

**BECKHAM COUNTY RURAL WATER DISTRICT
NO. 2
ERICK, OKLAHOMA
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT
YEAR ENDED SEPTEMBER 30, 2011**

**BECKHAM COUNTY RURAL WATER DISTRICT NO. 2
ERICK, OKLAHOMA
SEPTEMBER 30, 2011**

TABLE OF CONTENTS

Board of Directors

Independent Auditor's Report

Management's Discussion and Analysis

Financial Statements

Statement of Net Assets	Schedule 1-00
Statement of Revenues, Expenses and Changes in Fund Net Assets	Schedule 2-00
Statement of Cash Flows	Schedule 3-00

Notes to Financial Statements

SUPPORTING SCHEDULES

Report on Compliance and on Internal Control

Independent Auditor's Report on Compliance and on Internal Control
Over Financial Reporting Based on an Audit of Financial Statements
Performed in Accordance with Governmental Auditing Standards

Schedule of Insurance Coverage and Prepaid Premiums

**BECKHAM COUNTY RURAL WATER DISTRICT NO. 2
ERICK, OKLAHOMA
BOARD OF DIRECTORS
September 30, 2011**

BOARD OF DIRECTORS

Chairman.....Tommy Tucker
Vice ChairmanDanny Miller
SecretarySteve Hogg
MemberAndy Smith
MemberJoe Clark
MemberPat West
MemberRussell York



BRITTON, KUYKENDALL, & MILLER
CERTIFIED PUBLIC ACCOUNTANTS

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RICK D. MILLER

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INDEPENDENT AUDITOR'S REPORT

The Honorable Board of Directors
Beckham County Rural Water District No. 2
Erick, Oklahoma

We have audited the accompanying financial statements of the business-type activities and the aggregate remaining fund information of Beckham County Rural Water District No. 2, Erick, Oklahoma, as of and for the year ended September 30, 2011, which collectively comprise the District's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of Beckham County Rural Water District No. 2, Erick, Oklahoma's management. Our responsibility is to express opinions on these financial statements based on our audits.

We conducted our audits 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 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. We believe that our audits provide a reasonable basis for our 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, and the aggregate remaining fund information of Beckham County Rural Water District No. 2, Erick, Oklahoma, as of September 30, 2011, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2011, on our consideration of Beckham County Rural Water District No. 2, Erick, Oklahoma'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 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 accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audits.

The management's discussion and analysis information is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Beckham County Rural Water District No. 2, Erick, Oklahoma's basic financial statements. The accompanying Schedule of Insurance Coverage and Prepaid Premiums is presented for purposes of additional analysis, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



BRITTON, KUYKENDALL & MILLER
Certified Public Accountants

Weatherford, Oklahoma
December 12, 2011

Beckham Rural Water District #2
P.O. Box 973
Erick, Oklahoma 73645
1-580-526-3252

To Our Members,

Our Water District enjoyed another successful year for the year ending September 30, 2011. An increase in volume helped offset an unusually expensive year for repairs and maintaining the system. The revenue increased by \$30,901.31, but our expenses increased by \$44,601.41, so our profit was only \$1,979.39 for the year. We feel we have made strides in improving the overall system and continue to add new members to our system. We have continued to retire our outstanding debt by reducing our notes payable by \$21,208.31 this year. Our working capital increased this year by \$7,770.44. The District is in excellent financial condition and therefore we can continue to serve our customers needs.

Tommy Tucker
President

FINANCIAL STATEMENTS
OF
BECKHAM COUNTY RURAL WATER DISTRICT NO. 2
ERICK, OKLAHOMA

BECKHAM COUNTY RURAL WATER DISTRICT NO. 2
STATEMENT OF NET ASSETS
As of September 30, 2011

ASSETS

Current Assets

Cash on Hand	\$ 50.00
Cash in Bank - Note 1	82,079.33
Certificates of Deposit - Reserve Fund (Restricted Asset)	43,262.00
Certificates of Deposit	<u>70,733.96</u>
Total Cash and Cash Equivalents	196,125.29
Accounts Receivable - Note 1	24,739.41
Inventory	3,573.00
Accrued Interest	25.28
Prepaid Insurance	<u>5,855.19</u>
TOTAL CURRENT ASSETS	<u>230,318.17</u>

Fixed Assets - Note 1

Land & Water Rights	175,064.56
Motor Vehicles	20,470.00
System and Equipment	<u>1,671,275.85</u>
Total Fixed Assets	1,866,810.41
Less: Accumulated Depreciation	<u>(940,782.26)</u>
Total Fixed Assets - Net of Depreciation	<u>926,028.15</u>

Other Assets

Deposits	85.00
Investment in ORWAWC	<u>5,000.00</u>
Total Other Assets	<u>5,085.00</u>
TOTAL ASSETS	<u>\$ 1,161,431.32</u>

See accompanying notes to financial statements.

