

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

Financial Statements and Auditor's Reports

Year Ended December 31, 2016

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, 2016

BOARD OF DIRECTORS

Chairman

Mary Smith

Vice-Chairman

Stanley Allen

Treasurer

Glenn Shoaf

Secretary

Mary Ann Seago

Members

Tom Fuller

Danny Fowler

Phillip Olden

MANAGER

Rick Boone

OFFICE SUPERVISOR

Gina McCall

Okmulgee County Rural Water District No. 6
Mounds, Oklahoma
December 31, 2016

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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. 6 (the District), Mounds, 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

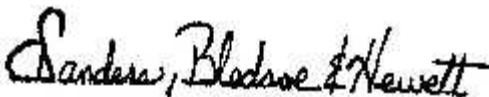
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the District as of December 31, 2016, and the respective changes in financial position and cash flows thereof for the year then ended 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 February 3, 2017 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

February 3, 2017

RURAL WATER DISTRICT NO. 6, OKMULGEE COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2016

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, 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 \$146,170. Overall, the District's cash and cash equivalents increased by \$218,035 in the current fiscal year.
- The District earned \$3,258 in interest in 2016.
- The District continued to pay on their outstanding USDA/Rural Development loan.
- The District's repairs & maintenance expenses increased in 2016 by \$582,326 mostly due to the Highway 75A line relocation project. However, the District was reimbursed by ODOT for these expenses in the amount of \$702,318.

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 \$5,040,930 to \$5,083,590. Last year (2015) net position decreased by \$58,464. 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	\$ 2,264,103	2,019,998	244,105
Capital assets, net	6,104,770	6,335,884	(231,114)
Total Assets	<u>\$ 8,368,873</u>	<u>8,355,882</u>	<u>12,991</u>
Current liabilities	\$ 197,839	175,557	(22,282)
Long-term liabilities	3,087,444	3,139,395	51,951
Total Liabilities	<u>\$ 3,285,283</u>	<u>3,314,952</u>	<u>29,669</u>
Invest. In capital assets, net			
of related debt	\$ 2,965,378	3,146,263	(180,885)
Unrestricted	2,118,212	1,894,667	223,545
Total Net Position	<u>\$ 5,083,590</u>	<u>5,040,930</u>	<u>42,660</u>

Net Position of the District increased by .84 percent (\$5,083,590 compared to \$5,040,930). Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – increased from \$1,894,667 to \$2,118,212.

Table 2 – Changes in Net Position:

	2016	2015	Variances
Revenues:			
Charges for services	\$ 1,868,124	1,817,016	51,108
ODOT Reimbursements	702,318	-	702,318
Interest	3,258	1,757	1,501
Total Revenues	<u>\$ 2,573,700</u>	<u>1,818,773</u>	<u>754,927</u>
Expenses:			
Salaries, taxes and benefits	\$ 409,736	403,159	(6,577)
Maintenance and repairs	718,479	144,500	(573,979)
Other expenses	1,029,942	955,359	(74,583)
Depreciation	266,115	265,041	(1,074)
Interest on debt	106,768	109,178	2,410
Total Expenses	<u>\$ 2,531,040</u>	<u>1,877,237</u>	<u>(653,803)</u>
Changes in Net Position	42,660	(58,464)	101,124
Net Position, Beginning	<u>5,040,930</u>	<u>5,099,394</u>	<u>(58,464)</u>
Net Position, Ending	<u><u>\$ 5,083,590</u></u>	<u><u>5,040,930</u></u>	<u><u>42,660</u></u>

The District's total revenues increased by 29.3 percent (\$754,927). The total cost of all services increased by 25.8 percent (\$653,803). Both of the amounts were inflated in 2016 due to ODOT water line relocations.

Fixed Assets

At December 31, 2016 the District had \$6,104,770 invested in fixed assets, net of depreciation, including buildings, the water system, vehicles and equipment. The District added \$35,000 of fixed assets in 2016.

