

**Okmulgee County Rural Water District No. 6  
Mounds, Oklahoma**

Financial Statements and Auditor's Reports

Year Ended December 31, 2013

Audited by

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

BROKEN ARROW, OK

Okmulgee County Rural Water District No. 6  
Mounds, Oklahoma  
Board of Directors  
December 31, 2013

**BOARD OF DIRECTORS**

**Chairman**

Mary Smith

**Vice-Chairman**

Stanley Allen

**Secretary/Treasurer**

Glenn Shoaf

**Members**

Phillip Olden

Randy Fulbright

Daryle Fox

Mary Ann Seago

**MANAGER**

Rick Boone

Okmulgee County Rural Water District No. 6  
Mounds, Oklahoma  
December 31, 2013

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# SANDERS, BLEDSOE & HEWETT

CERTIFIED PUBLIC ACCOUNTANTS, LLP

## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Okmulgee County Rural Water District No. 6  
Mounds, Oklahoma

We have audited the accompanying financial statements of the business-type activities of the Okmulgee County Rural Water District No. 5 (the District), Mounds, Oklahoma, as of and for the year ended December 31, 2013, 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**

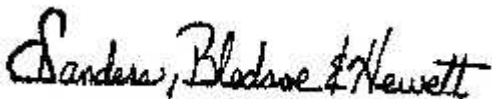
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the District as of December 31, 2013, and the respective changes in financial position and cash flows thereof for the year then ended 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 January 30, 2014 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

## **RURAL WATER DISTRICT NO. 6, OKMULGEE COUNTY**

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

**DECEMBER 31, 2013**

Our discussion and analysis of the Rural Water District No. 6, Okmulgee County's financial performance provides an overview of the District's financial activities for the fiscal year ended December 31, 2013. Please read it in conjunction with the District's financial statements that begin on page 13.

#### **FINANCIAL HIGHLIGHTS**

- The District's total operating expenses exceeded total operating revenues by \$161,214. Overall, the District's cash and cash equivalents decreased by \$16,350 in the current fiscal year.
- The District earned \$3,385 in interest in 2013.
- The District was approved for a \$3,445,220 loan with Rural Development, and received \$1,681,748 of loan proceeds in 2013. These funds are being used for further water system expansions and improvements.

#### **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 Assets, Liabilities and Net Assets, the Statement of Revenues, Expenses and Changes in Net Assets, 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, 2013 the District had \$6,401,852 invested in fixed assets, net of depreciation, including buildings, the water system, vehicles and equipment. The District began a large expansion/improvement project in 2012, and added \$1,750,709 of fixed assets towards these projects in 2013.

### **Long-Term Debt**

The District was indebted to Rural Development for a \$2,888,968 note obtained for extensive extensions and improvements. The total approved proceeds are \$3,445,220. This has an interest rate of 3.375%, and the District has already begun making the scheduled monthly payments of \$13,092 towards this loan.

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

The District may be forced to make further increases if additional increases are made by their water sources.

The District will continue to make further water system expansions and improvements with the loan proceeds, which are needed by increased demands on the current system.

The District's budget for fiscal year 2014 will remain much like previous years budgets.

### **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 340, Mounds, OK 74047 or call (918) 827-6350.



# 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. 6  
Mounds, 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 Okmulgee County Rural Water District No. 6 (the District), Mounds, Oklahoma, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 30, 2014.

**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

January 30, 2014



# SANDERS, BLEDSOE & HEWETT

CERTIFIED PUBLIC ACCOUNTANTS, LLP

**Report On Compliance With Requirements Applicable To Each  
Major Program And Internal Control Over Compliance In  
Accordance With OMB Circular A-133**

Board of Directors  
Okmulgee County Rural Water District No. 6  
Mounds, Oklahoma

**Compliance**

We have audited the compliance of Okmulgee County Rural Water District No. 6, (the District) Mounds, Oklahoma, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2013. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2013.