BECKHAM COUNTY RURAL WATER DISTRICT NO. 2
STATEMENT OF NET ASSETS - CONTINUED
As of September 30, 2011

LIABILITIES

Current Liabilities

Accounts Payable	\$ 4,235.13
Taxes Payable	3,401.94
Current Portion of Long-Term Debt	22,677.52
Customer Deposits	<u>395.97</u>

TOTAL CURRENT LIABILITIES - Note 2	<u>30,710.56</u>
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Long-Term Debt - Note 2	<u>220,126.23</u>
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TOTAL LIABILITIES	<u>250,836.79</u>
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NET ASSETS

Invested in Capital Assets - Net of Related Debt	683,224.40
Restricted for Debt Service	43,262.00
Unrestricted	<u>184,108.13</u>

TOTAL NET ASSETS	<u>910,594.53</u>
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TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,161,431.32</u>
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See accompanying notes to financial statements.

BECKHAM COUNTY RURAL WATER DISTRICT NO. 2
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET ASSETS
For Year Ended September 30, 2011

Revenue from Operations:	
Water	\$ 200,083.50
Memberships	4,500.00
Penalties	3,911.68
Rents, leases	3,400.00
Miscellaneous	2,166.01
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TOTAL REVENUE FROM OPERATIONS	214,061.19
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Expenses from Maintenance and Operation:	
Salaries	46,500.45
Utilities	18,980.46
Operating Supplies	2,665.53
Office Supplies	5,996.86
Repairs and Maintenance	37,120.54
Auto and Truck Expense	7,134.56
Contract Labor	22,295.00
Insurance	8,683.44
Accounting	5,676.25
Licenses and Fees	2,642.27
Taxes	5,464.63
Advertising	666.05
Directors' Fees	2,780.42
Miscellaneous	938.10
Depreciation	34,632.14
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TOTAL EXPENSES FROM OPERATIONS	202,176.70
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See accompanying notes to financial statements.

BECKHAM COUNTY RURAL WATER DISTRICT NO. 2
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET ASSETS - CONTINUED
For Year Ended September 30, 2011

Net Income (Loss) From Operations	\$ 11,884.49
Other Income (Expenses)	
Interest Earnings	1,314.20
Interest Expense	<u>(11,219.30)</u>
TOTAL OTHER INCOME (EXPENSES)	<u>(9,905.10)</u>
Net Income (Loss)	1,979.39
Net Assets, Beginning of Year	<u>908,615.14</u>
Net Assets, End of Year	<u>\$ 910,594.53</u>

See accompanying notes to financial statements.

BECKHAM COUNTY RURAL WATER DISTRICT NO. 2
STATEMENT OF CASH FLOWS
For Year Ended September 30, 2011

Cash Flows From Operating Activities:	
Net Income (Loss)	\$ 1,979.39
Adjustments to Reconcile Net Income to Net Cash Provided From Operating Activities:	
Depreciation	34,632.14
(Increase) Decrease in Receivables	(6,747.66)
(Increase) Decrease in Accrued Interest	44.30
Increase (Decrease) in Prepaids	(694.58)
Increase (Decrease) in Accounts Payable	(627.94)
Increase (Decrease) in Taxes Payable	<u>2,612.44</u>
Net Cash Provided From Operating Activities	<u>31,198.09</u>
Cash Flows From Investing Activities:	
Capital Expenditures	<u>0.00</u>
Net Cash Provided (Used) by Investing Activities	<u>0.00</u>
Cash Flows From Financing Activities:	
Cash Paid for Loans	(21,208.31)
Cash Received From Loans	<u>0.00</u>
Net Cash Provided (Used) by Financing Activities	<u>(21,208.31)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	9,989.78
Cash and Cash Equivalents, Beginning of Year	<u>186,135.51</u>
Cash and Cash Equivalents, End of Year	<u>\$ 196,125.29</u>
Supplemental Disclosures:	
Operating Activities Reflect Interest Paid	<u>\$ 11,219.30</u>

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS
OF
BECKHAM COUNTY RURAL WATER DISTRICT NO. 2
ERICK, OKLAHOMA

BECKHAM COUNTY RURAL WATER DISTRICT NO. 2
ERICK, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2011

1. Significant Accounting Policies

Organization

Beckham County Rural Water District No. 2 is organized and operated as a water-supply source for its members.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities 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.

