

**PUSHMATAHA COUNTY
RURAL WATER DISTRICT NO. 3
ANTLERS, OKLAHOMA**

FINANCIAL STATEMENTS AND AUDITOR'S REPORT

YEAR ENDED JUNE 30, 2016

Audited by

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

BROKEN ARROW, OK

PUSHMATAHA COUNTY RURAL WATER DISTRICT NO. 3
BOARD OF DIRECTORS
JUNE 30, 2016

BOARD OF DIRECTORS

Chairman

Joe Rymel

Vice-Chairman

Kenneth Battles

Secretary/Treasurer

Shirley Pool

Members

Danny Antwine

Howard Boyett

Gordon Richard Frederick

Teresa Rosenthal

System Manager

Robert Bruce

Admin. Assistant

Marsha Collum/
Amanda Burch

Bookkeeper

Mary Bowen

PUSHMATAHA COUNTY RURAL WATER DISTRICT NO. 3
JUNE 30, 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 Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	9
Disposition of Prior Year Audit Findings	11
Schedule of Findings and Responses	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 the Financial Statements	16
<u>OTHER SUPPLEMENTARY INFORMATION:</u>	
Balance Sheet	22
Income Statement	23



SANDERS, BLEDSOE & HEWETT

CERTIFIED PUBLIC ACCOUNTANTS, LLP

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Pushmataha County Rural Water District No. 3
Antlers, Oklahoma

We have audited the accompanying financial statements of the business-type activities of the Pushmataha County Rural Water District No. 3 (the District), Antlers, Oklahoma, as of and for the year ended June 30, 2016, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Opinion

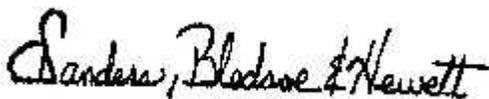
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the District as of June 30, 2016, and the respective changes in financial position and cash flows thereof for the year then ended in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

Other Matters

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 - 8 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 23, 2016 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting or on compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.



Sanders, Bledsoe & Hewett
Certified Public Accountants, LLP

September 23, 2016

RURAL WATER DISTRICT NO. 3, PUSHMATAHA COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2016

Our discussion and analysis of the Rural Water District No. 3, Pushmataha County's financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2016. Please read it in conjunction with the District's financial statements that begin on page 13.

FINANCIAL HIGHLIGHTS

- The District has over 2,600 users on its system.
- The District's Net Position decreased by \$64,050 for the current fiscal year.
- The District's operating revenues exceeded operating expenses by \$76,873. During the 2015-16 fiscal year, the District actually brought in \$1,028,0148 and spent \$951,175 before payment of long-term debt.
- The District received \$132,000 in 2015-16 from the State of Oklahoma for line relocations.
- The District continued to make payments on its five long-term notes with the Office of Rural Development.

Using This Report

This annual report is presented in a format consistent with the presentation requirements of the Governmental Accounting Standards Board (GASB) Statement No. 34, as applicable to the District's basis of accounting.

Basis of Accounting

The District has elected to present its financial statements in the accrual basis of accounting. According to the accrual basis, revenues are recorded when earned and expenses are recognized when incurred. This policy is in accordance with generally accepted accounting principles.

The Financial Statements

One of the most important questions asked about the District's finances is, "Is the District as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position, the Statement of Revenues, Expenses and Changes in Net Position, and the Statement of Cash Flows report information about the District and about its activities in a way that helps answer this question.

These three statements report the District’s net position and the changes in them. You can think of the District’s net position – the difference between assets and liabilities – as one way to measure the District’s financial health or financial position. Over time, increases or decreases in the District’s net position are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in water rates paid or charged and the condition of the District’s water system, to assess the overall health of the District.

The District has only one type of fund or activity, which is defined as *Business-type activities*. This is considered a proprietary fund. This means the District charges a fee to customers to help it cover all or most of the cost of certain services it provides.

Net Position, and Changes in Net Position

The District’s Net Position were lower in 2015-16, decreasing from \$3,535,537 to \$3,471,487. Last year net assets decreased by \$52,435. Looking at the Net Position and Net Expenses of business-type activities separately, however, two different stories can emerge. Our analysis below focuses on the Net Position (Table 1) and Changes in Net Position (Table 2) of the District’s business-type activities.

