

**Rogers County Rural Water District No. 4
Oologah, Oklahoma**

Financial Statements and Auditor's Reports

Year Ended November 30, 2016

Audited by

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

BROKEN ARROW, OK

Rogers County Rural Water District No. 4
Oologah, Oklahoma
Board of Directors
November 30, 2016

BOARD OF DIRECTORS

Chairman

Allen Carter

Vice-Chairman

Ken McMains

Secretary/Treasurer

Dusty Harper

Members

Mel Dainty

Steven Newcomb

PLANT SUPERVISOR

Melvin Hart

BOOKKEEPER

Julie Hendrix

Rogers County Rural Water District No. 4
Oologah, Oklahoma
November 30, 2016

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SANDERS, BLEDSOE & HEWETT

CERTIFIED PUBLIC ACCOUNTANTS, LLP

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Rogers County Rural Water District No. 4
Oologah, Oklahoma

We have audited the accompanying financial statements of the business-type activities of the Rogers County Rural Water District No. 4 (the District), Oologah, Oklahoma, as of and for the year ended November 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.

Opinions

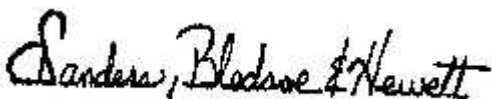
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the District as of November 30, 2016, and the respective changes in financial position and cash flows thereof for the year then ended 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 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. 4, ROGERS COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
NOVEMBER 30, 2016

Our discussion and analysis of the Rural Water District No. 4, Rogers County's financial performance provides an overview of the District's financial activities for the fiscal year ended November 30, 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 \$96,409. Overall, the District's total net position increased by \$85,249 in the current fiscal year.
- The District earned over \$2,700 in interest earnings during 2016, which is \$300 more than the prior year.
- The District continued to pay on their existing debt, which is scheduled to be paid off by 2025.

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 were higher in 2015-16, increasing from \$4,034,208 to \$4,119,457. 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	\$ 1,141,778	1,117,110	24,668
Capital assets, net	4,639,638	4,787,890	(148,252)
Total Assets	<u>\$ 5,781,416</u>	<u>5,905,000</u>	<u>(123,584)</u>
Current liabilities	\$ 232,519	227,269	(5,250)
Long-term liabilities	1,429,440	1,643,523	214,083
Total Liabilities	<u>\$ 1,661,959</u>	<u>1,870,792</u>	<u>208,833</u>
Invest. In capital assets, net			
of related debt	\$ 2,996,115	2,936,112	60,003
Unrestricted	1,123,342	1,098,096	25,246
Total Net Position	<u>\$ 4,119,457</u>	<u>4,034,208</u>	<u>85,249</u>

Net Position of the District increased by 2.11 percent (\$4,119,457 compared to \$4,034,208). 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 \$1,098,096 to \$1,123,342.

Table 2 – Changes in Net Position:

	2015-16	2014-15	Variances
Revenues:			
Charges for services	\$ 1,351,883	1,289,073	62,810
Sale of fixed assets	-	8,000	(8,000)
ODAT reimbursement	-	52,734	(52,734)
Other income and fees	70,501	62,469	8,032
Interest	2,785	2,481	304
Total Revenues	<u>\$ 1,425,169</u>	<u>1,414,757</u>	<u>10,412</u>
Expenses:			
Salaries, taxes and benefits	\$ 400,058	377,374	(22,684)
Maintenance and repairs	67,442	58,632	(8,810)
Other expenses	675,140	658,053	(17,087)
Depreciation	183,335	181,577	(1,758)
Interest on debt	13,945	15,107	1,162
Total Expenses	<u>\$ 1,339,920</u>	<u>1,290,743</u>	<u>(49,177)</u>
Changes in Net Position	85,249	124,014	(38,765)
Net Position, Beginning	<u>4,034,208</u>	<u>3,910,194</u>	<u>124,014</u>
Net Position, Ending	<u><u>\$ 4,119,457</u></u>	<u><u>4,034,208</u></u>	<u><u>85,249</u></u>

The District's total revenues increased by .007 percent (\$10,412). The total cost of all services increased by 3.80 percent (\$49,177).