Basis of Accounting

The accrual basis of accounting is followed for all accounts. Revenues are recorded when earned and accrued liabilities are recognized when incurred. This policy is in accordance with accounting principles generally accepted in the United States of America.

Major Funds

The new reporting model as defined in GASB Statement No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues, or expenditures/expenses, of either fund category or the governmental and enterprise combined) for the determination of major funds. The District's major fund is the Enterprise Fund.

BECKHAM COUNTY RURAL WATER DISTRICT NO. 2
ERICK, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2011

Significant Accounting Policies, (Continued)

Cash and Investments

Investments are recorded at cost. The District's accounts are comprised as follows:

	<u>9-30-11</u>	<u>9-30-10</u>
First American Bank, Erick, OK	\$ 78,971.76	\$ 51,670.75
Great Plains National Bank, Sayre, OK	70,733.96	68,134.21
Great Plains National Bank, Sayre, OK	3,107.57	2,802.75
Great Plains National Bank, Sayre, OK	43,262.00	43,262.00
Petty Cash	<u>50.00</u>	<u>50.00</u>
 Total Cash and Investments	 <u>\$ 196,125.29</u>	 <u>\$ 165,919.71</u>

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the District considers all highly liquid investments with a maturity of three (3) months or less when purchased to be cash equivalents.

Accounts Receivable

Billings for accounts receivable at September 30, 2011, are 24,739.41. Allowance for doubtful accounts was not computed on these balances because uncollectibles do not have a material effect on the balance sheet.

Inventory

Inventory is valued at cost. Inventory consists of supplies necessary for the maintenance and operation of the water system.

BECKHAM COUNTY RURAL WATER DISTRICT NO. 2
ERICK, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2011

Significant Accounting Policies, (Continued)

Fixed Assets

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:

Office Furniture and Fixtures	7 years
Equipment and Tools	7 years
Transportation Equipment	10 years
Lines and Storage	40 years

Restricted Assets

Under the terms of the original loan agreements, the Beckham County Rural Water District No. 2, Erick, Oklahoma, must maintain a reserve fund. The original loan agreements required the district to deposit into the reserve fund until a required balance of \$43,262.00 was reached.

A summary of the reserve fund is presented below:

	9-30-11
Beginning Balance	\$ 43,262.00
Monthly Deposits	0.00
Interest	0.00
Transfers In	0.00
Ending Balance	\$ 43,262.00

The September 30, 2011, ending balance of \$43,262.00 consists of a certificate of deposit with Great Plains National Bank of Sayre, Oklahoma.

Federal Income Tax

The District is exempt from federal and state income taxes

**BECKHAM COUNTY RURAL WATER DISTRICT NO. 2
ERICK, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2011**

Significant Accounting Policies, (Continued)

Collateral Pledged

All funds were adequately insured by Federal Deposit Insurance Corporation and pledged securities as of September 30, 2011.

2. Long-term Debt

The following is a summary of the breakdown of the current and long-term portions of all BERKADIA (formerly GMAC) loans:

	Long-Term Portion	9-30-11 Current Portion	Total
Loan #01-049580-1	\$ 45,151.85	\$ 7,937.88	\$ 53,089.73
Loan #01-049580-3	10,259.28	2,037.48	12,296.76
Loan #01-049580-7	49,419.64	5,092.01	54,511.65
Loan #01-049580-9	33,213.78	2,418.50	35,632.28
 Total Debt	 \$ 138,044.55	 \$ 17,485.87	 \$ 155,530.42

The following is a summary of debt service requirements for the BERKADIA loans for the next five years (all notes are aggregated into one total since terms and interest rate (5%) are the same):

Year Ending	Debt Service
September 30, 2012	\$ 17,485.87
September 30, 2013	18,380.47
September 30, 2014	19,320.89
September 30, 2015	20,309.40
September 30, 2016	21,301.84

BECKHAM COUNTY RURAL WATER DISTRICT NO. 2
ERICK, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
September 30, 2011

Significant Accounting Policies, (Continued)

Long-term Debt-continued

The District purchased real estate during the prior year and financed a portion of the purchase through a loan through Great Plains National Bank, Sayre, Oklahoma.