Table 1 – Net Position:

	2015-16	2014-15	Variances
Current and other assets	\$ 682,188	\$ 765,856	\$ (83,668)
Capital assets, net	6,155,539	6,259,694	-104,155
Total Assets	<u>\$ 6,837,727</u>	<u>\$ 7,025,550</u>	<u>\$ (187,823)</u>
Current liabilities	\$ 127,624	\$ 120,226	\$ (7,398)
Long-term liabilities	3,277,778	3,369,787	92,009
Total Liabilities	<u>\$ 3,405,402</u>	<u>\$ 3,490,013</u>	<u>\$ 84,611</u>
Invest. In capital assets, net			
of related debt	\$ 2,797,996	\$ 2,814,227	\$ (16,231)
Restricted	226,764	226,764	0
Unrestricted	446,727	494,546	(47,819)
Total Net Position	<u>\$ 3,471,487</u>	<u>\$ 3,535,537</u>	<u>\$ (64,050)</u>

Net Position of the District decreased by 1.81 percent (\$3,535,537 compared to \$3,471,487). 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 \$494,546 to \$446,727.

Table 2 – Changes in Net Position:

	2015-16	2014-15	Variances
Revenues:			
Charges for services	\$ 1,028,378	1,010,630	17,748
ODOT reimbursement	132,039	91,282	40,757
Memberships	9,805	7,725	2,080
Interest	2,211	2,162	49
Total Revenues	1,172,433	1,111,799	60,634
Expenses:			
Salaries, taxes and benefits	411,256	419,640	8,384
Maintenance and repairs	435,332	349,486	(85,846)
Other expenses	105,206	121,419	16,213
Depreciation	133,722	130,349	(3,373)
Interest on debt	150,967	143,340	(7,627)
Total Expenses	1,236,483	1,164,234	\$ (72,249)
Changes in Net Position	(64,050)	(52,435)	(11,615)
Net Position, Beginning	3,535,537	3,587,972	(52,435)
Net Position, Ending	\$ 3,471,487	3,535,537	\$ (64,050)

The District's total revenues increased by 5.45 percent (\$60,634). The total cost of all services increased by 6.20 percent. Both of these areas increasing by approximately the same percentage is a natural conclusion, since an increase in revenue is normally accompanied by an increase in expenses.

Fixed Assets

At June 30, 2016 the District had \$6,155,539 invested in fixed assets, net of depreciation, including land, the water system, treatment plant, vehicles and equipment. In 2015-16, the District added \$29,567 in additions to fixed assets. The District considers any item purchased in excess of \$1,000, and a useful life of over three years, to be classified as a fixed asset.

Long-Term Debt

The District has five outstanding notes with the Office of Rural Development. These notes were incurred to construct the water system and plant, and make various improvements and expansions over the years. At June 30, 2016, the District had outstanding long-term debt of \$3,357,543 on these five notes. The District made additional payments above the minimum amounts in order to pay these debts off early.

Economic Factors and Next Year's Budget and Rates

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

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

Customer water rates have not increased in several years. However, if the current economic conditions continue and expenses continue to increase, future rate increases may become necessary.

Contacting the District's Management

This report is designed to provide our customers and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District Office at P.O Box 67, Antlers, OK 74523 or call (580) 298-3312.



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
Pushmataha County Rural Water District No. 3
Antlers, 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 Pushmataha County Rural Water District No. 3 (the District), Antlers, Oklahoma, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated September 23, 2016.

Internal Control Over Financial Reporting

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

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

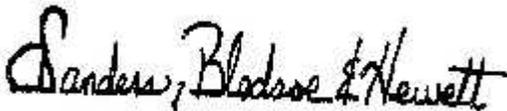
A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination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

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

Compliance

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

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



Sanders, Bledsoe & Hewett
Certified Public Accountants, LLP

September 23, 2016

PUSHMATAHA COUNTY RURAL WATER DISTRICT NO. 3
DISPOSITION OF PRIOR YEAR AUDIT FINDINGS
JUNE 30, 2016

There were no prior year significant deficiencies.

