Net Position	13
Statement of Cash Flows	14
Notes to Financial Statements	15
<u>OTHER SUPPLEMENTARY INFORMATION:</u>	
Balance Sheet (comparative)	20
Statement of Revenue, Expenses and Changes in Retained Earnings (comparative)	21



# SANDERS, BLEDSOE & HEWETT

CERTIFIED PUBLIC ACCOUNTANTS, LLP

## **INDEPENDENT AUDITOR'S REPORT**

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

We have audited the accompanying financial statements of the business-type activities of the Muskogee County Rural Water District No. 5 (the District), Muskogee, 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**

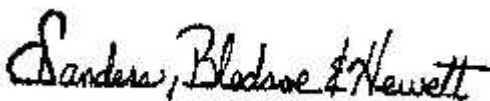
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the District as of December 31, 2015, and the respective changes in financial position and cash flows thereof for the year then ended 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 2, 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 2, 2016

## **RURAL WATER DISTRICT NO. 5, MUSKOGEE COUNTY**

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

**DECEMBER 31, 2015**

Our discussion and analysis of the Rural Water District No. 5, Muskogee 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 12.

#### **FINANCIAL HIGHLIGHTS**

- The District's total operating revenues exceeded total operating expenses by \$6,842. Overall, the District's cash and cash equivalents decreased by \$198,870 in the current fiscal year (mostly due to \$200,000 additional loan payment made).
- Interest rates continue to be deflated, with the District earning \$4,309 in interest earnings during 2015.
- We seem to be moving into a new era. Business as usual is no longer the cliché. New technology requires us to change with the times. Overall it is always for the better as it helps us to provide safe water quality and better service to you, our customers. All of us are being forced to pay higher fuel prices which have escalated along with the price of brass and PVC supplies that it takes to maintain the District.
- The District is indebted by one note only to Oklahoma Water Resources Board. The District paid an additional \$200,000 on this note in 2015.

#### **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 \$1,923,956 invested in fixed assets, net of depreciation, including land, the water system, vehicles and equipment. Some minor equipment purchases were made to the District during 2014. Our member numbers have grown to 1687 during 2015. Growth in our area is still a major factor and the City has yet to offer us additional allocation of water. Without the City of Muskogee allocating additional water the district may, in the future, be required to restrict or deny new taps.

### **Long-Term Debt**

The District is indebted to Oklahoma Water Resources Board on one note obtained for previously extensive extensions and payment of other debts. We have not had the need to apply for another loan for any reason. The outstanding principal balance owed on the note decreased from \$511,400 to \$254,200 during the 2015 fiscal year.

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

December 31, 2015 revenue did not prove to be a large increase as compared to December 31, 2014 revenue. We are still within the same guidelines on our budget expenses. The fact that the price increases, our large growth rate and the age of our system will cause us to raise water rates periodically to keep your District in a financially sound condition. Gradual increases will be more effective and easier to absorb than if we have to have a large increase at once. The Board has our rate studies prepared by Community Resource Group, a State Agency, to analyze our income to debt/expense ratio.

The Board of Directors may change the budget for the fiscal year 2016 somewhat to allow for a more compatible ratio between income and expenses. To better allow for office and field personnel operations, and if there is a need for added staffing or equipment. With the expansion of Muskogee City Water Treatment Plant, their cost of water to us increased over 5% in 2012. Water rates will need to be adjusted to be able to pay for the increases imposed by the City of Muskogee.

The District's budget for fiscal year 2016 will remain much like previous year budget, with the exceptions allowing for the increased expenses and our recent rate increase for added income. Your Board of Directors may change the budget somewhat to better allow for office and field personnel operations, and if there is a need for added staffing.

### **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 7181 South Cherokee St., Muskogee, OK 74403 or call (918) 682-6380.

As always, our office personnel, Rita Boydstun and Linda Roberts are prepared to assist you with your water district questions. Our manager, Kentley McCullar and assistant manager, Eugene Rhodes will be happy to assist you with water line and meter questions.





# 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  
Muskogee County Rural Water District No. 5  
Muskogee, 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 Muskogee County Rural Water District No. 5 (the District), Muskogee, 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 2, 2016.