### Internal Control Over Compliance

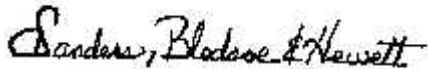
The management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over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

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

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

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

This report is intended solely for the information of the Board of Directors, management and the Federal Clearinghouse, and is not intended to be, and should not be, used by anyone other than these specified parties.



Sanders, Bledsoe & Hewett  
Certified Public Accountants, LLP

January 30, 2014

**OKMULGEE COUNTY RURAL DISTRICT NO. 6**  
**Disposition of Prior Year's Reportable Conditions**  
**December 31, 2013**

There were no prior year reportable conditions.

**OKMULGEE COUNTY RURAL DISTRICT NO. 6**  
**Schedule of Audit Results, Findings and Questioned Costs**  
**December 31, 2013**

**Section 1** – Summary of Auditor’s Results:

1. An unqualified opinion was issued on the financial statements.
2. The audit disclosed no reportable conditions in the internal controls.
3. The audit disclosed no instances of noncompliance.
4. The audit disclosed no reportable conditions in the internal controls over major programs.
5. An unqualified opinion was issued on the compliance of major programs.
6. The audit disclosed no audit findings which are required to be reported under OMB Circular A-133 § 510(a).
7. The program determined to be major is the Oklahoma Water Resources Board, Series 2012 Promissory Note.
8. The dollar threshold used to determine between Type A and Type B programs was \$300,000.
9. The district was determined not to be a low-risk auditee.

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

NONE

**Section 3** – Findings and Questioned Costs for Federal Awards:

NONE

OKMULGEE COUNTY RURAL WATER DISTRICT NO. 6  
Statement of Net Assets  
December 31, 2013

**ASSETS:**

Current Assets:

Cash and cash equivalents	\$ 1,296,030
Investments	104,266
Current portion of receivables	150,757
Prepaid assets	21,572
Total current assets	<u>1,572,625</u>

Non-current Assets:

Restricted cash-	
ORWA reserve certificate	1,000
Restricted investments-	
Rural Development reserve	153,742
Total restricted assets	<u>154,742</u>

Capital Assets-

Land	3,294
Buildings, net	102,902
Plant and water systems, net	6,180,598
Other capital assets, net	115,058
Total capital assets	<u>6,401,852</u>

Total non-current assets	<u>6,556,594</u>
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Total Assets	<u>8,129,219</u>
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**LIABILITIES:**

Current Liabilities:

Accounts payable	86,703
Accrued liabilities	37,490
Current portion of long-term debt	60,532
Total current liabilities	<u>184,725</u>

Noncurrent Liabilities:

Long-term debt	<u>2,828,436</u>
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Total Liabilities	<u>3,013,161</u>
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**NET ASSETS:**

Invested in capital assets, net of related debt	3,512,884
Unrestricted assets	<u>1,603,174</u>
Total Net Assets	<u><u>\$ 5,116,058</u></u>

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

OKMULGEE COUNTY RURAL WATER DISTRICT NO. 6  
Statement of Activities  
For The Year Ended December 31, 2013

**Operating Revenues:**

Water sales	\$ 1,512,433
Fees and fines	72,793
Benefit unit sales	<u>54,850</u>
Total revenue from operations	<u>1,640,076</u>

**Operating Expenses:**

Water purchases	809,105
Salaries and benefits	283,616
Payroll taxes	22,112
Employee retirement	9,410
Group health insurance	60,451
Repairs and maintenance	94,313
Vehicle expense	22,522
Telephone	13,457
Insurance	39,620
Dues and fees	3,976
Office expense and postage	39,705
Depreciation	232,602
Professional fees	18,720
Utilities	34,193
Contract labor	49,248
Miscellaneous	<u>13,390</u>
Total expenses from operations	<u>1,746,440</u>

Operating Income (Loss)	(106,364)
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**Non-Operating Revenues (Expenses):**

Interest income	3,385
Interest paid on long-term debt	<u>(72,238)</u>
Total Non-Operating Revenues (Expenses)	<u>(68,853)</u>

Change in Net Assets	(175,217)
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Total Net Assets, beginning of period	<u>5,291,275</u>
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Total Net Assets, end of period	<u><u>\$ 5,116,058</u></u>
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The accompanying notes to the financial statements are an integral part of this statement