Long-Term Debt

The District was indebted to Rural Development for a \$2,238,186 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 began making the scheduled monthly payments of \$13,092 towards this loan. The outstanding balance at year-end was \$3,139,392.

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 2017 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, 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 February 3, 2017.

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

February 3, 2017

OKMULGEE COUNTY RURAL DISTRICT NO. 6
Disposition of Prior Year's Significant Deficiencies
December 31, 2016

There were no prior year significant deficiencies.

OKMULGEE COUNTY RURAL DISTRICT NO. 6
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. 6
Statement of Net Position
December 31, 2016

ASSETS:

Current Assets:

Cash and cash equivalents	\$ 1,822,415
Investments	105,368
Current portion of receivables	158,322
Prepaid assets	21,559
Total current assets	<u>2,107,664</u>

Non-current Assets:

Restricted cash-	
ORWA reserve certificate	1,000
Restricted investments-	
Rural Development reserve	155,439
Total restricted assets	<u>156,439</u>

Capital Assets-

Land	3,294
Buildings, net	84,514
Plant and water systems, net	5,873,306
Other capital assets, net	143,656
Total capital assets	<u>6,104,770</u>

Total non-current assets	<u>6,261,209</u>
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Total Assets	<u>8,368,873</u>
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LIABILITIES:

Current Liabilities:

Accounts payable	103,107
Accrued liabilities	42,784
Current portion of long-term debt	51,948
Total current liabilities	<u>197,839</u>

Noncurrent Liabilities:

Long-term debt	<u>3,087,444</u>
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Total Liabilities	<u>3,285,283</u>
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NET POSITION:

Invested in capital assets, net of related debt	2,965,378
Unrestricted assets	<u>2,118,212</u>
Total Net Position	<u>\$ 5,083,590</u>

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

OKMULGEE COUNTY RURAL WATER DISTRICT NO. 6
Statement of Revenues, Expenses and Changes in Net Position
For The Year Ended December 31, 2016

Operating Revenues:

Water sales	\$ 1,728,940
Fees and fines	103,084
ODOT Reimbursements	702,318
Total revenue from operations	<u>2,534,342</u>

Operating Expenses:

Water purchases	822,487
Salaries and benefits	284,588
Payroll taxes	24,089
Employee retirement	11,292
Group health insurance	89,767
Repairs and maintenance	697,951
Vehicle expense	14,078
Telephone	11,432
Insurance	41,491
Dues and fees	12,084
Office expense and postage	33,849
Depreciation	266,115
Professional fees	59,501
Utilities	30,771
Contract labor	6,450
Miscellaneous	18,327
Total expenses from operations	<u>2,424,272</u>

Operating Income (Loss)	110,070
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Non-Operating Revenues (Expenses):

Benefit unit sales	36,100
Interest income	3,258
Interest paid on long-term debt	(106,768)
Total Non-Operating Revenues (Expenses)	<u>(67,410)</u>

Change in Net Position	42,660
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Total Net Position, beginning of period	<u>5,040,930</u>
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Total Net Position, end of period	<u><u>\$ 5,083,590</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, 2016

Cash Flows from Operating Activities:

Receipts from customers	\$ 2,547,745
Payments to employees	(297,610)
Payments to vendors	(1,878,084)
	<hr/>
Net Cash Provided by Operating Activities	372,051
	<hr/>

Cash Flows from Financing Activities:

Acquisition of fixed assets	(35,000)
Principal paid on long-term debt	(50,230)
Interest paid on long-term debt	(108,144)
	<hr/>
Net Cash Provided by (used in) Financing Activities	(193,374)
	<hr/>

Cash Flows from Investing Activities:

Memberships purchased	36,100
Interest earned on investments	3,258
	<hr/>
Net Cash Provided by (used in) Investing Activities	39,358
	<hr/>

Net Increase (Decrease) in Cash	218,035
Cash and cash equivalents, beginning of period	<hr/> 1,605,380
Cash and cash equivalents, end of period	<hr/> \$ 1,823,415
	<hr/>

