

**Okmulgee County Rural Water District No. 1
Schulter, Oklahoma**

**Financial Statements
and Reports of Independent Auditor**

December 31, 2016

Audited by

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

Broken Arrow, OK

Okmulgee County Rural Water District No. 1
Schulter, Oklahoma
Board of Directors
December 31, 2016

BOARD OF DIRECTORS

Chairman

Elmer “Butch” Burgess

Vice-Chairman

vacant

Secretary/Treasurer

John Macaluso

Members

Howard Arnold

Chastity Woodall

OPERATORS

Don Price

Chris Guynes

BOOKKEEPER

Debbie Stidman

Okmulgee County Rural Water District No. 1
Schulter, Oklahoma
December 31, 2016

TABLE OF CONTENTS

	<u>Page</u>
Board of Directors	1
Table of Contents	2
Independent Auditor's Report	3
Management Discussion and Analysis	5
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	9
Disposition of Prior Year's Reportable Conditions	11
Schedule of Audit Results	12
<u>Combined Financial Statements</u>	
Statement of Net Position	13
Statement of Revenues, Expenses and Changes in Net Position	14
Statement of Cash Flows	15
Notes to Financial Statements	16
<u>Other Supplementary Information:</u>	
Balance Sheet	21
Statement of Revenue, Expenses and Changes in Retained Earnings	22



SANDERS, BLEDSOE & HEWETT

CERTIFIED PUBLIC ACCOUNTANTS, LLP

Independent Auditor's Report

Board of Directors
Okmulgee County Rural Water District No. 1
Schulter, Oklahoma

We have audited the accompanying financial statements of the business-type activities of the Okmulgee County Rural Water District No. 1 (the District), Schulter, Oklahoma, as of and for the year ended December 31, 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.

Opinions

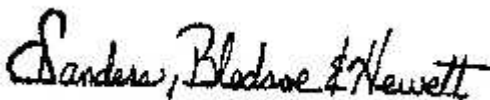
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the District as of December 31, 2016, and the respective changes in financial position and cash flows thereof for the year then ended 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 April 14, 2017 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

April 14, 2017

OKMULGEE COUNTY RURAL WATER DISTRICT NO. 1

MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2016

Our discussion and analysis of the Rural Water District No. 1, Okmulgee County's financial performance provides an overview of the District's financial activities for the fiscal year ended December 31, 2016. Please read it in conjunction with the District's financial statements that begin on page 13.

FINANCIAL HIGHLIGHTS

- The District's total operating revenues exceeded total operating expenses by \$103,481. Overall, the District's cash and cash equivalents decreased by \$75,427 in the current fiscal year.
- The District membership stayed consistent in 2016 at around 750.
- The District approved a water rate increase in 2016.
- The District continued to pay on their existing debt with Oklahoma Water Resources Board.
- The District purchased a telemetry/chlorination injection system in 2016.

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 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 was higher in 2016, increasing from \$1,278,223 to \$1,381,416. 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:

	2016	2015	Variances
Current and other assets	\$ 471,163	548,935	(77,772)
Capital assets, net	1,352,261	1,231,318	120,943
Total Assets	<u>\$ 1,823,424</u>	<u>1,780,253</u>	<u>43,171</u>
Current liabilities	\$ 80,162	78,364	(1,798)
Long-term liabilities	361,846	423,666	61,820
Total Liabilities	<u>\$ 442,008</u>	<u>502,030</u>	<u>60,022</u>
Invest. In capital assets, net			
of related debt	\$ 1,026,793	747,652	279,141
Restricted	96,378	96,592	(214)
Unrestricted	258,245	433,979	(175,734)
Total Net Position	<u>\$ 1,381,416</u>	<u>1,278,223</u>	<u>103,193</u>

Net Position of the District increased by 8.07 percent (\$1,381,416 compared to \$1,278,223). Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – decreased from \$433,979 to \$258,245.