PUSHMATAHA COUNTY RURAL WATER DISTRICT NO. 3
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2016

Section 1 – Summary of Auditor’s Results:

1. An unqualified opinion report 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

PUSHMATAHA COUNTY RURAL WATER DISTRICT NO. 3
STATEMENT OF NET POSITION
JUNE 30, 2016

ASSETS

Current assets:

Cash	\$ 254,646
Investments	308,220
Accounts receivable	96,960
Prepaid insurance	22,362
Total current assets	<u>682,188</u>

Noncurrent assets:

Investment in participation certificates	39,162
Capital assets:	
Fixed assets-property, plant & equipment	9,240,892
Less: Accumulated depreciation	<u>(3,085,353)</u>
Total noncurrent assets	<u>6,194,701</u>

Total Assets	<u>6,876,889</u>
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LIABILITIES

Current liabilities:

Accounts payable	16,377
Payroll taxes payable	3,041
Current portion of long-term debt	79,765
Total current liabilities	<u>99,183</u>

Noncurrent liabilities:

Refundable deposits	28,441
Long-term notes payable	<u>3,277,778</u>
Total noncurrent liabilities	<u>3,306,219</u>

Total Liabilities	<u>3,405,402</u>
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NET POSITION

Invested in capital assets, net of related debt	2,797,996
Restricted for debt service	226,764
Unrestricted	<u>446,727</u>

Total Net Position	<u>\$ 3,471,487</u>
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The accompanying notes are an integral part of these financial statements.

PUSHMATAHA COUNTY RURAL WATER DISTRICT NO. 3
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2016

Operating Revenues:	
Water sales	\$ 1,001,910
Service connections and charges	11,700
Penalties	9,761
Miscellaneous income	5,007
Total Operating Revenue	1,028,378
Operating Expenses:	
Salaries	278,758
Health insurance/medical costs	53,873
Payroll taxes	68,763
Employer retirement expense	9,862
Office expenses	25,034
Repairs and maintenance	256,649
Materials and supplies	34,793
Legal, engineering and accounting	18,741
Insurance and bonds	28,282
Auto expenses	17,410
Utilities	107,834
Chemicals	33,733
Dues and fees	8,819
Schools, meetings, and travel	5,173
Water storage fees	2,323
Miscellaneous expense	1,128
Total Operating Expenses	951,175
Operating income (loss)	77,203
Other Revenues (Expenses):	
Interest income	2,211
ODOT reimbursement	132,039
Membership fees	9,805
Interest expense	(150,967)
Depreciation expense	(133,722)
Leak adjustments	(619)
Total Other Revenues (Expenses)	(141,253)
Changes in Net Position	(64,050)
Net Position, Beginning of Year	3,535,537
Net Position, End of Year	\$ 3,471,487

The accompanying notes are an integral part of these financial statements

PUSHMATAHA COUNTY RURAL WATER DISTRICT NO. 3
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2016

Cash Flows from Operating Activities:	
Receipts from customers	\$ 994,769
Payments to suppliers	(565,394)
Payments to employees	(363,977)
Net Cash Provided (Used) by Operating Activities	<u>65,398</u>
Cash Flows from Investing Activities:	
Interest and dividends	2,211
(Purchase) sale of fixed assets	(29,567)
Net Cash Provided (Used) by Investment Activities	<u>(27,356)</u>
Cash Flows from Financing Activities:	
Payments on long-term notes - principal	(87,925)
Interest paid	(148,860)
Membership fees received	9,805
ODOT reimbursement for moved water lines	132,039
Net Cash Provided (Used) by Financing Activities	<u>(94,941)</u>
Net Increase (Decrease) in Cash	(56,899)
Cash and cash equivalents, beginning of year	<u>619,765</u>
Cash and cash equivalents, end of year	<u><u>\$ 562,866</u></u>
Reconciliation of operating income (loss) to net cash provided by operating activities:	
Operating income (loss)	\$ 76,873
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Change in Assets and Liabilities:	
Accounts receivable	(10,107)
Prepaid insurance	(2,286)
Accounts payable	918
Net cash provided by operating activities	<u><u>\$ 65,398</u></u>

The accompanying notes are an integral part of these financial statements

PUSHMATAHA COUNTY RURAL WATER DISTRICT NO. 3
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

Note A – Summary of Significant Accounting Policies

Business Activity

Pushmataha County Rural Water District No. 3 (the District) was formed in 1967 as an Oklahoma nonprofit corporation pursuant to the Oklahoma Rural Water District Act. The District operates as a nontaxable government agency to service residents of the Pushmataha County Rural Water District No. 3. The District's primary income is from the sale of water to its members in Pushmataha County.

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 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.

Financial Statement Presentation

The financial statements are presented in accordance with Government Accounting Standard Board, Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*.

Inventories

The District does not carry a significant inventory of materials and supplies. The cost of such items is recorded as an expense when purchased.

Income Taxes

The District is recognized as a tax-exempt organization due to it being a political subdivision of the State of Oklahoma. Because the District is exempt from federal income tax, no provision for taxes has been made in the financial statements.