OKMULGEE COUNTY RURAL WATER DISTRICT NO. 6  
Statement of Cash Flows  
For the Year Ended December 31, 2013

**Cash Flows from Operating Activities:**

Receipts from customers	\$ 1,739,697
Payments to employees	(288,096)
Payments to vendors	<u>(1,301,122)</u>
Net Cash Provided by Operating Activities	<u>150,479</u>

**Cash Flows from Financing Activities:**

Acquisition of fixed assets	(1,750,709)
Loan proceeds from Rural Development	1,681,748
Principal paid on long-term debt	(83,865)
Interest paid on long-term debt	<u>(72,238)</u>
Net Cash Provided by (used in) Financing Activities	<u>(225,064)</u>

**Cash Flows from Investing Activities:**

Memberships purchased	54,850
Interest earned on investments	<u>3,385</u>
Net Cash Provided by (used in) Investing Activities	<u>58,235</u>

Net Increase (Decrease) in Cash	(16,350)
Cash and cash equivalents, beginning of period	<u>1,571,388</u>
Cash and cash equivalents, end of period	<u><u>\$ 1,555,038</u></u>

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

Operating Income	\$ (161,214)
Adjustments to reconcile net income to net cash provided (used) by operating activities:	
Depreciation Expense	232,602
Change in assets and liabilities:	
(Increase) decrease in accounts receivable	22,703
(Increase) decrease in prepaid insurance	(950)
Increase (decrease) in accounts payable	58,874
Increase (decrease) in accruals	<u>(1,536)</u>
Net cash provided by operating activities	<u><u>\$ 150,479</u></u>

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



**OKMULGEE COUNTY RURAL WATER DISTRICT NO. 6**

**Mounds, Oklahoma**

Notes to the Financial Statements

December 31, 2013

**Note A – Significant Accounting Policies**

Nature of Organization

The Okmulgee County Rural Water District No. 6 (the District) was created under the provisions of Title 82 of Oklahoma Statutes, Section 1324.1 – 1324.35 and the Laws of the State of Oklahoma. The purpose of this District is to provide water services to users.

Basis of Accounting

The accrual basis of accounting 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 follows GASB issued Statement No. 34 “Basic Financial Statements and Management’s Discussion and Analysis for State and Local Government.” This statement establishes financial reporting requirements for state and local governments throughout the United States.

Cash and Equivalents

The District’s cash accounts at December 31<sup>st</sup>, are detailed as follows:

	December 31,	
	2013	2012
Cash on hand	\$ -	326
Arvest Bank, Tulsa, Ok-		
Revenue account	63,131	136,403
Operation & Maintenance account	656,655	656,018
Contruction account	68,707	52,606
BancFirst, Jenks, Ok-		
Revenue account	-	3,766
Special account	124,395	124,333
Contruction account	3,862	24,104
Less: Outstanding checks	-	-
American Heritage Bank, Sapulpa, Ok-		
Deprecation account (money mkt)	379,280	318,058
Total	<u>\$ 1,296,030</u>	<u>1,315,614</u>

**OKMULGEE COUNTY RURAL WATER DISTRICT NO. 6**

**Mounds, Oklahoma**

Notes to the Financial Statements

December 31, 2013

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

Investments

The District's investments at December 31, 2013 are detailed as follows:

Grand Bank, Tulsa, Ok-	
Certificate of deposit no. 92197	\$ 52,133
Certificate of deposit no. 92198	52,133
 Triad Bank, Tulsa, Ok-	
Certificate of deposit no. 60072450	<u>153,742</u>
 Total Investments	<u><u>\$ 258,008</u></u>

Reserve Investment

In compliance with Rural Development loan covenants, the above certificate of deposit held at Triad Bank (\$153,742) is held by the District as a reserve investment.