Table 2 – Changes in Net Position:

	2016	2015	Variances
Revenues:			
Charges for services	\$ 507,178	459,007	48,171
Memberships	12,900	4,000	8,900
Interest	1,414	2,232	(818)
Total Revenues	\$ 521,492	465,239	56,253
Expenses:			
Salaries, taxes and benefits	\$ 132,500	125,654	(6,846)
Water purchases	124,694	119,927	(4,767)
Maint., repairs and testing	12,592	30,797	18,205
Other expenses	64,243	87,085	22,842
Depreciation/Amortization	69,668	63,200	(6,468)
Interest on debt	14,602	20,401	5,799
Total Expenses	\$ 418,299	447,064	28,765
Changes in Net Position	103,193	18,175	85,018
Net Position, Beginning	1,278,223	1,260,048	18,175
Net Position, Ending	\$ 1,381,416	1,278,223	103,193

The District's total revenues increased by 12.09 percent (\$56,253). The total cost of all services increased by 6.43 percent (\$28,765).

Fixed Assets

At December 31, 2016, the District had \$1,352,261 invested in fixed assets, net of depreciation, including land, the water system, vehicles and equipment. The District purchased a telemetry/chlorination system and an excavator during the 2016 fiscal year.

Long-Term Debt

A loan in the amount of \$685,000 was obtained from the OWRB to help pay off the Rural Development note. The outstanding principal balance owed on this loan decreased from \$460,000 to \$400,000 during the 2016 fiscal year. The \$685,000 variable interest note is scheduled to be paid off on August 15, 2023.

Economic Factors and Next Year's Budget and Rates

The District has absorbed many of the City of Okmulgee's rate increases, but may be forced to increase our customer rates if additional increases are made by the City.

The District's budget for fiscal year 2017 will remain much like previous years budgets. The Board of Directors does anticipate small budget changes made primarily to better allow for office and field personnel operations, without the necessity of hiring additional part-time or permanent employees.

Contacting the District's Management

This report is designed to provide our customers and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact the District Office at P.O. Box 205, Schuler, OK 74460 or call (918) 652-9546.



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
Okmulgee County Rural Water District No. 1
Schulter, 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 within the combined financial statements of the Okmulgee County Rural Water District No. 1, Schulter, Oklahoma (District), as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated April 14, 2017.

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 (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of District's internal control. Accordingly, we do not express an opinion on the effectiveness of District's internal control.

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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity'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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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 grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statements 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 or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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



Sanders, Bledsoe & Hewett
Certified Public Accountants, LLP

OKMULGEE COUNTY RURAL WATER DISTRICT NO. 1
Disposition of Prior Year's Significant Deficiencies
December 31, 2016

There were no prior year significant deficiencies.

OKMULGEE COUNTY RURAL DISTRICT NO. 1
Schedule of Audit Results, Findings and Questioned Costs
December 31, 2016

Section 1 – Summary of Auditor’s Results:

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

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

NONE

OKMULGEE COUNTY RURAL WATER DISTRICT NO. 1
Schulter, Oklahoma
Statement of Net Position
December 31, 2016

ASSETS

Current Assets:

Cash	\$ 176,409
Investments	135,171
Current portion of receivables	41,042
Total current assets	<u>352,622</u>

Noncurrent Assets:

Restricted cash -Reserve account	71,231
Restricted cash -Debt service account	25,147

Capital Assets:

Land	7,300
Building, plant and water systems, net	1,291,702
Other capital assets, net	53,259
Total noncurrent assets	<u>1,448,639</u>

Other Assets:

Loan issuance costs, net	<u>22,163</u>
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Total Assets	<u>1,823,424</u>
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LIABILITIES

Current Liabilities:

Accounts payable	14,682
Accrued liabilities	5,480
Total current liabilities	<u>20,162</u>

Noncurrent Liabilities:

Due within one year	60,000
Due in more than one year	361,846
Total noncurrent liabilities	<u>421,846</u>

Total Liabilities	<u>442,008</u>
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NET POSITION

Invested in capital assets, net of related debt	1,026,793
Membership equity	105,100
Unrestricted assets	<u>249,523</u>
Total Net Position	<u>\$ 1,381,416</u>