Fixed Assets

At November 30, 2016, the District had \$4,639,638 invested in fixed assets, net of depreciation, including land, the water system, pump station and vehicles. Additional fixed assets of \$35,083 were added during the 2016 fiscal year.

Long-Term Debt

The District has two notes with the Oklahoma Water Resources Board, a 28 year, 1.50% interest, \$1,465,000 mortgage received in 1996 and a 20 year, 3.55% interest, \$2,105,000 mortgage received in 2006. The total outstanding loan balances decreased from \$1,851,778 to \$1,643,523 in 2016.

Economic Factors and Next Year's Budget and Rates

For the upcoming fiscal year ending November 30, 2017, the District's projected budget is fairly consistent with the 2016 fiscal year.

For the fiscal year 2017, the District may have to increase rates to users to meet the demands of the struggling economy. If demand is increased on existing lines and equipment, or additional memberships are substantially increased, it may be necessary for the District to incur some long-term debt to meet these demands.

Contacting the District

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 198, Oologah, OK 74053, or call (918) 443-2542.



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
Rogers County Rural Water District No. 4
Oologah, 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 Rogers County Rural Water District No. 4 (the District), Oologah, Oklahoma, as of and for the year ended November 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 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

ROGERS COUNTY RURAL DISTRICT NO. 4
Disposition of Prior Year's Significant Deficiencies
November 30, 2016

There were no prior year instances of noncompliance.

ROGERS COUNTY RURAL WATER DISTRICT NO. 4
Schedule of Audit Results
November 30, 2016

Section 1 – Summary of Auditor’s Results:

1. An unmodified 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

ROGERS COUNTY RURAL WATER DISTRICT NO. 4
Statement of Net Position
November 30, 2016

ASSETS

Current assets:	
Cash	\$ 573,489
Investments with fiscal agents	223,559
Current portion of receivables	109,467
Inventory	54,999
Prepaid expenses	23,900
Total current assets	<u>985,414</u>
Noncurrent assets:	
Restricted assets-	
OWRB project funds	151,411
Fixed assets-	
Water system and improvements, net of depreciation	4,639,638
Total noncurrent assets	<u>4,791,049</u>
Other assets:	
Loan costs, net of amortization	<u>4,953</u>
Total Assets	<u>5,781,416</u>

LIABILITIES

Current liabilities:	
Accounts payable	16,656
Accrued interest	1,780
Current maturities of long-term debt	214,083
Total current liabilities	<u>232,519</u>
Noncurrent liabilities:	
Notes payable, net of current liabilities	<u>1,429,440</u>
Total Liabilities	<u>1,661,959</u>

NET POSITION

Invested in capital assets, net of related debt	2,996,115
Unrestricted assets	1,123,342
Total Net Position	<u>\$ 4,119,457</u>

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

ROGERS COUNTY RURAL WATER DISTRICT NO. 4
Statement of Revenue, Expenses and Changes in Net Position
For The Year Ended November 30, 2016

Operating Revenues:	
Water sales	\$ 1,259,583
Memberships	77,682
Refunds and reimbursements	85,119
Total revenues from operations	<u>1,422,384</u>
Operating Expenses:	
Water samples	9,215
Salaries and wages	400,058
Chemicals	144,480
Contracted service	41,942
Depreciation	183,335
Amortization	706
Utilities	84,812
Postage	13,654
Supplies and materials	99,579
Office and telephone	19,319
Insurance	180,457
Retirement	25,300
Repairs & maintenance	67,442
Professional fees	16,322
Vehicle and travel	19,396
Dues and fees	18,590
Miscellaneous	1,368
Total expenses from operations	<u>1,325,975</u>
Operating Income (Loss)	96,409
Non-Operating Revenues (Expenses):	
Interest income	2,785
Interest expense on debt	(13,945)
Total non-operating revenues (expenses)	<u>(11,160)</u>
Change in Net Position	85,249
Total Net Position, beginning of period	<u>4,034,208</u>
Total Net Position, end of period	<u><u>\$ 4,119,457</u></u>