**Internal Control Over Financial Reporting**

Management of the District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting in order to determine our auditing procedures that are appropriate for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

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

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material*

*weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

#### Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Sanders, Bledsoe & Hewett  
Certified Public Accountants, LLP

March 2, 2016

**MUSKOGEE COUNTY RURAL DISTRICT NO. 5**  
**Disposition of Prior Year's Reportable Conditions**  
**December 31, 2015**

There were no prior year reportable conditions.

**MUSKOGEE COUNTY RURAL WATER DISTRICT NO. 5**  
**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 no reportable conditions 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

MUSKOGEE COUNTY RURAL WATER DISTRICT NO. 5  
Statement of Net Position  
December 31, 2015

**ASSETS:**

Current Assets:

Cash and cash equivalents	\$ 228,505
Investments	644,122
Current portion of receivables	59,024
Inventory of supplies	26,318
Prepaid assets	10,529
Total current assets	<u>968,498</u>

Noncurrent Assets:

Restricted cash-	
Reserve account	98,000
ORWB project trust funds	135,795
Capital Assets-	
Land	13,272
Building, plant and water systems, net	1,816,652
Other capital assets, net	94,032
Total noncurrent assets	<u>2,157,751</u>

Total Assets	<u>3,126,249</u>
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**LIABILITIES:**

Current Liabilities:

Accounts payable	10,032
Accrued liabilities	1,162
Current portion of long-term debt	78,200
Total current liabilities	<u>89,394</u>

Noncurrent Liabilities:

Long-term debt	<u>176,000</u>
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Total Liabilities	<u>265,394</u>
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**NET POSITION:**

Invested in capital assets, net of related debt	1,669,756
Restricted for debt service	233,854
Unrestricted assets	957,245
Total Net Position	<u>\$ 2,860,855</u>

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

MUSKOGEE COUNTY RURAL WATER DISTRICT NO. 5  
Statement of Revenues, Expenses and Changes in Net Position  
For The Year Ended December 31, 2015

**Operating Revenues:**

Water sales	\$ 694,927
Fees and fines	31,791
Miscellaneous	3,082
Total revenue from operations	<u>729,800</u>

**Operating Expenses:**

Salaries and benefits	187,604
Water purchases	276,754
Repairs and maintenance	54,482
Contract labor	8,250
Vehicle expense	22,586
Utilities and telephone	18,013
Insurance	16,034
Office expense and postage	24,782
Depreciation	96,811
Professional fees	2,450
Water testing	4,380
Miscellaneous	10,812
Total expenses from operations	<u>722,958</u>

Operating Income (Loss)	6,842
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**Non-Operating Revenues (Expenses):**

Interest income	4,309
Interest paid on long-term debt	(8,542)
Total Non-Operating Revenues (Expenses)	<u>(4,233)</u>

Change in Net Assets	2,609
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Total Net Assets, beginning of period	<u>2,858,246</u>
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Total Net Assets, end of period	<u><u>\$ 2,860,855</u></u>
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The accompanying notes to the financial statements are an integral part of this statement

MUSKOGEE COUNTY RURAL WATER DISTRICT NO. 5  
Statement of Cash Flows  
For the Year Ended December 31, 2015

**Cash Flows from Operating Activities:**

Receipts from customers	\$ 725,256
Payments to employees	(165,413)
Payments to vendors	(472,276)
	<hr/>
Net Cash Provided by Operating Activities	87,567
	<hr/>

**Cash Flows from Financing Activities:**

Purchases of capital assets	(25,838)
Principal paid on long-term debt	(257,200)
Interest paid on long-term debt	(7,708)
	<hr/>
Net Cash Provided by (used in) Financing Activities	(290,746)
	<hr/>

**Cash Flows from Investing Activities:**

Interest earned on investments	4,309
	<hr/>
Net Increase (Decrease) in Cash	(198,870)
Cash and cash equivalents, beginning of period	1,305,292
	<hr/>
Cash and cash equivalents, end of period	\$ 1,106,422
	<hr/> <hr/>