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

OKMULGEE COUNTY RURAL WATER DISTRICT NO. 1
Shulter, Oklahoma
Statement of Revenues, Expenses and Changes in Net Position
For The Year Ended December 31, 2016

Operating Revenues:	
Water sales	\$ 483,753
Fees and fines	18,587
Miscellaneous	4,838
Total revenue from operations	<u>507,178</u>
Operating Expenses:	
Water purchases	124,694
Salaries	121,491
Payroll taxes	11,009
Maintenance parts and supplies	6,018
Insurance	17,218
Professional fees	8,131
Contract services	5,030
Office expense and postage	12,107
Telephone and communication	2,123
Equipment repairs and operations	2,496
Vehicles expense	3,587
Water testing	4,078
Rretirement plan	4,800
Utilities	7,670
Depreciation	65,236
Amortization	4,432
Miscellaneous	3,577
Total expenses from operations	<u>403,697</u>
Operating Income (Loss)	103,481
Non-Operating Revenues (Expenses):	
Interest income	1,414
Interest paid on long-term debt	(14,602)
Memberships	12,900
Total non-operating revenues (expenses)	<u>(288)</u>
Change in Net Position	103,193
Total Net Position, beginning of period	<u>1,278,223</u>
Total Net Position, end of period	<u><u>\$ 1,381,416</u></u>

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

OKMULGEE COUNTY RURAL WATER DISTRICT NO. 1
Schulter, Oklahoma
Statement of Cash Flows
For The Year Ended December 31, 2016

Cash Flows from Operating Activities:

Receipts from customers	\$ 501,356
Payments to employees	(121,491)
Payments to vendors	(207,005)
	<hr/>
Net Cash Provided by Operating Activities	172,860
	<hr/>

Cash Flows from Investing Activities:

Interest revenue	1,414
Sale (purchase) of fixed assets	(186,180)
	<hr/>
Total cash flows from investing activities	(184,766)
	<hr/>

Cash Flows from Financing Activities:

Memberships	12,900
Interest expense on debt	(16,421)
Principal payments on debt	(60,000)
	<hr/>
Total cash flows from financing activities	(63,521)
	<hr/>

Net Increase (Decrease) in Cash	(75,427)
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Cash and cash equivalents, beginning of period	483,385
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Cash and cash equivalents, end of period	<u>\$ 407,958</u>
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Reconciliation of operating income (loss) to net cash provided by operating activities:

Operating Income	\$ 103,481
Adjustments to reconcile net income to net cash provided (used) by operating activities:	
Depreciation Expense	65,236
Amortization Expense	4,432
(Increase) decrease in accounts receivable	(2,087)
Increase (decrease) in accounts payable	2,521
Increase (decrease) in accrued liabilities	(723)
	<hr/>
Net cash provided by operating activities	<u>\$ 172,860</u>

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

OKMULGEE COUNTY RURAL WATER DISTRICT NO. 1

Schulter, Oklahoma

Notes to the Financial Statements

December 31, 2016

Note A – Significant Accounting Policies

Business Activity

Okmulgee County Rural Water District No. 1 (the District) was formed under the provisions of Title 82, O.S. 1981, Sections 1324.1-1324.26 inclusive. The District operates as a nontaxable government agency to service residents of the Okmulgee County Rural Water District No. 1. The District's primary income is from the sale of water to its members in an area around Schulter, Oklahoma.

Basis of Accounting

The financial statements are prepared on an accrual basis of accounting, which is in compliance with accounting principles generally accepted in the United States of America (GAAP), and which recognizes revenues when earned and expenses as incurred. Interest earnings on certificates of deposit are recorded when such interest is actually received by the District. Generally accepted accounting principles include all relevant Government Accounting Standards Board (GASB) pronouncements.

Cash

The District's cash accounts at December 31st, are detailed as follows:

	<u>December 31,</u>	
	<u>2016</u>	<u>2015</u>
Cash on hand	\$ 500	500
Citizens Security Bank:		
Operation & maint. account	100,290	118,232
Add: Deposits in transit	3,802	1,963
Less: Outstanding checks	(9,651)	(9,904)
First Family Federal Credit Union,		
Depreciation account	<u>81,468</u>	<u>39,341</u>
Total	<u>\$ 176,409</u>	<u>150,132</u>

The District's cash deposits at December 31, 2016 were covered by the \$250,000 FDIC coverage and other collateral pledged.