Collateral Pledged

Deposit Categories of Credit Risk

(A) Insured by Federal Deposit Insurance

(B) Collateralized with securities held by the pledging financial institution's trust department or agent in the District's name

(C) Uncollateralized

	<u>Category</u>			<u>Bank</u>	<u>Carrying</u>
	<u>(A)</u>	<u>(B)</u>	<u>(C)</u>	<u>Balance</u>	<u>Amount</u>
Cash	\$ 628,257	667,773		1,296,030	1,296,030
Investments	<u>258,008</u>			<u>258,008</u>	<u>258,008</u>
Total	<u><u>\$ 886,265</u></u>	<u><u>465,525</u></u>	<u><u>0</u></u>	<u><u>1,554,038</u></u>	<u><u>1,554,038</u></u>

**OKMULGEE COUNTY RURAL WATER DISTRICT NO. 6**

**Mounds, Oklahoma**

Notes to the Financial Statements

December 31, 2013

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

Accounts Receivable

Billings for accounts receivable at December 31, 2013 were \$150,757. No allowance for doubtful accounts was computed because the effect of bad debts on the financial statements is not considered material.

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.

Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District carries commercial insurance, including workers compensation, for risk of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

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	5-10 years
Equipment & tools	5 years
Transportation equipment	5 years
Water & sewer system	50 years
Buildings	25 years
Computer equipment	3 years

**OKMULGEE COUNTY RURAL WATER DISTRICT NO. 6**

**Mounds, Oklahoma**

Notes to the Financial Statements

December 31, 2013

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

The fixed asset information for the District is shown below:

	12/31/2012 Amount	Additions	Deletions	12/31/2013 Amount
Land	\$ -	3,294		3,294
Buildings	212,931	-	-	212,931
Plant and water sys.	6,819,843	1,701,935	-	8,521,778
Vehicles and equip.	426,929	45,480	-	472,409
Total Fixed Assets	7,459,703	1,750,709	-	9,210,412
Less: Accumulated Depreciation	(2,575,957)	(232,603)	-	(2,808,560)
Total	<u>\$ 4,883,746</u>	<u>1,518,106</u>	<u>-</u>	<u>6,401,852</u>

**Note B – Long-Term Debt**

Long-Term Debt consists of one 2012 note to the Office of Rural Development for water system expansion and improvements. This note is for a total of \$3,445,220, at a rate of 3.375%. The District received \$1,681,748 of these proceeds in the 2013 fiscal year, and will receive the remaining funds in future years. The District is required to make monthly payments of \$13,092 on this note, and began making payments in 2012. At December 31, 2013, the outstanding balance was \$2,888,968.

The scheduled maturities for future years, based on the current balance, are detailed as follows:

2014	\$ 60,532
2015	62,607
2016	64,753
2017	66,972
2018	69,268
2019-23	383,624
2024-28	454,037
2029-33	537,371
2034+	<u>1,189,804</u>
Total	<u>\$ 2,888,968</u>

**OKMULGEE COUNTY RURAL WATER DISTRICT NO. 6**

**Mounds, Oklahoma**

Notes to the Financial Statements

December 31, 2013

**Note C – Employee Retirement Plan**

The District has adopted a simplified employee pension (SEP) plan, which is self-directed and noncontributory. The District contributes 4% of the employee gross pay of each qualifying employee. Employees are eligible for the plan after two years of full-time employment and have attained the age of twenty-one years. The contribution by the District is computed and paid once a year, normally in December. For the 2013 fiscal year, the District contributed \$9,410.

**Note D – Subsequent Events**

Management has evaluated subsequent events through January 30, 2014, 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. 6