PUSHMATAHA COUNTY RURAL WATER DISTRICT NO. 3
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2016

Note B – Cash and Cash Equivalents

At June 30, 2016, the District held the following balances of cash and investments:

Petty Cash	\$	400
Oklahoma Rural Water Association:		
Reserve deposit		1,000
First Bank – Antlers:		
Operating checking account	\$ 136,159	
Rental deposit checking account	<u>29,033</u>	165,192
BancFirst – Hugo:		
Savings account		85,220
Ameristate Bank – Antlers		
O&M Savings account	13,029	
Certificates of deposit	<u>223,000</u>	242,049
Security First National Bank – Hugo		<u>76,026</u>
Total Cash and Cash Equivalents	\$	<u><u>569,887</u></u>

The District has obtained additional pledged collateral from the banks where they have funds. Such collateral provides additional security for the District’s funds in excess of the \$250,000 Federal Deposit Insurance Corporation insurance limits at each institution.

Note C – Accounts Receivable

Receivables from water consumers at June 30, 2016 were \$96,960. Water bills paid after the 16th of the month are subject to a late charge of 5 percent. Failure to pay the water bill by the first of the following month shall result in disconnection of the service. Consequently, no allowance for doubtful accounts or a related charge for bad debts has been recorded in these financial statements.

PUSHMATAHA COUNTY RURAL WATER DISTRICT NO. 3
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2016

Note D – Property, Plant, and Equipment

Fixed assets are carried at cost with depreciation being provided using the straight-line method. The following schedule summarizes the estimated useful lives of the various fixed asset categories and acquisitions for the year ended June 30, 2016.

	Life	Balance June 30, 2014	Acquired	(Disposed)	Balance June 30, 2015	Accumulated Depreciation
Land	n/a	\$ 58,448	-	-	58,448	-
Construction in progress	n/a	-	-	-	0	-
Buildings	20 years	98,852	-	-	98,852	90,954
Water distribution system	67 years	5,707,965	-	-	5,707,965	1,907,187
Auto and machinery	3-7 years	314,422	29,539	-	343,961	275,802
Office equipment	5-10 years	41,245	29	-	41,274	42,729
Water treatment plant	67 years	2,990,393	-	-	2,990,393	768,681
Total		<u>\$ 9,211,325</u>	<u>29,568</u>	<u>0</u>	<u>9,240,893</u>	<u>3,085,353</u>

Note E – Investment in Participation Certificates

In connection with the loan from National Bank for Cooperatives (Co-Bank) discussed in *Note G*, the District receives annual cash patronage payments and equity patronage certificates from Co-Bank. Such payments and certificates are based on Co-Bank’s overall profitability and desired rates of return established by Co-Bank’s Board of Directors.

The equity patronage certificates are carried as an investment in the District’s financial statements and are held by Co-Bank for redemption by the District approximately five years following the final maturity of the District’s underlying loan with Co-Bank.

The aggregate amount of equity certificates issued for the year ended June 30, 2016 was \$38,162. In accordance with the terms of the underlying certificates, this amount has been recorded as an increase in the District’s investment asset and an offsetting decrease in the District’s loan interest expense on the Co-Bank note.

Note F – Rental Deposits Payable

The District has a policy of requiring members who do not own their property to provide a deposit for water use. As of the balance sheet date at June 30, 2016 this account had a balance of \$28,441.

PUSHMATAHA COUNTY RURAL WATER DISTRICT NO. 3
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2016

Note G – Long-Term Debt

At June 30, 2016, the District had the following outstanding note obligations:

Note Payable #9110 - In July 1992, the District signed a \$146,000 note with Rural Economic and Community Development. Monthly-required payments are fixed at \$712. The interest rate on this note is 5 percent. The outstanding balance of this note was \$48,605.

Note Payable #9112 - In March 1996, the District signed a \$1,135,000 note with Rural Economic and Community Development for the construction of a new water treatment plant and line extension. Monthly required payments are fixed at \$5,153. The term of the loan is 40 years at 4.5 percent. The outstanding balance of this note at was \$806,312.

Note Payable #9114 - In March 1996, the District signed a \$500,000 note with Rural Economic and Community Development for the construction of a new water treatment plant and line extensions. Monthly required payments are fixed at \$2,270. The term of the loan is 40 years at 4.5 percent. The outstanding balance of this note was \$355,220.