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

ROGERS COUNTY RURAL WATER DISTRICT NO. 4
Statement of Cash Flows
For Year Ended November 30, 2016

Cash Flows from Operating Activities:	
Receipts from customers	\$ 1,644,602
Payments to employees	(400,058)
Payments to vendors	(983,656)
Net Cash Provided by Operating Activities	<u>260,888</u>
Cash Flows from Financial Activities:	
Capital assets purchased	(35,083)
Principal paid on debt	(208,255)
Interest paid on debt	(14,131)
Net cash provided by (used in) financial activities	<u>(257,469)</u>
Cash Flows from Investing Activities:	
Interest revenue	<u>2,785</u>
Net Increase (Decrease) in Cash and Equivalents	6,204
Cash and cash equivalents, beginning of period	<u>942,255</u>
Cash and cash equivalents, end of period	<u><u>\$ 948,459</u></u>
Reconciliation of operating income (loss) to net cash provided by operating activities:	
Operating Income (loss)	\$ 96,409
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation and amortization expenses	184,041
(Increase) decrease in accounts receivable	(9,955)
(Increase) decrease in prepaid expenses	(87)
(Increase) decrease in inventory	(9,128)
Increase (decrease) in accounts payable	(392)
Net Cash Provided by Operating Activities	<u><u>\$ 260,888</u></u>

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

ROGERS COUNTY RURAL WATER DISTRICT NO. 4

Oologah, Oklahoma

Notes to the Financial Statements

November 30, 2016

Note A – Significant Accounting Policies

Nature of Organization

The Rogers County Rural Water District No. 4 (the District) was created under the provisions of Title 82 of Oklahoma Statutes, Sections 1324.1 – 1324.26 and the Laws of the State of Oklahoma. The purpose of this District is to provide water services to users. The District is considered a subdivision of the State of Oklahoma. The District is exempt from federal and state income taxes. The membership consists of approximately 3,032 members. The Board of Directors consists of five 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.

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.

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.

ROGERS COUNTY RURAL WATER DISTRICT NO. 4

Oologah, Oklahoma

Notes to the Financial Statements

November 30, 2016

Note A – Significant Accounting Policies – cont'd

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 November 30, 2016, the District held deposits of approximately \$1,032,474 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.
- f. Money market funds regulated by the SEC and in which investments consist of the investments mentioned in the previous paragraphs (a-d).

ROGERS COUNTY RURAL WATER DISTRICT NO. 4

Oologah, Oklahoma

Notes to the Financial Statements

November 30, 2016

Note A – Significant Accounting Policies – cont'd

The investments held at November 30, 2016 are as follows:

	Wtd. Avg Maturity	Credit Rating	Market	Cost
Money market/checking	N/A	AAAm	\$ 657,504	573,489
Trust accounts	N/A	AAAm	151,411	151,411
Certificates of deposit	.5 Yrs	N/A	223,559	223,559
Total Deposits			<u>\$ 1,032,474</u>	<u>948,459</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: 22% in Certificates of Deposit (\$223,559), 15% in Trust Accounts (\$151,411) and 63% in Money Market/Checking funds (\$657,504).

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.

Inventories

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

Accounts Receivable

Billings for accounts receivable at November 30, 2016 were \$109,467. Allowance for doubtful accounts was not computed because the amount would not be material to the financial statements.