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

Operating Income	\$ 6,842
Adjustments to reconcile net income to net cash provided (used) by operating activities:	
Depreciation Expense	96,811
Change in assets and liabilities:	
(Increase) decrease in accounts receivable	(1,928)
(Increase) decrease in supplies inventory	4,972
(Increase) decrease in prepaid insurance	(349)
Increase (decrease) in accounts payable	(18,781)
	<hr/>
Net cash provided by operating activities	\$ 87,567
	<hr/> <hr/>

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

## **MUSKOGEE COUNTY RURAL WATER DISTRICT NO. 5**

### **Muskogee, Oklahoma**

#### **Notes to the Financial Statements**

**December 31, 2015**

### **Note A – Significant Accounting Policies**

#### Organization

Muskogee County Rural Water District No. 5 (the District) is an Oklahoma water district organized under Title 82 of Oklahoma Statutes, Sections 1324.1-1324.26 inclusive, to provide water service to rural residents of Muskogee County, Oklahoma. The District is considered a subdivision of the State of Oklahoma. The District is exempt from federal and state income taxes. The membership consists of approximately 1,670 members.

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 (expenses, including depreciation) of providing water services is financed through user charges. The District purchases its water supply from the City of Muskogee.

#### Basis of Accounting

The accrual basis of accounting in accordance with Generally Accepted Accounting Principles (GAAP) promulgated in the United States of America is followed for all accounts. Revenues are recorded when earned and liabilities are recognized when incurred. This policy is in accordance with generally accepted accounting principles. The District has also complied with GASB Statement No. 34 financial reporting requirements.

#### Deposits and Investments

Oklahoma Statutes authorize the District to invest in certificates of deposit, repurchase agreements, passbooks, bankers' acceptances, and other available bank investments provided that all deposits are fully covered by approved securities pledged to secure those funds. In addition, the District can invest in direct debt securities of the United States unless such an investment is expressly prohibited by law.

Bank deposits are held at several financial institutions and are carried at cost. For purposes of statements of cash flows, the District considers cash and all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

**Custodial Credit Risk** - At December 31, 2015, the District held deposits of approximately \$970,627 at financial institutions. The District's cash deposits, including interest-bearing certificates of deposit, are entirely covered by Federal Depository Insurance (FDIC) or direct obligation of the U.S. Government insured or collateralized with securities held by the District or by its agent in the District's name.



## MUSKOGEE COUNTY RURAL WATER DISTRICT NO. 5

### Muskogee, Oklahoma

#### Notes to the Financial Statements

December 31, 2015

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

**Investment Interest Rate Risk** - The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**Investment Credit Risk** – The District has no policy that limits its investment choices other than the limitations of state law, as follows:

- a. Direct obligations of the U.S. Government, its agencies and instrumentalities to which the full faith and credit of the U.S. Government is pledged, or obligations to the payment of which the full faith and credit of the State is pledged.
- b. Certificates of deposits or savings accounts that are either insured or secured with acceptable collateral with in-state financial institutions, and fully insured certificates of deposit or savings accounts in out-of-state financial institutions.
- c. With certain limitation, negotiable certificates of deposit, prime bankers acceptances, prime commercial paper and repurchase agreements with certain limitations.
- d. County, municipal or school district tax supported debt obligations, bond or revenue anticipation notes, money judgments, or bond or revenue anticipation notes of public trusts whose beneficiary is a county, municipality or school district.
- e. Notes or bonds secured by mortgage or trust deed insured by the Federal Housing Administrator and debentures issued by the Federal Housing Administrator, and in obligations of the National Mortgage Association.
- f. Money market funds regulated by the SEC and in which investments consist of the investments mentioned in the previous paragraphs (a-d).

The investments held at December 31, 2015 are as follows:

	Wtd. Avg Maturity	Credit Rating	Market	Cost
Money market/checking	N/A	AAAm	\$ 228,505	228,505
Certificates of deposit	1.0 Yr	N/A	742,122	742,122
Total Deposits			\$ 970,627	970,627

**Concentration of Investment Credit Risk** – The District places no limit on the amount it may invest in any one issuer. The District has the following of credit risk: 76% in Certificates of Deposit (\$742,122) and 24% in Money Market funds (\$228,505).