The following is a summary of the breakdown of the current and long-term portions of the Great Plains National Bank loan:

	9-30-11		
	Long-Term Portion	Current Portion	Total
Loan #34347	\$ 82,081.68	\$ 5,191.65	\$ 87,273.33
Total Debt	\$ 82,081.68	\$ 5,191.65	\$ 87,273.33

The following is a summary of debt service requirements for the loan for the next five years:

Year Ending	Debt Service
September 30, 2012	\$ 5,191.65
September 30, 2013	5,416.65
September 30, 2014	5,651.39
September 30, 2015	5,896.31
September 30, 2016	6,151.84

The total interest paid on all debt for the year ended September 30, 2011, was \$11,219.30.

3. Accumulated Unpaid Vacation and Sick Pay

At September 30, 2011, no determination of the aggregate dollar value of vacation or sick pay had been made.

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL
OF
BECKHAM COUNTY RURAL WATER DISTRICT NO. 2
ERICK, OKLAHOMA



BRITTON, KUYKENDALL, & MILLER

CERTIFIED PUBLIC ACCOUNTANTS

**JAMES M. KUYKENDALL
RICK D. MILLER**

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
AND 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***

The Honorable Board of Directors
Beckham County Rural Water District No. 2
Erick, Oklahoma

We have audited the financial statements of the business-type activities, and the aggregate remaining fund information of Beckham County Rural Water District No. 2, Erick, Oklahoma, as of and for the years ended September 30, 2011, which collectively comprise Beckham County Rural Water District No. 2, Erick, Oklahoma's basic financial statements and have issued our report thereon dated December 12, 2011. We conducted our audits 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Beckham County Rural Water District No. 2, Erick, Oklahoma's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the ability of Beckham County Rural Water District No. 2, Erick, Oklahoma, to record, process, summarize and report financial data consistent with the assertions of management in the financial statements.

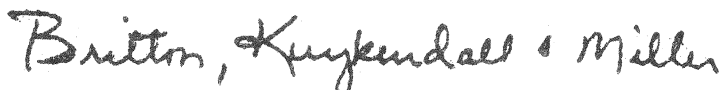
1. The inherent limitations resulting from a small number of employees performing functions that would normally be divided among employees where there were a larger number available prevents a proper segregation of accounting functions, which is necessary to assure adequate internal accounting control.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider item 1 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Beckham County Rural Water District No. 2, Erick, Oklahoma's financial statements are free of material misstatement, we performed tests of its 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 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*

This report is intended solely for the information and use of the board of directors and administrative employees, all applicable county, state and federal agencies, and is not intended to be and should not be used by anyone other than these specified parties.



BRITTON, KUYKENDALL & MILLER
Certified Public Accountants

Weatherford, Oklahoma
December 12, 2011

BECKHAM COUNTY RURAL WATER DISTRICT NO. 2
SCHEDULE OF INSURANCE COVERAGE AND PREPAID PREMIUMS
For Year Ended September 30, 2011

POLICY NUMBER	COMPANY	COVERAGE	AMOUNT	EXPIRATION DATE	ANNUAL PREMIUM	PREPAID PREMIUM
10108	ORWA Assurance Group	I. Liability Coverage		06/01/12	\$ 5,854.00	\$ 3,902.67
		A. Bodily Injury	\$ 125,000			
		B. Property Damage	25,000			
		C. Personal Injury	125,000			
		D. Errors and Omissions	125,000			
		Aggregate Per Occurrence	1,000,000			
		II. Business Auto Coverage				
		A. Bodily Injury	125,000			
		B. Property Damage	25,000			
		C. Auto Physical Damage	25,000			
		III. Property Coverage				
		A. Buildings and Personal Prop.	ACV			
		IV. Blanket Bond Fidelity				
		By Position Held	10,000			
	ORWA Assurance Group	Worker's Compensation		10/31/11	1,681.64	140.14
	ORWA Assurance Group	Worker's Compensation		10/31/12	1,812.38	1,812.38
						\$ 5,855.19