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

Operating Income	\$ 110,070
Adjustments to reconcile net income to net cash provided (used) by operating activities:	
Depreciation Expense	266,115
Change in assets and liabilities:	
(Increase) decrease in accounts receivable	(22,696)
(Increase) decrease in prepaid insurance	(1,998)
Increase (decrease) in accounts payable	23,814
Increase (decrease) in accruals	(3,254)
	<hr/>
Net cash provided by operating activities	\$ 372,051
	<hr/>

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, 2016

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. The District is exempt from federal and state income taxes. The membership consists of approximately 3,300 members. The Board of Directors consists of seven members, listed on page 1. All Board members serve three year terms.

Reporting Entity

The District is an independent, self-contained reporting entity with no associated component units. It is operated in a manner similar to a private business enterprise where the cost (expenses, including depreciation) of providing water services is financed through user charges. The District purchases its water from the City of Tulsa and the City of Okmulgee.

Measurement Focus, Basis of Accounting and Basis of Presentation – Fund Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with Generally Accepted Accounting Principles (GAAP) promulgated in the United States of America. The accounting and financial reporting treatment is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operation are included on the statement of net position. The operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets. Depreciation expense is provided for capital assets based upon estimated useful lives. Financial activity is accounted for on the flow of economic resources measurement focus using the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

OKMULGEE COUNTY RURAL WATER DISTRICT NO. 6

Mounds, Oklahoma

Notes to the Financial Statements

December 31, 2016

Note A – Significant Accounting Policies – cont'd

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, 2016, the District held deposits of approximately \$2,083,223 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.

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.

OKMULGEE COUNTY RURAL WATER DISTRICT NO. 6

Mounds, Oklahoma

Notes to the Financial Statements

December 31, 2016

Note A – Significant Accounting Policies – cont'd

- 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, 2016 are as follows:

	Wtd. Avg Maturity	Credit Rating	Market	Cost
Money market/checking	N/A	AAAm	\$ 1,822,416	1,796,253
Certificates of deposit	1.0 Yrs	N/A	260,807	260,807
Total Deposits			<u>\$ 2,083,223</u>	<u>2,057,060</u>

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: 13% in Certificates of Deposit (\$260,807) and 87% in Money Market funds (\$1,822,416).

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.

Accounts Receivable

Billings for accounts receivable at December 31, 2016 were \$158,322. No allowance for doubtful accounts was computed because the effect of bad debts on the financial statements is not considered material.

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.

OKMULGEE COUNTY RURAL WATER DISTRICT NO. 6

Mounds, Oklahoma

Notes to the Financial Statements

December 31, 2016

Note A – Significant Accounting Policies – cont'd

Fixed Assets

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

The fixed asset information for the District is shown below:

	12/31/2015 Amount	Additions	Deletions	12/31/2016 Amount
Land	\$ 3,294	-		3,294
Buildings	212,931	3,000	-	215,931
Plant and water sys.	8,909,877	-	-	8,909,877
Vehicles and equip.	544,899	32,000	-	576,899
Total Fixed Assets	9,671,001	35,000	-	9,706,001
Less: Accumulated Depreciation	(3,335,117)	(266,115)	-	(3,601,232)
Total	<u>\$ 6,335,884</u>	<u>(231,115)</u>	<u>-</u>	<u>6,104,769</u>

OKMULGEE COUNTY RURAL WATER DISTRICT NO. 6

Mounds, Oklahoma

Notes to the Financial Statements

December 31, 2016

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 received \$401,334 in 2014. The District is required to make monthly payments of \$13,092 on this note, and began making payments in 2012. At December 31, 2016, the outstanding balance was \$3,139,392.

In compliance with Rural Development loan covenants, the above certificate of deposit held at Triad Bank (\$155,439) is held by the District as a reserve investment.

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

2017	\$ 51,948
2018	53,729
2019	55,570
2020	57,475
2021	59,445
2022-26	329,223
2027-31	389,649
2032+	<u>2,142,353</u>
Total	<u>\$ 3,139,392</u>

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 2016 fiscal year, the District contributed \$11,292.