Balance Sheet  
December 31, 2013

<u>ASSETS</u>	<u>DECEMBER 31,</u>	
	<u>2013</u>	<u>(memo only) 2012</u>
Current Assets:		
Cash and cash equivalents	\$ 1,296,030	1,315,614
Investments	104,266	103,800
Accounts receivable	150,757	173,460
Prepaid insurance	21,572	20,622
Total current assets	<u>1,572,625</u>	<u>1,613,496</u>
Restricted Assets:		
ORWA reserve certificate	1,000	1,000
Rural Development reserve investment	<u>153,742</u>	<u>151,974</u>
Total restricted assets	<u>154,742</u>	<u>152,974</u>
Fixed Assets:		
Land	3,294	0
Building	212,931	212,931
Plant and water systems	8,521,778	6,819,843
Vehicles and equipment	<u>472,409</u>	<u>426,929</u>
Total fixed assets	<u>9,210,412</u>	<u>7,459,703</u>
Less: accumulated depreciation	<u>(2,808,560)</u>	<u>(2,575,957)</u>
Total fixed assets (net)	<u>6,401,852</u>	<u>4,883,746</u>
Total Assets	<u>\$ 8,129,219</u>	<u>6,650,216</u>
 <u>LIABILITIES AND FUND EQUITY</u>		
Current Liabilities:		
Accounts payable	\$ 83,747	27,829
Payroll and taxes payable	2,956	0
Accrued vacation and sick leave	31,346	36,513
Accrued interest on long-term debt	6,144	2,513
Current maturities of long-term debt	<u>60,532</u>	<u>41,435</u>
Total current liabilities	<u>184,725</u>	<u>108,290</u>
Long-Term Debt, less current maturities:		
Notes payable - Rural Development	<u>2,828,436</u>	<u>1,250,651</u>
Total Liabilities	<u>3,013,161</u>	<u>1,358,941</u>
Fund Equity:		
Member capital	1,669,394	1,614,544
Retained earnings	<u>3,446,664</u>	<u>3,676,731</u>
Total fund equity	<u>5,116,058</u>	<u>5,291,275</u>
Total Liabilities and Fund Equity	<u>\$ 8,129,219</u>	<u>6,650,216</u>

OKMULGEE COUNTY RURAL WATER DISTRICT NO. 6  
Statements of Revenue, Expenses and Changes in Retained Earnings  
For The Years Ended December 31, 2013

	2013	(memo only) 2012
Revenue from Operations:		
Water sales	\$ 1,512,433	1,690,752
Membership fees/taps	31,250	22,000
Late fees	38,419	40,927
Other income	3,124	0
Total revenue from operations	<u>1,585,226</u>	<u>1,753,679</u>
Expenses from Operations:		
Water purchases	809,105	756,764
Salaries and benefits	283,616	222,237
Payroll taxes	22,112	19,205
Employee retirement	9,410	8,692
Group health insurance	60,451	67,116
Repairs and maintenance	94,313	46,563
Vehicle expense	22,522	16,876
Telephone	13,457	8,234
Insurance	39,620	35,830
Dues and fees	3,976	3,511
Office expense and postage	39,705	30,315
Depreciation	232,602	193,688
Professional fees	18,720	4,540
Utilities	34,193	36,236
Contract labor	49,248	62,652
Miscellaneous	13,390	5,995
Total expenses from operations	<u>1,746,440</u>	<u>1,518,454</u>
Net Income (Loss) from Operations	(161,214)	235,225
Non-operating revenues:		
Interest earnings	<u>3,385</u>	<u>3,072</u>
Non-operating expenses:		
Interest on long-term debt	<u>(72,238)</u>	<u>(8,499)</u>
Net Income (Loss)	(230,067)	229,798
Retained earnings, beginning of period	<u>3,676,731</u>	<u>3,446,933</u>
Retained earnings, end of period	<u><u>\$ 3,446,664</u></u>	<u><u>3,676,731</u></u>

OKMULGEE COUNTY RURAL WATER DISTRICT NO. 6  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2013

<u>Federal Grantor / Pass Through Grantor / Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal Grantor's/ Pass-through No.</u>	<u>Program or Award Amount</u>	<u>Balance at 1/1/13</u>	<u>Revenue Collected</u>	<u>Total Expenditures</u>	<u>Balance at 12/31/13</u>
<u>United States Dept. of Agriculture-</u>							
<u>Passed Through the Okla. Office of Rural Development:</u>							
Rural Development Loan Expansion Project	10.760	91-01	<u>\$ 3,445,220</u>	<u>0</u>	<u>1,681,748</u>	<u>1,681,748</u>	<u>0</u>