ROGERS COUNTY RURAL WATER DISTRICT NO. 4

Oologah, Oklahoma

Notes to the Financial Statements

November 30, 2016

Note A – Significant Accounting Policies – cont'd

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

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	5-10 years
Transportation equipment	5 years
Water system	40 years
Buildings	30 years
Computer equipment	5 years

The fixed asset information for the District is shown below:

	11/30/2015 Amount	Additions	Deletions	11/30/2016 Amount
Land	\$ 20,803	-	-	20,803
Water dist. system	8,404,134	-	-	8,404,134
Buildings	205,397	-	-	205,397
Equip. & Autos	387,333	35,083	-	422,416
Total Fixed Assets	9,017,667	35,083	-	9,052,750
Less: Accumulated Depreciation	(4,229,777)	(183,335)	-	(4,413,112)
Total	<u>\$ 4,787,890</u>	<u>(148,252)</u>	<u>-</u>	<u>4,639,638</u>

ROGERS COUNTY RURAL WATER DISTRICT NO. 4

Oologah, Oklahoma

Notes to the Financial Statements

November 30, 2016

Note B – Long-Term Debt

Long-Term Debt consists of two notes:

The District has a promissory note in the amount of \$1,465,000 with the Oklahoma Water Resources Board (OWRB) for a period of 28 years. The District makes monthly deposits into a trust account at BancFirst. The trust account then makes the variable semi-annual payments of principal and interest to the OWRB. The current interest rate on this note is 1.61%. The water system and future water revenues are used as security for this note.

The District has a promissory note in the amount of \$2,105,000 with the Oklahoma Water Resources Board (OWRB) for continued improvements. The District makes semi-annual payments of principal, interest and administrative fees of \$74,158 to the OWRB. The current interest rate on this note is 3.55%. The water system and future water revenues are used as security for this note.

	November 30,	
	2016	2015
Oklahoma Water Resources Board note payable, issued for \$1,465,000, at 1.32% interest, due in monthly installments, until paid;	\$ 466,000	532,700
Oklahoma Water Resources Board note payable, issued for \$2,105,000, at 3.05% interest, due in semi-annual installments, until paid;	<u>1,177,523</u>	<u>1,319,078</u>
Long-Term Debt Outstanding	1,643,523	1,851,778
Less: Current maturities of long-term debt	<u>(214,083)</u>	<u>(208,255)</u>
Total Long-Term Debt, Net	<u>\$ 1,429,440</u>	<u>1,643,523</u>

The District has an OWRB debt service reserve and debt service accounts of \$131,885 and \$19,526, respectively, on deposit with BancFirst in a trustee account for use in retiring the note. The reserve is not available for any other purposes.

ROGERS COUNTY RURAL WATER DISTRICT NO. 4

Oologah, Oklahoma

Notes to the Financial Statements

November 30, 2016

Note B – Long-Term Debt – cont'd

The scheduled maturities for the next four years, and in total thereafter, are detailed as follows:

<u>Year</u>	<u>Total</u>	<u>ORWB-06</u>	<u>ORWB-96</u>
2017	\$ 214,083	72,000	142,083
2018	220,510	77,900	142,610
2019	227,456	84,300	143,156
2020	234,908	91,200	143,708
2021	243,008	98,700	144,308
2022-26	<u>503,558</u>	<u>41,900</u>	<u>461,658</u>
Total	<u>\$ 1,643,523</u>	<u>466,000</u>	<u>1,177,523</u>

Note C – Pending Litigation

District officials are not aware of any pending or threatened litigation, claims or assessments or un-asserted claims or assessments against the District.

Note D – Sewer and EMS Collections

The District collects payments from its users for sewer services and passes these payments forward to the Oologah Municipal Authority. In the 2015-16 year, the District collected and paid forward \$203,234 in sewer collections.

The District also collects payments from its users for fire EMS services and passes these payments forward to the Oologah Talala EMS. For the 2015-16 year, the District collected and paid forward \$8,939 in EMS collections.

Note E – 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.