OKMULGEE COUNTY RURAL WATER DISTRICT NO. 1

Schulter, Oklahoma

Notes to the Financial Statements

December 31, 2016

Note A – Significant Accounting Policies – cont'd

Investments

The District had the following investments at December 31:

	<u>2016</u>	<u>2015</u>
First National Bank:		
Cert. of deposit no. 73492, dated 5/19/14, liquidated 11/19/16 at .95%	\$ -	102,502
American Exchange Bank:		
Cert. of deposit no. 20778, dated 12/31/12, matures 12/31/15 at 0.75%	<u>135,171</u>	<u>134,159</u>
Totals	<u>\$ 135,171</u>	<u>236,661</u>

Restricted Cash

In compliance with OWRB regulations, cash reserves have been established to collect up to one year's' payment on the note payable, or \$71,230, at which time deposits may be suspended. When necessary, funds may be utilized with prior approval of the Rural Development. The reserve account funds have been deposited in a trustee account at BancFirst, and had a balance of \$71,231 at December 31, 2016.

A trustee account at BancFirst is also used for debt service payments to the OWRB. The balance in this debt service account at December 31, 2016 was \$25,147.

Accounts Receivable

Billings for accounts receivable at December 31, 2016, were \$42,992. An allowance for doubtful accounts amount was estimated at \$2,000 for the fiscal year.

OKMULGEE COUNTY RURAL WATER DISTRICT NO. 1

Schulter, Oklahoma

Notes to the Financial Statements

December 31, 2016

Note A – Significant Accounting Policies – cont'd

Fixed Assets

It is the District's policy to capitalize assets purchased for \$1,000 or more, and with a useful life over two years. 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	5-10 years
Equipment & tools	10-15 years
Transportation equipment	5 years
Water & sewer system	40 years
Buildings	20 years
Computer equipment	5-7 years

The fixed asset information for the District is shown below:

	12/31/2015 Amount	Additions	Deletions	12/31/2016 Amount
Land	\$ 7,300	-	-	7,300
Building, plant and water systems	2,300,440	154,240	-	2,454,680
Other capital assets	239,893	31,940	-	271,833
Total Fixed Assets	2,543,663	186,180	-	2,733,813
Less: Accumulated Depreciation	(1,316,315)	(65,236)	-	(1,381,551)
Total	<u>\$ 1,227,348</u>	<u>120,944</u>	<u>-</u>	<u>1,352,262</u>

OKMULGEE COUNTY RURAL WATER DISTRICT NO. 1

Schulter, Oklahoma

Notes to the Financial Statements

December 31, 2016

Note A – Significant Accounting Policies – cont'd

Accumulated Unpaid Vacation and Sick Pay

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

Note B – Insurance

It appears the District had current insurance coverage for all major perils.

Note C – Notes Payable

Notes payable consist of a note to the Oklahoma Water Resources Board (OWRB).

The notes payable at December 31st, are detailed as follows:

	<u>2016</u>	<u>2015</u>
Note No. FAP-13-0001-L, OWRB, issued for \$685,000, variable interest of .65% to 3.65%, matures 8/15/23	\$ 460,000	520,000
Less: Current maturities of long-term debt	<u>(60,000)</u>	<u>(60,000)</u>
Total Long-Term Debt	<u>\$ 400,000</u>	<u>460,000</u>

Note - OWRB confirmed balance at December 31, 2016 is \$455,000.
However, this includes an accumulated payment of \$55,000.

OKMULGEE COUNTY RURAL WATER DISTRICT NO. 1

Schulter, Oklahoma

Notes to the Financial Statements

December 31, 2016

Note C – Notes Payable – cont'd

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

<u>Year</u>		
2017	\$	60,000
2018		60,000
2019		65,000
2020		65,000
2021		65,000
2021-23		<u>85,000</u>
Totals	\$	<u><u>400,000</u></u>

Note D – Contributed Capital

Contributed capital was provided by various grants of from the Office of Rural Economic and Community Development and other federal, state and local offices to assist in building and improving the water system.