Note D – Subsequent Events

Management has evaluated subsequent events through February 3, 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. 6

Balance Sheet
December 31, 2016

<u>ASSETS</u>	<u>DECEMBER 31,</u>	
	<u>2016</u>	<u>(memo only) 2015</u>
Current Assets:		
Cash and cash equivalents	\$ 1,822,415	1,604,380
Investments	105,368	104,632
Accounts receivable	158,322	135,626
Prepaid insurance	21,559	19,561
Total current assets	<u>2,107,664</u>	<u>1,864,199</u>
Restricted Assets:		
ORWA reserve certificate	1,000	1,000
Rural Development reserve investment	155,439	154,799
Total restricted assets	<u>156,439</u>	<u>155,799</u>
Fixed Assets:		
Land	3,294	3,294
Building	215,931	212,931
Plant and water systems	8,909,877	8,909,877
Vehicles and equipment	576,900	544,899
Total fixed assets	<u>9,706,002</u>	<u>9,671,001</u>
Less: accumulated depreciation	<u>(3,601,232)</u>	<u>(3,335,117)</u>
Total fixed assets (net)	<u>6,104,770</u>	<u>6,335,884</u>
Total Assets	<u>\$ 8,368,873</u>	<u>8,355,882</u>
 <u>LIABILITIES AND FUND EQUITY</u>		
Current Liabilities:		
Accounts payable	\$ 103,107	76,226
Payroll and taxes payable		3,067
Accrued vacation and sick leave	36,107	39,255
Accrued interest on long-term debt	6,677	6,783
Current maturities of long-term debt	51,948	50,226
Total current liabilities	<u>197,839</u>	<u>175,557</u>
Long-Term Debt, less current maturities:		
Notes payable - Rural Development	<u>3,087,444</u>	<u>3,139,395</u>
Total Liabilities	<u>3,285,283</u>	<u>3,314,952</u>
Fund Equity:		
Member capital	1,772,424	1,736,324
Retained earnings	3,311,166	3,304,606
Total fund equity	<u>5,083,590</u>	<u>5,040,930</u>
Total Liabilities and Fund Equity	<u>\$ 8,368,873</u>	<u>8,355,882</u>

OKMULGEE COUNTY RURAL WATER DISTRICT NO. 6
Statements of Revenue, Expenses and Changes in Retained Earnings
For The Years Ended December 31, 2016

	2016	(memo only) 2015
Revenue from Operations:		
Water sales	\$ 1,728,940	1,699,219
Membership fees/taps	20,900	23,900
Late fees	62,530	48,081
Other income	19,654	6,566
ODOT Reimbursements	702,318	0
Total revenue from operations	<u>2,534,342</u>	<u>1,777,766</u>
Expenses from Operations:		
Water purchases	822,487	812,209
Salaries and benefits	284,588	296,163
Payroll taxes	24,089	23,369
Employee retirement	11,292	9,468
Group health insurance	89,767	74,159
Repairs and maintenance	697,951	115,625
Vehicle expense	14,078	13,850
Telephone	11,432	13,794
Insurance	41,491	40,018
Dues and fees	12,084	4,213
Office expense and postage	33,849	37,349
Depreciation	266,115	265,041
Professional fees	59,501	4,900
Utilities	30,771	31,195
Contract labor	6,450	15,025
Miscellaneous	18,327	11,681
Total expenses from operations	<u>2,424,272</u>	<u>1,768,059</u>
Net Income (Loss) from Operations	110,070	9,707
Non-operating revenues:		
Interest earnings	<u>3,258</u>	<u>1,757</u>
Non-operating expenses:		
Interest on long-term debt	<u>(106,768)</u>	<u>(109,178)</u>
Net Income (Loss)	6,560	(97,714)
Retained earnings, beginning of period	<u>3,304,606</u>	<u>3,402,320</u>
Retained earnings, end of period	<u><u>\$ 3,311,166</u></u>	<u><u>3,304,606</u></u>