

AUDIT REPORT

MUSKOGEE COUNTY RURAL WATER DISTRICT #4 MUSKOGEE COUNTY, OKLAHOMA

DECEMBER 31, 2011



KERSHAW CPA & ASSOCIATES, PC

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MUSKOGEE COUNTY RURAL WATER DISTRICT #4
MUSKOGEE COUNTY, OKLAHOMA
DECEMBER 31, 2011

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MUSKOGEE COUNTY RURAL WATER DISTRICT #4
MUSKOGEE COUNTY, OKLAHOMA
DECEMBER 31, 2011

BOARD OF DIRECTORS

<u>NAME</u>	<u>POSITION</u>	<u>TERM EXPIRATION</u>
DICK SHEFFIELD	CHAIRMAN	FEBRUARY 2013
GARY COOK	VICE-CHAIRMAN	FEBRUARY 2014
MARK DIEMAN	SECRETARY	FEBRUARY 2012
SCOTT ABBOTT	TREASURER	FEBRUARY 2012
RONNIE DARDEN	MEMBER	FEBRUARY 2013

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Muskogee County Rural Water District #4
Muskogee County, Oklahoma

I have audited the accompanying financial statements of the Muskogee County Rural Water District #4, as of and for the fiscal year ended December 31, 2011, as listed in the table of contents. These financial statements are the responsibility of the Muskogee County Rural Water District #4's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my 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, and in accordance with Oklahoma Statutes. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Muskogee County Rural Water District #4, Muskogee County, Oklahoma, as of December 31, 2011, and the changes in financial position thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, I have also issued my report dated March 6, 2012, on my consideration of the Muskogee County Rural Water District #4's internal control over financial reporting and on my 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 and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in compliance with Government Auditing Standards and should be considered in assessing the results of my audit.

Muskogee County Rural Water District #4 has implemented the general provisions of the Governmental Accounting Standards Board (GASB) Statement No. 34. However the District has not presented the Management's Discussion and Analysis required by the Governmental Accounting Standards Board (GASB) that the GASB has determined is necessary to supplement, although not required to be part of, the basic financial statements.

The introductory and the other supplementary information sections listed in the accompanying table of contents are presented for the purpose of additional analysis and are not a required part of the basic financial statements of the District. Such additional information has not

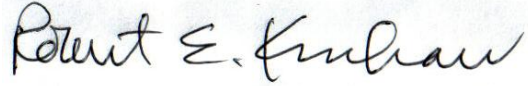
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been subjected to the auditing procedures applied in my audit of the basic financial statements, and accordingly, I do not express an opinion thereon.



Robert E. Kershaw
Certified Public Accountant

March 6, 2012

**MUSKOGEE COUNTY RURAL WATER DISTRICT #4
MUSKOGEE COUNTY, OKLAHOMA
STATEMENT OF NET ASSETS
DECEMBER 31, 2011**

<u>ASSETS</u>	<u>2011</u>	<u>Memorandum Only 2010</u>
<u>CURRENT ASSETS:</u>		
Cash in Checking	\$ 42,550	\$ 40,505
Certificates of Deposit	95,879	103,274
Accounts Receivable - Water billings	6,921	7,195
Supply inventory, at cost	2,617	4,482
Prepaid expenses	1,672	1,671
Total Current Assets	149,638	157,127
<u>CAPITAL ASSETS:</u>		
Property Easements	1,500	1,500
Construction-in-progress	-	17,163
Other capital assets, net of accumulated depreciation	363,644	333,358
Net Capital Assets	365,144	352,021
TOTAL ASSETS	\$ 514,782	\$ 509,148
<u>LIABILITIES & NET ASSETS</u>		
<u>CURRENT LIABILITIES:</u>		
Accounts Payable - Trade	\$ 3,488	\$ 4,204
Current Portion of Long-Term Debt	-	-
Total Current Liabilities	3,488	4,204
<u>LONG-TERM LIABILITIES:</u>		
Notes Payable	-	-
Less: Current Portion	-	-
Total Long-Term Liabilities	-	-
TOTAL LIABILITIES	3,488	4,204
<u>NET ASSETS:</u>		
Invested in capital assets, net of related debt	365,144	352,021
Restricted for debt service	-	-
Unrestricted	146,150	152,922
TOTAL NET ASSETS	511,294	504,943
TOTAL LIABILITIES AND NET ASSETS	\$ 514,782	\$ 509,148

