

COMPILATION REPORT
BARDEW WATER ASSOCIATION, INC.
DEWEY, OKLAHOMA
DECEMBER 31, 2011

RALPH OSBORN
CERTIFIED PUBLIC ACCOUNTANT
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INDEPENDENT ACCOUNTANT'S COMPILATION REPORT

To the Board of Directors
BarDew Water Association, Inc.
Dewey, Oklahoma

I have compiled the accompanying statement of financial position of BarDew Water Association, Inc. (a non-profit corporation) as of December 31, 2011, and the related statements of activities and cash flows for the year then ended. I have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or provide any assurance about whether the financial statements are in accordance with accounting principles generally accepted in the United States of America.

The management of BarDew Water Association, Inc. is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

My responsibility is to conduct the compilation in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. The objective of a compilation is to assist management in presenting financial information in the form of financial statements without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the financial statements.

Ralph Osborn

Ralph Osborn
Certified Public Accountant
Bristow, Oklahoma
February 13, 2012

BARDEW WATER ASSOCIATION, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2011
(UNAUDITED)

ASSETS	
Current assets:	
Cash and cash equivalents	\$ 56,519
Investments	12,631
Accounts receivable	3,301
Prepaid expense	<u>125</u>
Total current assets	<u>72,576</u>
Property, plant & equipment	
Water distribution system	69,054
Less accumulated depreciation	<u>(59,746)</u>
Total property, plant & equipment	<u>9,308</u>
Other Assets	
Insurance Reserve	<u>1,000</u>
Total Other Assets	<u>1,000</u>
Total Assets	<u><u>\$ 82,884</u></u>
LIABILITIES, FUND EQUITY AND OTHER CREDITS	
Current liabilities:	
Accounts payable	<u>\$ 1,930</u>
Total current liabilities	<u>1,930</u>
Total liabilities	<u>1,930</u>
FUND EQUITY AND OTHER CREDITS	
Memberships	9,325
Fund Balance	<u>71,629</u>
Total fund equity and other credits	<u>80,954</u>
Total LIABILITIES, FUND EQUITY AND OTHER CREDITS	<u><u>\$ 82,884</u></u>

See accompanying notes and accountant's report.

BARDEW WATER ASSOCIATION, INC.
STATEMENT OF ACTIVITIES
AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2011
(UNAUDITED)

<u>OPERATING REVENUES</u>	
Charges for services:	
Charge for services	\$ 32,466
Penalties	961
Transfer Fees	<u>50</u>
Total operating revenues	<u>33,477</u>
<u>OPERATING EXPENSES</u>	
Management fees	1,200
Water purchases	14,737
Insurance	294
Bad debt	1,213
Maintenance and repairs	2,106
Meter reader	3,000
Other	745
Professional fees	3,060
Postage/pull fees	1,141
Regulatory expense	578
Memberships and dues	87
Supplies	89
Utilities	474
Depreciation	<u>1,668</u>
Total operating expenses	<u>30,392</u>
Operating income (loss)	<u>3,085</u>
<u>NON-OPERATING REVENUE (EXPENSES)</u>	
Investment income	<u>113</u>
Total non-operating revenue (expenses)	<u>113</u>
Net income (loss)	3,198
Total net assets, beginning	<u>77,756</u>
Total net assets, ending	<u>\$ 80,954</u>

See accompanying notes and accountant's report.

BARDEW WATER ASSOCIATION
STATEMENT OF CASH FLOWS
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(UNAUDITED)

Cash flows from operating activities	
Cash received from customers	\$ 33,131
Cash payments to suppliers for goods and services	<u>(28,760)</u>
Net cash provided (used) by operating activities	<u>4,371</u>
Cash flows from investing activities	
Interest revenue	<u>113</u>
Net cash used for investing activities	<u>113</u>
Net increase in cash and cash equivalents	4,484
Cash and cash equivalents, beginning	<u>52,035</u>
Cash and cash equivalents, ending	<u><u>\$ 56,519</u></u>
Reconciliation of operating income (loss)	
to net cash provided by (used) by operating activities	
Operating income (loss)	\$ 3,085
Adjustments to reconcile operating income	
to net cash used by operating activities:	
Depreciation	1,668
Changes in assets and liabilities:	
Increase in accounts receivable	(346)
Increase in prepaid	(36)
Decrease in accounts payable	<u>-</u>
Net cash provided by operating activities	<u><u>\$ 4,371</u></u>

See accompanying notes and accountant's report.

