

**BIRCH CREEK RURAL WATER DISTRICT
OSAGE COUNTY
PAWHUSKA, OKLAHOMA
COMPILATION REPORT
JUNE 30, 2017**

**RALPH OSBORN
CERTIFIED PUBLIC ACCOUNTANT
P.O. BOX 1015
BRISTOW, OK 74010**

ACCOUNTANT'S COMPILATION REPORT

To The Honorable Members of the Board of Directors
Birch Creek Rural Water District

I have compiled the accompanying financial statements of the business type activities of Birch Creek Water District(modified cash basis) as of and for the year ended June 30, 2017, which collectively comprise the District's basic financial statements. 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 the modified cash basis of accounting.

The management of Birch Creek Water District is responsible for the preparation and fair presentation of the financial statements in accordance with the modified cash basis of accounting 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.

The District has not presented Management's Discussion and Analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

I am not independent with respect to Birch Creek Water District.



Ralph Osborn
Certified Public Accountant
Bristow, Oklahoma
December 17, 2017

BIRCH CREEK RURAL WATER DISTRICT
 OSAGE COUNTY
 PAWHUSKA, OKLAHOMA
 STATEMENT OF NET POSITION
 MODIFIED CASH BASIS
 June 30, 2017
 (Unaudited)

ASSETS

Current assets:

| | |
|---------------------------|------------|
| Cash and cash equivalents | \$ 394 |
| Total current assets | <u>394</u> |

Non-current assets

Capital assets:

| | |
|---|---------------|
| Land | 5,911 |
| Capital assets, net of accumulated depreciation | <u>44,535</u> |
| Total non-current assets | <u>50,446</u> |

| | |
|--------------|---------------|
| Total assets | <u>50,840</u> |
|--------------|---------------|

NET POSITION

| | |
|----------------------------|------------|
| Invested in capital assets | 50,446 |
| Unrestricted | <u>394</u> |

| | |
|--|------------------|
| Net position of business-type activities | <u>\$ 50,840</u> |
|--|------------------|

See accompanying notes and accountant's compilation report.

BIRCH CREEK RURAL WATER DISTRICT
OSAGE COUNTY
PAWHUSKA, OKLAHOMA
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN NET ASSETS-MODIFIED CASH BASIS
For The Year Ended June 30, 2017
(Unaudited)

OPERATING REVENUES

Charges for services:

| | |
|--------------------------|-----------|
| Water sales | \$ 14,279 |
| Total operating revenues | 14,279 |

OPERATING EXPENSES

| | |
|--------------------------|--------|
| Automobile allowance | 8,375 |
| Depreciation | 6,191 |
| Insurance and legal | 1,261 |
| Professional fees | - |
| Labor | 2,500 |
| License and fees | 134 |
| Office | 152 |
| Repair and maintenance | 117 |
| Supplies | 730 |
| Telephone and utilities | 1,885 |
| Total operating expenses | 21,345 |

| | |
|-------------------------|---------|
| Operating income (loss) | (7,066) |
|-------------------------|---------|

NON-OPERATING REVENUE (EXPENSES)

| | |
|--|---|
| Investment earnings | 1 |
| Total non-operating revenue (expenses) | 1 |

| | |
|------------------------|---------|
| Change in net position | (7,065) |
|------------------------|---------|

| | |
|-------------------------------|--------|
| Total net position, beginning | 57,905 |
|-------------------------------|--------|

| | |
|----------------------------|-----------|
| Total net position, ending | \$ 50,840 |
|----------------------------|-----------|

See accompanying notes and accountant's compilation report.

BIRCH CREEK RURAL WATER DISTRICT
OSAGE COUNTY
PAWHUSKA, OKLAHOMA
STATEMENT OF CASH FLOWS-MODIFIED CASH BASIS
For Year Ended June 30, 2017
(Unaudited)

| | |
|--|------------------------|
| Cash flows from operating activities | |
| Cash received from customers | \$ 14,279 |
| Cash payments to suppliers for goods and services | <u>(15,154)</u> |
| Net cash provided (used) by operating activities | <u>(875)</u> |
| Cash flows from investing activities | |
| Investment earnings | <u>1</u> |
| Net cash provided by investing activities | <u>1</u> |
| Net decrease in cash and cash equivalents | (874) |
| Cash and cash equivalents, beginning | <u>1,268</u> |
| Cash and cash equivalents, ending | <u><u>\$ 394</u></u> |
| Reconciliation of operating income (loss) to net cash provided by (used) by operating activities | |
| Operating income (loss) | \$ (7,066) |
| Adjustments to reconcile operating income to net cash used by operating activities: | |
| Changes in assets and liabilities: | |
| Depreciation | <u>6,191</u> |
| Net cash provided by operating activities | <u><u>\$ (875)</u></u> |

See accompanying notes and accountant's compilation report.