## **MUSKOGEE COUNTY RURAL WATER DISTRICT NO. 5**

### **Muskogee, Oklahoma**

#### **Notes to the Financial Statements**

**December 31, 2015**

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

**Fair Value of Financial Instruments** – The District's financial instruments include cash and cash equivalents, accounts receivable, accounts payable and notes payable. The District's estimate of the fair value of all financial instruments does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying statement of net position. The carrying amount of these financial instruments approximates fair values because of the short maturity of these instruments.

#### **Restricted Cash**

In accordance with the Board of Directors, a capital replacement amount of \$98,000 has been approved as restricted cash. These funds are held by the District as part of certificate of deposit number 535834 held at Armstrong Bank, Muskogee, Oklahoma. This amount is shown on the financial statements as a non-current asset, and not part of the current asset investment amount.

#### **Accounts Receivable**

Billings for accounts receivable at December 31, 2014 were \$56,797. No allowance for doubtful accounts was computed because the effect of bad debts on the financial statements is not considered material.

#### **Inventories**

Inventories consist primarily of materials and supplies for repairs and improvements of existing water lines, meters and all other capital assets. Inventory is valued at cost, principally on a first-in, first-out basis, but not in excess of market.

#### **Fixed Assets**

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

Land	N/A
Office furniture & fixtures	3-7 years
Equipment & tools	5-10 years
Transportation equipment	5 years
Water & sewer system	50 years
Buildings	31 years

**MUSKOGEE COUNTY RURAL WATER DISTRICT NO. 5**

**Muskogee, Oklahoma**

Notes to the Financial Statements

December 31, 2015

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

The fixed asset information for the District is shown below:

	12/31/2014 Amount	Additions	Deletions	12/31/2015 Amount
Land	\$ 13,272	-	-	13,272
Building	86,062	-	-	86,062
Office equipment	55,792	1,948	-	57,740
Plant and water sys.	3,339,505	16,590	-	3,356,095
Vehicles and equip.	350,951	7,300	-	358,251
Total Fixed Assets	3,845,582	25,838	-	3,871,420
Less: Accumulated Depreciation	(1,850,653)	(96,811)	-	(1,947,464)
Total	<u>\$ 1,994,929</u>	<u>(70,973)</u>	<u>-</u>	<u>1,923,956</u>

Accumulated Unpaid Vacation and Sick Pay

At December 31, 2015, no determination of the aggregate dollar value of vacation or sick pay had been made.

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 – Notes Payable**

Notes payable consists of one note to the Oklahoma Water Resources Board.

The District has a promissory note in the amount of \$1,390,000 with the Oklahoma Water Resources Board (OWRB), dated August 14, 2003, for a period of 20 years. The District makes monthly deposits into the trust account at the Bank of Oklahoma. The trust account then makes the semi-annual payments of principal and interest to the OWRB. The current interest rate on this note is 1.47%. The water system and future water revenues are used as security for this note.

**MUSKOGEE COUNTY RURAL WATER DISTRICT NO. 5**

**Muskogee, Oklahoma**

Notes to the Financial Statements

December 31, 2015

**Note B – Notes Payable – cont'd**

	<u>2015</u>	<u>2014</u>
Oklahoma Water Resources Board note payable, issued for \$1,390,000, dated 8-14-03, at 1.47% interest, due in semi-annual installments, until paid;	\$ 254,200	511,400
Less: Current maturities of long-term debt	<u>(78,080)</u>	<u>(74,600)</u>
Total Long-Term Debt	<u><u>\$ 176,120</u></u>	<u><u>436,800</u></u>

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

2016	\$ 78,080
2017	79,306
2018	80,552
2019	<u>16,262</u>
Total	<u><u>\$ 254,200</u></u>

Reserve Account

The District has a debt service account and debt service reserve account with balances of \$20,337 and \$115,458, respectively, on deposit with the Bank of Oklahoma in a trustee account for use in retiring the note. The reserve is available to make debt service payments in the event the district cannot meet their debt obligations. These reserve account funds are not available for any other purposes.

