

**BIRCH CREEK RURAL WATER DISTRICT**  
OSAGE COUNTY  
PAWHUSKA, OKLAHOMA  
COMPILATION REPORT  
JUNE 30, 2010

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

INDEPENDENT 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 (modified cash basis) of Birch Creek Rural Water District as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

A compilation is limited to presenting in the form of financial statements information that is the representation of management. I have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or any other form of assurance to them.

Management has not presented the management's discussion and analysis information that the Governmental Accounting Standards Board has determined is required to supplement, although not required to be a part of, the basic financial statements.



Ralph Osborn  
Certified Public Accountant  
Bristow, Oklahoma  
September 23, 2011

BIRCH CREEK RURAL WATER DISTRICT  
OSAGE COUNTY  
PAWHUSKA, OKLAHOMA  
STATEMENT OF NET ASSETS-MODIFIED CASH BASIS  
June 30, 2010  
(Unaudited)

ASSETS	
Current assets:	
Cash and cash equivalents	\$ <u>806</u>
Total current assets	<u>806</u>
Non-current assets	
Capital assets:	
Land	5,911
Capital assets, net of accumulated depreciation	<u>89,002</u>
Total non-current assets	<u>94,913</u>
Total assets	<u>95,719</u>
NET ASSETS	
Nonspendable	94,913
Unassigned	<u>806</u>
Net assets of business-type activities	<u>\$ 95,719</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, 2010  
 (Unaudited)

OPERATING REVENUES

Charges for services:	
Water sales	\$ 13,199
Total operating revenues	<u>13,199</u>

OPERATING EXPENSES

Automobile allowance	7,725
Depreciation	6,506
Insurance	875
Professional fees	250
License and fees	156
Office	357
Repair and maintenance	1,384
Supplies	702
Utilities	1,411
Miscellaneous	<u>129</u>
Total operating expenses	<u>19,495</u>
Operating income (loss)	<u>(6,296)</u>

NON-OPERATING REVENUE (EXPENSES)

Investment earnings	<u>7</u>
Total non-operating revenue (expenses)	<u>7</u>

Change in net assets	(6,289)
Total net assets, beginning	<u>102,008</u>
Total net assets, ending	<u>\$ 95,719</u>

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, 2010  
 (Unaudited)

Cash flows from operating activities	
Cash received from customers	\$ 13,199
Cash payments to suppliers for goods and services	<u>(12,989)</u>
Net cash provided (used) by operating activities	<u>210</u>
Cash flows from investing activities	
Investment earnings	<u>7</u>
Net cash provided by investing activities	<u>7</u>
Net decrease in cash and cash equivalents	217
Cash and cash equivalents, beginning	<u>589</u>
Cash and cash equivalents, ending	<u>\$ 806</u>
Reconciliation of operating income (loss) to net cash provided by (used) by operating activities	
Operating income (loss)	\$ (6,289)
Adjustments to reconcile operating income to net cash used by operating activities:	
Changes in assets and liabilities:	
Depreciation	<u>6,506</u>
Net cash provided by operating activities	<u>\$ 217</u>

See accompanying notes and accountant's compilation report.

BIRCH CREEK RURAL WATER DISTRICT  
OSAGE COUNTY  
PAWHUSKA, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2010

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.

BASIS OF PRESENTATION

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The Statement of Net Assets and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. The District does not have governmental activities. All activities are reported as business-type activities.

FUND FINANCIAL STATEMENTS

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/ expenses. Funds are organized into two major categories: governmental and proprietary. The District presently has no fiduciary funds or governmental funds. The District consists of a single proprietary fund.

The funds of the financial reporting entity are described below:

Proprietary Funds

Enterprise Fund

Enterprise funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges, and the measurement of financial activity focuses on net income measurement similar to the private sector.

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.

BIRCH CREEK RURAL WATER DISTRICT  
OSAGE COUNTY  
PAWHUSKA, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2010

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus

In the government-wide Statement of Net Assets and the Statement of Activities, business-type activities are presented using the economic resources measurement focus, within the limitations of the modified cash basis of accounting, as defined below.

In the fund financial statements, the economic resources measurement focus, as applied to the modified cash basis of accounting, is used. 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 noncurrent, financial, or nonfinancial) associated with their activities are reported. Proprietary fund equity is classified as net assets.

Basis of Accounting

In the government-wide Statement of Net Assets and Statement of Activities and the fund financial statements, governmental activities are presented using a modified cash basis of accounting. The basis recognizes assets, liabilities, net assets/fund equity, revenues, and expenditures/expenses when they result from cash transactions with a provision for depreciation in the government-wide statements. The 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 the modified cash basis of accounting, certain assets and their related revenues (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 District utilized the basis of accounting recognized as generally accepted, the fund financial statements for proprietary funds would use the accrual basis of accounting. All government-wide financial statements would be presented on the accrual basis of accounting.

Implementation of New Accounting Principles

Governmental Accounting Standards Board Statement No. 34 and No. 37 - the District adopted the provisions of GASB Statement No.34, "Basis Financial Statements - and Management's Discussion and Analysis - for State and Local Governments" and Statement No. 37, an omnibus to No. 34. These statements affect the manner in which the District records transactions and present financial information. State and local governments have traditionally used a financial reporting model substantially different from the one used to prepare private-sector financial reports.

BIRCH CREEK RURAL WATER DISTRICT  
OSAGE COUNTY  
PAWHUSKA, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2010

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Implementation of New Accounting Principles (Continued)

GASB No. 34, as amended by GASB No. 37, establishes new requirements and new reporting model for the annual financial reports of state and local governments. The statement was developed to make annual reports of state and local governments easier to understand and more useful to the people who use governmental financial information to make decisions.

Statement No. 37 clarifies certain provisions and modifies other provisions of Statement No. 34 that GASB believes may have unintended consequences in some circumstances.

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.

BIRCH CREEK RURAL WATER DISTRICT  
OSAGE COUNTY  
PAWHUSKA, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2010

Note B - CASH

At June 30, 2010, the District had cash in bank accounts in the amount of \$806. District funds were entirely insured by federal depository insurance at June 30, 2010 and during the year then ended.

Note C - CAPITAL ASSETS

Changes in capital assets.

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

	<u>CAPITAL ASSETS, DEPRECIATED</u>			
	<u>Buildings</u>	<u>Improvements Other Than Buildings</u>	<u>Furniture, Machinery, And Equipment</u>	<u>Totals</u>
Balance, June 30, 2009	\$ -	\$ 178,711	\$ 74,147	\$ 252,858
Increases	-	-	-	-
Decreases	-	-	-	-
Balance, June 30, 2010	-	178,711	74,147	252,858
Accumulated Depreciation				
Balance, June 30, 2009	-	110,612	46,738	157,350
Increase	-	4,468	2,038	6,506
Decreases	-	-	-	-
Balance, June 30, 2010	-	115,080	48,776	163,856
Capital Assets, Net	<u>\$ -</u>	<u>\$ 63,631</u>	<u>\$ 25,371</u>	<u>\$ 89,002</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 September 23, 2011, the date on which the financial statements were available to be issued.