BARDEW WATER ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of BarDew Water Association, Inc, (The Association) have been prepared on the accrual basis. The significant accounting policies followed are described below to enhance the usefulness of the financial statements.

Organization

BarDew Water Association, Inc. is a State of Oklahoma chartered public nonprofit corporation. Its purpose is to maintain and operate a water distribution system to serve the needs of its members.

Cash Equivalents

Cash and cash equivalents include amounts in demand deposits, money market funds, and certificates of deposit with original maturities of three months or less. Certificates of deposit with the original maturity of three months or more are included in investments.

Property and Equipment

Property and equipment, consisting of a water distribution system, are stated at cost and are depreciated over the estimated useful life of such assets. Depreciation is computed using the straight -line method.

Membership Benefit Units

Members purchase benefit units for the right to obtain services form the Water Association. Fees paid for benefit units are considered donations to the Water Association and are nonrefundable. Benefit units sold are reflected as a portion of fund equity.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Note 2 - CASH AND INVESTMENTS

Custodial Credit Risk

Custodial credit risk is the risk that in the event of failure of counterparty, the Association will not be able to recover the value of its deposits or investments. Deposits are exposed to custodial credit risk if they are uninsured and uncollateralized. Investment securities are exposed to custodial credit risk if they are uninsured, are not registered in the name of the Association, and are held by counterparty or the counterparty's trust department but not in the name of the Association. The Association's policy requires that all deposits and investments in excess of amounts covered by federal deposit insurance be fully collateralized by the entity holding the deposits or investments. As of June 30, 2011, all of the Association's deposits and investments were covered by federal deposit insurance.

BARDEW WATER ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

Note 2- CASH AND INVESTMENTS (CONTINUED)

Deposits

The Association had deposits at financial institutions with a carrying amount of approximately \$69,150 at December 31, 2011. The bank balance of the deposits at December 31, 2011 was approximately \$69,150.

Credit Risk

Fixed-income securities are subject to credit risk. However, the Association did not have fixed income securities at December 31, 2011.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Association's Board of Director's monitor the Association's investment performance on an ongoing basis to limit interest rate risk. As of December 31, 2011, all of the Association's deposits consisted of demand deposits and certificates of deposit.

Note 3 - PROPERTY, PLANT AND EQUIPMENT

Additions to the utility system in service are recorded at cost or, if contributed property, at estimated fair value at time of contribution. Repairs and maintenance are recorded as expenses; renewals and betterments are capitalized. The sale or disposal of fixed assets is recorded by removing cost and accumulated depreciation from the accounts and charging the resulting gain or loss to income. Estimated useful lives are as follows:

System	40 years
Equipment	5-10 years

Note 4 - INSURANCE RESERVE

The Water Association has purchased reserve certificates totaling \$1,000 from the Oklahoma Rural Water Association Assurance Group (the Group). These certificates are on deposit in the self-insurance reserves of the Group under the Agreement Establishing the Oklahoma Rural Water Association Assurance Group entered into pursuant to the Oklahoma Interlocal Cooperation Act. The Association has insurance coverage other than the self-insurance of the group. Reserve certificates may be surrendered and the deposit refunded subject to certain time and notice requirements. The certificates accrue interest at a fluctuating rate on the basis of a 360-day year at the Treasury rate plus two percent per annum. The balance in the self-insurance reserve certificates is considered reserved net assets.

Note 5 - INCOME TAXES

BarDew Water Association, Inc. is exempt from federal income tax under Section 501C (12) of Internal Revenue Code.