See Accountant's Audit Report & Notes Which Accompany These Financial Statements

**MUSKOGEE COUNTY RURAL WATER DISTRICT #4
MUSKOGEE COUNTY, OKLAHOMA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2011**

	<u>2011</u>	<u>Memo Only 2010</u>
<u>OPERATING REVENUES:</u>		
Water Sales	\$ 114,269	\$ 108,616
Connection Fees	2,000	4,000
Miscellaneous Income	408	933
TOTAL OPERATING REVENUES	<u>116,677</u>	<u>113,549</u>
<u>OPERATING EXPENSES:</u>		
<u>SYSTEM DISTRIBUTION EXPENSES:</u>		
Cost of Water Sold	62,630	55,961
System Repairs and Maintenance	7,508	4,977
Depreciation and Amortization	11,783	10,900
TOTAL SYSTEM DISTRIBUTION EXPENSES	<u>81,922</u>	<u>71,839</u>
<u>SELLING, GENERAL & ADMINISTRATIVE EXPENSES:</u>		
Billing & Collections	18,439	18,935
Legal and accounting	1,600	790
Office Expense	3,289	2,532
Meeting Expense	433	501
Insurance	2,622	3,197
Depreciation and Amortization	733	912
Bank Charges	50	50
Dues & Memberships	482	481
Rent Expense	3,050	2,700
Bad Debt	209	117
Other	-	-
TOTAL SELLING, GENERAL & ADMINISTRATIVE EXPENSES	<u>30,907</u>	<u>30,214</u>
TOTAL OPERATING EXPENSES	<u>112,829</u>	<u>102,052</u>
NET OPERATING INCOME (LOSS)	<u>3,848</u>	<u>11,496</u>
<u>OTHER REVENUES (EXPENSES):</u>		
Interest Income	2,403	2,808
Interest Expense	-	-
Donations	-	-
Total Other Revenues (Expenses)	<u>2,403</u>	<u>2,808</u>
NET INCOME (LOSS)	6,250	14,304
TOTAL NET ASSETS, Beginning of Year	504,943	490,639
TOTAL NET ASSETS, Prior Year Adjustment	100	-
TOTAL NET ASSETS, End of Year	<u><u>\$ 511,294</u></u>	<u><u>\$ 504,943</u></u>

See Accountant's Audit Report & Notes Which Accompany These Financial Statements

**MUSKOGEE COUNTY RURAL WATER DISTRICT #4
MUSKOGEE COUNTY, OKLAHOMA
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2011**

	<u>12/31/11</u>	<u>Memorandum Only 12/31/10</u>
<u>Net Cash Flows from Operating Activities:</u>		
Cash Receipts from Customers	\$ 116,951	\$ 112,278
Payments to Suppliers for Goods & Services	(99,165)	(89,482)
Net Cash Provided (Used) by Operating Activities	<u>17,786</u>	<u>22,796</u>
<u>Net Cash Flows from Capital & Related Financing Activities:</u>		
Acquisition and construction of capital assets	(25,639)	(23,213)
Proceeds from sale of Capital Assets	-	-
Principal paid on Debt	-	-
Interest paid on Debt	-	-
Net Cash Provided (Used) by Capital & Related Financing Activities	<u>(25,639)</u>	<u>(23,213)</u>
<u>Net Cash Flows from Investing Activities:</u>		
Investments in Certificate of Deposit	7,395	(4,655)
Interest Income	2,403	2,808
Net Cash Provided (Used) by Investing Activities	<u>9,798</u>	<u>(1,847)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	1,945	(2,264)
Cash & Cash Equivalents, Beginning of Year	40,505	42,769
Cash & Cash Equivalents, Prior Year Adjustment	100	-
Cash & Cash Equivalents, End of Year	<u>\$ 42,550</u>	<u>\$ 40,505</u>
<u>Reconciliation of operating income (loss) to net cash provided operating activities:</u>		
Operating Income (Loss)	\$ 3,848	\$ 11,496
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities		
Depreciation & Amortization	12,516	11,812
Donated professional services	-	-
(Increase)Decrease in Accounts Receivable	274	(1,271)
(Increase)Decrease in Supply Inventory	1,865	256
(Increase)Decrease in Prepaid Expenses	(0)	(57)
Increase(Decrease) in Accounts Payable	(716)	559
Net Cash Provided (Used) by Operating Activities	<u>\$ 17,786</u>	<u>\$ 22,796</u>