ROGERS COUNTY RURAL WATER DISTRICT NO. 4

Balance Sheet
November 30, 2016

	NOVEMBER 30,	
	2016	(memo only) 2015
<u>ASSETS</u>		
Current Assets:		
Cash in bank	\$ 573,489	570,697
Investments	223,559	221,399
Accounts receivable	109,467	99,512
Inventory	54,999	45,871
Prepaid insurance	23,900	23,813
Total current assets	<u>985,414</u>	<u>961,292</u>
Restricted Assets:		
OWRB Project trust funds-		
Debt service account	19,526	18,282
Debt service reserve account	131,885	131,877
Total restricted assets	<u>151,411</u>	<u>150,159</u>
Fixed Assets:		
Land	20,803	20,803
Water system and improvements	8,404,134	8,404,134
Buildings and improvements	206,397	206,397
Equipment and automobiles	421,416	386,333
Total fixed assets	<u>9,052,750</u>	<u>9,017,667</u>
Less: accumulated depreciation	<u>(4,413,112)</u>	<u>(4,229,777)</u>
Total fixed assets (net)	<u>4,639,638</u>	<u>4,787,890</u>
Other Assets:		
Loan costs, net of amortization	<u>4,953</u>	<u>5,659</u>
Total Assets	<u>\$ 5,781,416</u>	<u>5,905,000</u>
<u>LIABILITIES AND FUND EQUITY</u>		
Current Liabilities:		
Accounts payable	\$ 16,656	17,048
Accrued interest	1,780	1,966
Current maturities of long-term debt	214,083	208,255
Total current liabilities	<u>232,519</u>	<u>227,269</u>
Long-Term Debt, less current maturities-		
Notes payable	<u>1,429,440</u>	<u>1,643,523</u>
Total Liabilities	<u>1,661,959</u>	<u>1,870,792</u>
Fund Equity:		
Retained earnings	<u>4,119,457</u>	<u>4,034,208</u>
Total Liabilities and Fund Equity	<u>\$ 5,781,416</u>	<u>5,905,000</u>

ROGERS COUNTY RURAL WATER DISTRICT NO. 4
Statement of Revenue, Expenses and Changes in Retained Earnings
For Years Ended November 30, 2016

	2015-16	(memo only) 2014-15
Revenue from Operations:		
Water sales	\$ 1,234,391	1,181,122
Late charges	25,192	31,849
Memberships	77,682	60,973
Collection and reconnect fees	14,618	15,129
Other income and fees	70,501	62,469
Total revenue from operations	<u>1,422,384</u>	<u>1,351,542</u>
Expenses from Operations:		
Water samples	9,215	8,246
Salaries and wages	400,058	377,374
Chemicals	144,480	151,598
Contracted service	41,942	40,141
Depreciation	183,335	181,577
Amortization	706	706
Utilities	84,812	85,734
Postage	13,654	13,267
Supplies and materials	99,579	73,696
Office and telephone	19,319	22,980
Insurance	180,457	180,160
Retirement	25,300	15,575
Repairs & maintenance	67,442	58,632
Bank and trustee fees	-	170
Professional fees	16,322	22,534
Vehicle and travel	19,396	19,781
Dues and fees	18,590	16,615
Miscellaneous	1,368	6,850
Total expenses from operations	<u>1,325,975</u>	<u>1,275,636</u>
Net Income (Loss) from Operations	96,409	75,906
Other Income/Expenses:		
Interest earnings	2,785	2,481
Line reimb costs - ODOT	-	52,734
Sale of surplus property	-	8,000
Interest on debt	(13,945)	(15,107)
Total other income/expenses	<u>(11,160)</u>	<u>48,108</u>
Net Income (Loss)	85,249	124,014
Retained earnings, beginning of period	<u>4,034,208</u>	<u>3,910,194</u>
Retained earnings, end of period	<u><u>\$ 4,119,457</u></u>	<u><u>4,034,208</u></u>