Note Payable #9118 - In April 1996, the District signed a \$1,047,000 note with Rural Economic and Community Development for the construction and improvements of the water system and line extensions. Monthly required payments are fixed at \$4,670. The term of the loan is 40 years at 4.375 percent. The outstanding balance of this note was \$931,903.

Note Payable #9119 - In April 2006, the District signed a \$1,365,700 note with Rural Economic and Community Development for the construction and improvements of the water system and line extensions. Monthly required payments are fixed at \$6,092. The term of the loan is 40 years at 4.375 percent. The outstanding balance of this note was \$1,215,503.

Debt balances at June 30, 2016 were as follows:

<u>RECD:</u>		
Note 9110, \$146,000, \$712/month	\$	48,605
Note 9112, \$1,135,000, \$5,153/month		806,312
Note 9114, \$500,000, \$2,270/month		355,220
Note 9118, \$1,047,000, \$4,670/month		931,903
Note 9119, \$1,365,700, \$6,092/month		<u>1,215,503</u>
Total Notes Payable, June 30, 2016		3,357,543
Less: current maturities		<u>(79,765)</u>
Long-Term Debt, June 30, 2016	\$	<u><u>3,277,778</u></u>

PUSHMATAHA COUNTY RURAL WATER DISTRICT NO. 3
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2016

Note G – Long-Term Debt – cont’d

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

	<u>91-10</u>	<u>91-12</u>	<u>91-14</u>	<u>91-18</u>	<u>91-19</u>	<u>Total</u>
2016-17	\$ 6,280	26,086	11,490	15,579	20,330	79,765
2017-18	6,602	27,284	12,018	16,275	21,238	83,417
2018-19	6,939	28,537	12,570	17,001	22,186	87,233
2019-20	7,295	29,848	13,148	17,760	23,176	91,227
2020-21	7,668	31,220	13,752	18,553	24,211	95,404
2021-26	13,821	178,976	78,835	105,951	138,261	515,844
2026-31	-	224,041	98,686	131,806	172,001	626,534
2031-36	-	260,320	114,721	163,969	213,974	752,984
2036+	-	-	-	445,009	580,126	1,025,135
Totals	<u>\$ 48,605</u>	<u>806,312</u>	<u>355,220</u>	<u>931,903</u>	<u>1,215,503</u>	<u>3,357,543</u>

Note H – Employee Benefits

During the year ended June 30, 2016, the District paid \$53,874 for employee health insurance.

Full-time employees are entitled to the following annual leave pay:

- Seven hours per month up to three years of service
- Eight hours per month for three to five years of service
- Ten hours per month over five years of service
- Carryover not to exceed ten working days

Full-time employees are entitled to the following sick leave pay:

- Nine days per year
- Carryover not to exceed 18 days

Over-time hours worked are paid on a quarterly basis or in compensated time off during the quarter with no carryover of comp time from quarter to quarter.

Upon termination of employment, the accumulated time is not forfeited. At June 30, 2016, the calculated liability for all compensated absences is not recorded in the financial statements. Such amounts will be recorded as an expense when paid to the appropriate employee.

A Simple IRA Plan was established by the District on November 15, 1999. The District contributes 3 percent of gross salaries for all participating employees and also pays an annual administrative fee of \$15.00 per employee.

PUSHMATAHA COUNTY RURAL WATER DISTRICT NO. 3
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

Note I – Grant Revenue

In prior years, the District has received development grants from the Farmers Home Administration, Ozarks Regional Commission, Oklahoma Highway Department, Choctaw Nation, State Parks Department, and the Department of Economic and Community Affairs. These moneys were used to partially finance construction of the water distribution system and a water treatment facility. During the fiscal year ended June 30, 2016, no additional grant revenue was received.

Note J – Insurance Coverage

At June 30, 2016, the District maintained the following insurance coverage through the Oklahoma Rural Water Association Assurance Group:

Comprehensive General Liability-

Bodily injury, property damage, and errors/omissions

Limits: \$25,000 property damage each loss
 \$125,000 other losses each loss
 \$1,000,000 aggregate per occurrence
Deductible: \$1,000 per occurrence

Business Automobiles-

Bodily injury, property damage, and errors/omissions

Limits: \$25,000 property damage each loss
 \$100,000 other losses each loss
 \$1,000,000 aggregate per occurrence
Comprehensive and Collision Coverage: Stated auto valuation: \$14,137 - \$27,075
Deductible: \$250 per occurrence

Property Coverage-

Stated asset value: \$1,423,452
Deductible: \$500 per occurrence

Employee Fidelity and Crime-

Limits: \$10,000 money and securities, public employee, and treasurer

Note K – Subsequent Events

Management has evaluated subsequent events through September 23, 2016, which is the date the financial statements were available to be issued, and have determined that no additional information needs to be added to the financial statements.