See Accountant's Audit Report & Notes Which Accompany These Financial Statements

MUSKOGEE COUNTY RURAL WATER DISTRICT #7
MUSKOGEE COUNTY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

NOTE 1 - SUMMARY OF ACCOUNTING POLICIES

Organization & Reporting Entity

Muskogee County Rural Water District No. 4 (the "District") was originally incorporated under the laws of the State of Oklahoma in June 1966 as a nonprofit, public corporation. The District was formed for the purpose of providing a water distribution system to its membership. As a public corporation, organized and operated under the laws of the State of Oklahoma, the District functions as a special-purpose governmental entity. The accounting and reporting policies of the District are therefore formulated to conform to generally accepted accounting principles applicable to special-purpose governmental entities.

Basis of Presentation

The District is accounted for within the framework of enterprise fund accounting. Enterprise funds are used to account for operations that are operated in a manner similar to private business enterprises wherein the intent of the District's Board of Directors is to recover the cost of providing goods and services through user charges.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting. Revenues are recognized when earned and expenses when incurred.

Budgetary Data

The District does not prepare an annual budget.

Assets, Liabilities, & Equity

Cash & Cash Equivalents

Cash and short-term investments (those having an original maturity date of three months or less) are considered cash and cash equivalents for purposes of preparation of the statement of cash flows.

Accounts Receivable

The District does not have an allowance for doubtful accounts because it believes the ultimate amount received will be materially similar to the amount accrued.

MUSKOGEE COUNTY RURAL WATER DISTRICT #7
MUSKOGEE COUNTY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

Inventory

Supply inventories are stated at the lower of first-in, first-out cost or market.

Capital Assets

The District has not maintained adequate records to support the recorded balances in its property, plant and equipment accounts. Depreciation and amortization has been provided over the estimated useful lives of the recorded long-lived assets, as follows:

	<u>Life (In Years)</u>
Water lines	50
Furniture, Fixtures & Equipment	5

It is the District's policy to capitalize asset purchases greater than \$250 and expense asset purchases less than \$250.

Long-Term Debt

Long-term debt is reported at face value, net of applicable discounts and deferred loss on refunding. Costs related to the issuance of debt are deferred and amortized over the lives of various debt issues.

Equity Classification

Equity is classified as net assets and displayed in three components:

1. Invested in capital assets, net of related debt—Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.
2. Restricted net assets—Consists of net assets with constraints placed on the use either by (a) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (b) law through constitutional provisions or enabling legislation.
3. Unrestricted net assets—All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

Revenues, expenditures & expenses

Operating revenues and expenses for proprietary funds result from providing services and producing and delivering goods and/or services. They also include all revenues and expenses not related to capital and related financing, noncapital financing, or investing activities.

MUSKOGEE COUNTY RURAL WATER DISTRICT #7
MUSKOGEE COUNTY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

Governmental Accounting Standards Board Statement No. 34

In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments. Certain of the significant changes in the Statement include the following:

1. For the first time the financial statement should include:
 - a. A Management Discussion and Analysis (MD&A) section providing analysis of the District's overall financial position and results of operations. However, the District has chosen not to present the required MD&A for the current year.
 - b. Financial statements prepared using full accrual accounting for all of the District's activities, except for including the General capital assets or infrastructure (lines, pump stations, etc.).
2. A change in the fund financial statements to focus on major funds.

These and other changes are reflected in the accompanying financial statements (including the notes to the financial statements). The District has elected to implement the general provisions of the Statement and report infrastructure acquired after December 31, 2003 as provided by GASB standards.

Connection fees

Connection fees (benefit units) are charged for new water line taps, are non-refundable and recognized as revenue when the new connection is completed and service is commenced.