**Note C – Other Commitments/Contingencies**

Contributed capital was provided by payments of \$131,998 from the Oklahoma Department of Transportation to reimburse the District for relocation of lines in 2003 and a \$100,000 Emergency Grant from the Oklahoma Water Resources Board to assist in building and improving the water system in 2005.

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

## MUSKOGEE COUNTY RURAL WATER DISTRICT NO. 5

## Balance Sheet

December 31, 2015 and 2014

<u>ASSETS</u>	DECEMBER 31,	
	2015	(memo only) 2014
Current Assets:		
Cash and cash equivalents	\$ 228,505	431,497
Investments	644,122	639,941
Accounts receivable	59,024	57,096
Inventory	26,318	31,290
Prepaid insurance	10,529	10,180
Total current assets	<u>968,498</u>	<u>1,170,004</u>
Restricted Assets:		
Reserve account	98,000	98,000
ORWB Project trust funds:		
Debt service account	20,337	20,396
Debt service reserve account	115,458	115,458
Total restricted assets	<u>233,795</u>	<u>233,854</u>
Fixed Assets:		
Land	13,272	13,272
Building	86,062	86,062
Office equipment	57,740	55,792
Plant and water systems	3,356,095	3,339,505
Vehicles and equipment	358,251	350,951
Total fixed assets	<u>3,871,420</u>	<u>3,845,582</u>
Less: accumulated depreciation	<u>(1,947,464)</u>	<u>(1,850,653)</u>
Total fixed assets (net)	<u>1,923,956</u>	<u>1,994,929</u>
Total Assets	<u><u>\$ 3,126,249</u></u>	<u><u>3,398,787</u></u>
<u>LIABILITIES AND FUND EQUITY</u>		
Current Liabilities:		
Accounts payable	\$ 10,032	28,813
Accrued interest	1,162	328
Current maturities of long-term debt	78,200	74,600
Total current liabilities	<u>89,394</u>	<u>103,741</u>
Long-Term Debt, less current maturities:		
Notes payable	<u>176,000</u>	<u>436,800</u>
Total Liabilities	<u>265,394</u>	<u>540,541</u>
Fund Equity:		
Contributed capital	231,998	231,998
Retained earnings	2,628,857	2,626,248
Total fund equity	<u>2,860,855</u>	<u>2,858,246</u>
Total Liabilities and Fund Equity	<u><u>\$ 3,126,249</u></u>	<u><u>3,398,787</u></u>

MUSKOGEE COUNTY RURAL WATER DISTRICT NO. 5  
Statement of Revenue, Expenses and Changes in Retained Earnings  
For The Years Ended December 31, 2015 and 2014

	2015	(memo only) 2014
Revenue from Operations:		
Water sales	\$ 649,927	674,337
Penalties	27,216	26,990
Benefit unit sales	45,000	21,000
Installation fees	4,575	4,200
Other sales and services	3,082	2,240
Total revenue from operations	<u>729,800</u>	<u>728,767</u>
Expenses from Operations:		
Salaries and benefits	187,604	185,196
Water purchases	276,754	272,087
Repairs and maintenance	54,482	38,682
Contract labor	8,250	750
Vehicle expense	22,586	19,478
Utilities and telephone	18,013	17,953
Insurance	16,034	16,258
Office expense and postage	24,782	22,034
Depreciation	96,811	95,715
Professional fees	2,450	3,625
Trustee fees	1,000	1,000
Water testing	4,380	6,846
Miscellaneous (nsf)	9,812	8,112
Total expenses from operations	<u>722,958</u>	<u>687,736</u>
Net Income (Loss) from Operations	6,842	41,031
Non-operating income:		
Interest earnings	<u>4,309</u>	<u>4,308</u>
Non-operating expense:		
Interest on long-term debt	<u>(8,542)</u>	<u>(11,794)</u>
Net Income (Loss)	2,609	33,545
Retained earnings, beginning of period	<u>2,626,248</u>	<u>2,592,703</u>
Retained earnings, end of period	<u><u>\$ 2,628,857</u></u>	<u><u>2,626,248</u></u>