BIRCH CREEK RURAL WATER DISTRICT
OSAGE COUNTY
PAWHUSKA, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Birch Creek Rural Water District (the "District") was created to provide water service to a rural area of Osage County, Oklahoma. The District is managed by a five member Board of Directors. Members of the board are elected by the membership of the District at annual meetings. Membership in the District is attained by paying membership dues and receiving services from the District. The activities of the District constitute the entire reporting entity. There are no other component or oversight units. The District was organized under Internal Revenue Code Section 501c-12.

Financial Statements

The District is a special purpose governmental entity engaged only in business type activities. The District prepares financial statements required for enterprise funds.

Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe "how" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

Measurement Focus

In the financial statements business-like activities are presented using the economic resources measurement focus, within the limitations of the modified cash basis of accounting. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or non-current, financial, or non-financial) associated with their activities are reported. Fund equity is classified as net assets.

Basis of Accounting

In the financial statements, business-like activities are presented using a modified cash basis of accounting. This basis recognizes assets, liabilities, net assets/fund equity, revenues, and expenditures/expenses when they result from cash transactions with a provision for depreciation. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are *not recorded* in these financial statements. If the Authority utilized the basis of accounting recognized as generally accepted, the financial statements would use the accrual basis of accounting.

BIRCH CREEK RURAL WATER DISTRICT
OSAGE COUNTY
PAWHUSKA, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

FUND TYPES AND MAJOR FUNDS

The District reports all activity within a single fund.

Inventories and Prepaids

Inventories and prepaids are not presented under the modified cash basis of accounting. Items of an inventory or prepaid nature are expensed as purchased.

Capital Assets, Depreciation, and Amortization

The District's property, plant, and equipment, with useful lives of more than one year are stated at historical cost and comprehensively reported in the financial statements. Donated assets are stated at fair value on the date donated. The District generally capitalizes assets with cost of \$2,500 or more as purchase and construction outlay occur. The cost of normal maintenance and repairs that do not add to the assets value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are moved from the respective accounts, and the resulting gain or loss is recorded in operations.

Estimated useful lives, in years, for depreciable assets are as follow:

| | |
|--------------------------------------|------|
| Buildings | 5-60 |
| Improvements, other than buildings | 2-50 |
| Mobile equipment | 3-40 |
| Furniture , machinery, and equipment | 3-30 |
| Utility system | 5-50 |

Use of Estimates

The preparation of financial statements in conformity with the modified cash basis requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities. Actual results could differ from those estimates. Capital assets may be used beyond their original estimated useful life.

Note B - CASH

At June 30, 2017, the District had cash in bank accounts in the amount of \$394. District funds were entirely insured by federal depository insurance at June 30, 2017 and during the year then ended.

BIRCH CREEK RURAL WATER DISTRICT
 OSAGE COUNTY
 PAWHUSKA, OKLAHOMA
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2017

Note C - CAPITAL ASSETS

Changes in capital assets.

The following table provides a summary of changes in capital assets:

| | CAPITAL ASSETS, DEPRECIATED | | | | NOT |
|--------------------------|-----------------------------|---|--|------------------|-------------------------|
| | Buildings | Improvements Other Than Buildings | Furniture, Machinery, And Equipment | Totals | DEPRECIATED Land |
| Balance, June 30, 2016 | \$ - | \$ 178,712 | \$ 74,143 | \$ 252,855 | \$ 5,911 |
| Increases | - | - | - | - | - |
| Decreases | - | - | - | - | - |
| Balance, June 30, 2017 | - | 178,712 | 74,143 | 252,855 | 5,911 |
| Accumulated Depreciation | | | | | |
| Balance, June 30, 2016 | - | 141,887 | 60,242 | 202,129 | |
| Increase | - | 4,468 | 1,723 | 6,191 | |
| Decreases | - | - | - | - | |
| Balance, June 30, 2017 | - | 146,355 | 61,965 | 208,320 | |
| Capital Assets, Net | <u>\$ -</u> | <u>\$ 32,357</u> | <u>\$ 12,178</u> | <u>\$ 44,535</u> | <u>\$ 5,911</u> |

Depreciation is reported in the Statement of Revenues, Expenses, and Changes in Net Assets.

Note D - EMPLOYEES PENSION

The District does not have employees. District functions are performed by the operator who is paid an auto allowance.

Note E - 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; and natural disasters. The District carries commercial insurance for risk of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note F - DATE OF MANAGEMENT'S REVIEW

Management has evaluated subsequent events through December 17, 2017, the date on which the financial statements were available to be issued.