Income Taxes

As an instrumentality of the State of Oklahoma, the District is exempt from federal and state income taxes.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

MUSKOGEE COUNTY RURAL WATER DISTRICT #7
MUSKOGEE COUNTY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

Memorandum Totals

The "Memorandum Only" captions above the total columns mean that totals are presented for overview information purposes only.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

As a local government unit, the District is subject to various federal, state, and local laws and contractual regulations. In accordance with Government Auditing Standards, the auditor has issued a report on his consideration of the District's internal control over financial reporting and tested its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in compliance with Government Auditing Standards and should be read in conjunction with this report in considering the results of the audit.

Finance-related Legal & Contractual Provisions

The District does not have any loans which would require reserve accounts or budget preparation.

Deficit Fund Balance or Retained Earnings

As indicated in the financial statements, there are no fund balance or retained earnings deficits for the District for this fiscal year.

NOTE 3 - CASH AND INVESTMENTS

Custodial Credit Risk

At December 31, 2011, the District held deposits of approximately \$138,428 at financial institutions. The District's cash deposits, including interest-bearing certificates of deposit are 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 limitation of state law as follows:

MUSKOGEE COUNTY RURAL WATER DISTRICT #7
MUSKOGEE COUNTY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

- 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.).

NOTE 4 - RESTRICTED ASSETS

The District has no restricted assets.

NOTE 5 - CAPITAL ASSETS

The District has not maintained detailed accounting records of its long-lived asset accounts. Management is currently planning a comprehensive program to develop and maintain the records necessary to support its property, plant and equipment accumulated depreciation and related annual depreciation charges.

Capital asset activity, for the fiscal year ended December 31, 2011, was as follows:

	Balance at Dec. 31, 2010	Additions	Deductions	Balance at Dec. 31, 2011
Property Easements	\$ 1,500	\$ -	\$ -	\$ 1,500
Water Distribution System	546,339	42,802	-	589,141
Office Furniture, Fixtures & Equipment	11,942	-	-	11,942
Construction-in-progress	17,163	-	(17,163)	-
Subtotal	576,944	42,802	(17,163)	602,583
Less: Accum. Depr.	(224,923)	(12,516)	-	(237,439)
Total Capital Assets (Net of Depreciation)	<u>\$ 352,021</u>	<u>\$ 30,286</u>	<u>\$ (17,163)</u>	<u>\$ 365,144</u>

The current year addition included a 6" line installation project.

MUSKOGEE COUNTY RURAL WATER DISTRICT #7
MUSKOGEE COUNTY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

NOTE 6 - LONG-TERM DEBT

The District currently has no long-term debt.

Changes in Long-Term Debt

The following is a summary of changes in long-term debt for the year ended December 31, 2011:

	Balance at December 31, 2010	Additions	Deductions	Balance at December 31, 2011
Notes Payable	\$ -	\$ -	\$ -	\$ -
Total Long-Term Debt	\$ -	\$ -	\$ -	\$ -

Debt Services Requirements to Maturity

The annual debt service requirements to maturity, including principal and interest, for long-term debt, as of December 31, 2011, are as follows:

Year Ending December 31,	
2012	\$ -
2013	-
2014	-
2015	-
2016	-
2017-2021	-
Total	\$ -

NOTE 7 - FUND EQUITY

As described in Note 1 above, equity is classified as net assets and displayed in three components:

1. Invested in capital assets, net of related debt
2. Restricted net assets
3. Unrestricted net assets

NOTE 8 - CONTINGENCIES

Litigation

According to management there were no known contingent liabilities at December 31, 2011, which would have a material effect on the financial statements.

MUSKOGEE COUNTY RURAL WATER DISTRICT #7
MUSKOGEE COUNTY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

Federally Assisted Programs

In the normal course of operations, the District participates in various federal or state/loan programs from year to year. The grant/loan programs are often subject to additional audits by agents of the granting or loaning agency, the purpose of which is to ensure compliance with the specific conditions of the grant or loan. Any liability of reimbursement that may arise as a result of these audits cannot be reasonably determined at this time, although it is believed the amount, if any, would not be material.

NOTE 9 - CONCENTRATIONS OF RISK

The District purchases 100% of its water from the City of Ft. Gibson, Oklahoma, resulting in the District's economic dependence on the City of Ft. Gibson, Oklahoma for continued water service.

The District extends credit to its member-customers, all of whom are located in Muskogee County, Oklahoma. The District does not believe that it is exposed to any significant credit risk in connection with the extension of credit to its customers.