PUSHMATAHA COUNTY RURAL WATER DISTRICT NO. 3

BALANCE SHEET

JUNE 30, 2016

June 30,

<u>ASSETS</u>	(memo only)	
	<u>2016</u>	<u>2015</u>
Current Assets:		
Cash in banks	\$ 254,646	318,086
Investments	308,220	301,679
Accounts receivable	96,960	86,853
Prepaid insurance	22,362	20,076
Total current assets	<u>682,188</u>	<u>726,694</u>
Property, Plant, and Equipment:		
Land	58,448	58,448
Water distribution system	5,707,965	5,707,965
Water treatment plant	2,990,393	2,990,393
Building	98,852	98,852
Office equipment	41,273	41,245
Automobiles and machinery	343,961	314,422
Sub-total	<u>9,240,892</u>	<u>9,211,325</u>
Less: accumulated depreciation	<u>(3,085,353)</u>	<u>(2,951,631)</u>
Total property, plant, and equipment	<u>6,155,539</u>	<u>6,259,694</u>
Other Assets:		
Participation certificates	<u>39,162</u>	<u>39,162</u>
Total Assets	<u>\$ 6,876,889</u>	<u>7,025,550</u>

LIABILITIES AND MEMBER EQUITY

Current Liabilities:		
Accounts payable	\$ 16,377	11,580
Payroll taxes payable	3,041	6,920
Rental deposits payable	28,441	26,046
Current portion of long-term debt	79,765	75,680
Total current liabilities	<u>127,624</u>	<u>120,226</u>
Long-term Debt, Less Current Maturities:		
Notes payable	<u>3,277,778</u>	<u>3,369,787</u>
Total Liabilities	<u>3,405,402</u>	<u>3,490,013</u>
Member Equity:		
Contributed capital	2,161,215	2,161,215
Retained earnings	<u>1,310,272</u>	<u>1,374,322</u>
Total member equity	<u>3,471,487</u>	<u>3,535,537</u>
Total Liabilities and Member Equity	<u>\$ 6,876,889</u>	<u>7,025,550</u>

PUSHMATAHA COUNTY RURAL WATER DISTRICT NO. 3
INCOME STATEMENT
FOR THE YEAR ENDED JUNE 30, 2016

	2015-16	(memo only) 2014-15
Operating Revenues:		
Water sales	\$ 1,001,910	983,323
Service connections and charges	11,700	12,660
Penalties	9,761	8,150
Miscellaneous income	4,677	6,210
Total Operating Revenues	<u>1,028,048</u>	<u>1,010,343</u>
Operating Expenses:		
Salaries	278,758	266,434
Health insurance/medical costs	53,873	65,288
Payroll taxes	68,763	76,614
Employer retirement expense	9,862	11,304
Office and postage	25,034	17,474
Repairs and maintenance	256,649	101,721
Materials and supplies	34,793	73,327
Legal, engineering and accounting	18,741	11,224
Insurance and bonds	28,282	27,767
Auto expenses	17,410	21,884
Utilities	107,834	118,395
Chemicals	33,733	39,149
Dues and fees	8,819	36,306
Schools, meetings, and travel	5,173	5,290
Water storage fees	2,323	15,186
Miscellaneous expense	1,128	1,474
Total Operating Expenses	<u>951,175</u>	<u>888,837</u>
Operating Revenues Over (Under) Operating Expenses	<u>76,873</u>	<u>121,506</u>
Other Revenues (Expenses):		
Interest income	2,211	2,162
Reimb from ODOT - move lines	132,039	91,282
Membership fees	9,805	7,725
NSF check fees	330	287
Leak adjustments	(619)	(1,708)
Depreciation expense	(133,722)	(130,349)
Interest expense	(150,967)	(143,340)
Total Other Revenues (Expenses)	<u>(140,923)</u>	<u>(173,941)</u>
Increase (Decrease) in Retained Earnings	(64,050)	(52,435)
Retained Earnings, Beginning of Year	<u>1,374,322</u>	<u>1,427,757</u>
Retained Earnings, End of Year	<u><u>\$ 1,310,272</u></u>	<u><u>1,375,322</u></u>