Note E – Subsequent Events

Management has evaluated subsequent events through April 14, 2017, 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.

OKMULGEE COUNTY RURAL WATER DISTRICT NO. 1

Schulter, Oklahoma

Balance Sheet

December 31, 2016

<u>ASSETS</u>	DECEMBER 31,	
	2016	(memo only) 2015
Current Assets:		
Cash	\$ 94,941	110,791
Depreciation account	81,468	39,341
Investments	135,171	236,661
Accounts receivable	40,992	38,905
Accrued interest receivable	50	50
Total current assets	352,622	425,748
Restricted Assets:		
Debt service account	25,147	25,361
Reserve account	71,231	71,231
Total restricted assets	96,378	96,592
Fixed Assets:		
Land	7,300	7,300
Water distribution system	2,230,266	2,226,807
Telemetry/chlorination system	150,781	-
Field equipment and vehicles	239,085	209,788
Office building	54,781	54,781
Storage building	21,495	18,852
Office furniture and equipment	30,104	30,104
Total fixed assets	2,733,812	2,547,632
Less: accumulated depreciation	(1,381,551)	(1,316,314)
Total fixed assets (net)	1,352,261	1,231,318
Other Assets:		
Loan issuance costs	36,830	36,830
Less: accumulated amortization	(14,667)	(10,235)
Total other assets (net)	22,163	26,595
Total Assets	\$ 1,823,424	1,780,253
<u>LIABILITIES AND FUND EQUITY</u>		
Current Liabilities:		
Accounts payable	\$ 14,682	12,161
Accrued interest payable	5,480	6,203
Current maturities of long-term debt	60,000	60,000
Total current liabilities	80,162	78,364
Long-Term Debt, less current maturities:		
Notes payable	340,000	400,000
Add: Premium on notes payable	21,846	23,666
Total long-term liabilities	361,846	423,666
Total Liabilities	442,008	502,030
Fund Equity:		
Contributed capital	820,154	820,154
Membership equity	105,100	92,200
Retained earnings	456,162	365,869
Total fund equity	1,381,416	1,278,223
Total Liabilities and Fund Equity	\$ 1,823,424	1,780,253

OKMULGEE COUNTY RURAL WATER DISTRICT NO. 1
Schulter, Oklahoma
Statement of Revenue, Expenses and Changes in Retained Earnings
For The Year Ended December 31, 2016

	2016	(memo only) 2015
Revenue from Operations:		
Water sales	\$ 483,753	431,811
Penalties and fees	18,587	19,184
Other sales and services	4,838	8,012
Total revenue from operations	<u>507,178</u>	<u>459,007</u>
Expenses from Operations:		
Water purchases	124,694	119,927
Salaries	121,491	113,775
Payroll taxes	11,009	11,879
Maintenance parts and supplies	6,018	16,841
Insurance	17,218	14,751
Professional fees	8,131	29,133
Contract services	5,030	8,460
Office expense and postage	12,107	10,550
Telephone and communication	2,123	2,160
Equipment repairs and operations	2,496	10,164
Vehicles expense	3,587	5,802
Water testing	4,078	3,792
Retirement plan	4,800	4,800
Utilities	7,670	6,550
Depreciation	65,236	58,768
Amortization	4,432	4,432
Miscellaneous	3,577	4,879
Total expenses from operations	<u>403,697</u>	<u>426,663</u>
Net Income (Loss) from Operations	103,481	32,344
Non-operating income:		
Interest earnings	<u>1,414</u>	<u>2,232</u>
Non-operating expense:		
Interest paid on debt	<u>(14,602)</u>	<u>(20,401)</u>
Net Income (Loss)	90,293	14,175
Retained earnings, beginning of period	<u>365,869</u>	<u>351,694</u>
Retained earnings, end of period	<u><u>\$ 456,162</u></u>	<u><u>365,869</u></u>