NOTE 10 - SUBSEQUENT EVENTS

The District did not have any subsequent events through March 6, 2012, which is the date the financial statements were issued, for events requiring recording or disclosure in the financial statements for the year ending December 31, 2011.

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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*

To the Board of Directors
Muskogee County Rural Water District #4
Muskogee County, Oklahoma

I have audited the financial statements of the Muskogee County Rural Water District #4, as of December 31, 2011 and have issued my report thereon dated March 6, 2012. The Muskogee County Rural Water District #4 has implemented the general provisions of the Governmental Accounting Standards Board (GASB) Statement No. 34, except that the District did not present the required MD&A. I conducted my audit in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and in accordance with Oklahoma Statutes.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the Muskogee County Rural Water District #4's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Muskogee County Rural Water District #4's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Muskogee County Rural Water District #4's internal control over financial reporting.

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 entity's financial statements will not be prevented, or detected and corrected on a timely basis.

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weakness, as defined above. However, I identified certain deficiencies in internal control over financial reporting, described in the accompanying Schedule of Findings that I consider to be significant deficiencies in internal control over financial reporting. Those deficiencies are listed as Items 11-01 and 11-02. 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 and Other Matters

As part of obtaining reasonable assurance about whether the Muskogee County Rural Water District #4's financial statements are free of material misstatement, I performed tests of

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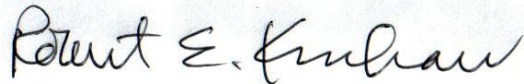
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compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Muskogee Co. RWD #4's response to the findings identified in my audit is described in the accompanying Schedule of Findings. I did not audit Muskogee Co. RWD #4's response and, accordingly, I express no opinion on it.

This report is intended solely for the information and use of the board of directors and management of the Muskogee County Rural Water District #4 and is not intended to be and should not be used by anyone other than these specified parties.



Robert E. Kershaw
Certified Public Accountant

March 6, 2012

MUSKOGEE COUNTY RURAL WATER DISTRICT #4
MUSKOGEE COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS
DECEMBER 31, 2011

Item 11-01: Segregation of Duties

Criteria: A good system of internal control requires a proper segregation of duties to prevent one person from being in a position to authorize, execute, and record the same transaction.

Condition: Due to the size of the District's major areas of internal control, that would be prevalent in a larger District, such segregation of duties is not available for this size operation. Duties are concentrated in the hands of a few individuals, who are responsible for all phases of the accounting functions. Because of this lack of division of responsibility, internal control is determined to be weak, and in some instances, non-existent.

Cause/Effect: Due to the limited number of personnel, a breach of internal controls could occur and not be detected in the normal course of operations.

Recommendation: The Board should continue to be actively involved in the operations of the organization.

Response: The Board continues to be actively involved in the operations of the District.

Item 11-02: Capital Assets

Criteria: Internal control refers to the methods and procedures used to provide reasonable assurance regarding the achievement of objectives in the following categories: Safeguarding assets, Ensuring validity of financial records and reports, Promoting adherence to policies, procedures, regulations and laws, and Promoting effectiveness and efficiency of operations. Internal control also refers to how an entity processes, summarizes and records the financial transactions. In general terms, internal controls are simply good business practices.

Condition: The District does not have strong internal controls in place for ensuring validity of financial records and reports, and in some instances is virtually non-existent.

Cause/Effect: Due to the weak internal control system, only minimal capital assets records are being maintained.

Recommendation: Periodic physical inventories required for good internal control should be conducted.

Response: The District is aware of the problem and currently does not have the resources to correct this problem.

MUSKOGEE COUNTY RURAL WATER DISTRICT #4
MUSKOGEE COUNTY, OKLAHOMA
SCHEDULE OF WATER RATES AND CUSTOMERS
DECEMBER 31, 2011

Water Rates

0 - 2,000 gallons = \$14.00 Minimum Bill
Over 2,000 gallons = \$ 3.80 per 1,000 gallons

Total Gallons Purchased 24,476,000

Total Gallons Sold 22,406,100

Percentage of Loss 8.46%

Customers

The Rural Water District #4 had approximately 291 customers at the close of this fiscal year.

Current membership/tap fee \$1,000 per meter sign-up.