

BURNT CABIN RURAL WATER DISTRICT  
PARK HILL, OKLAHOMA  
AUDIT REPORT  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2015

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Audited By:  
Alan Chapman, CPA  
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Tahlequah, OK 74464

**BURNT CABIN RURAL WATER DISTRICT  
PARK HILL, OKLAHOMA**

**December 31, 2015**

**Table of Contents**

	Page
INDEPENDENT AUDITORS REPORT	1
AUDITOR'S REPORT ON INTERNAL CONTROL AND COMPLIANCE	3
FINANCIAL STATEMENTS	
Statement of Net Assets	5
Statement of Revenue, Expenditures, and Change in Net Assets	6
Statement of Cash Flows	7
FINANCIAL STATEMENT NOTES	8

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# AUDIT REPORT

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## INDEPENDENT AUDITOR'S REPORT

Board of Directors

Burnt Cabin Rural Water District

**Report on the Financial Statements**

I have audited the accompanying statement of net assets of Burnt Cabin Rural Water District (the District), as of and for the year ended December 31, 2015, and the related statements of revenue, expenditures, and changes in net assets, and the statement of cash flows for the year then ended, and the related notes to the financial statements.

***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

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. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

**Opinion**

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of business-type activities of Burnt Cabin Rural Water District as of December 31, 2015 and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

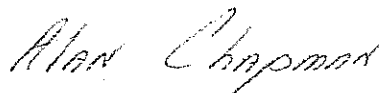
**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, I have also issued my report dated July 24, 2017, on my consideration of Burnt Cabin Rural Water District 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 my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Burnt Cabin Rural Water District internal control over financial reporting and compliance.

**Management's Discussion and Analysis**

Management has omitted the management discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

July 24, 2017



Alan Chapman, CPA

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## OTHER REPORTS

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF COMBINED  
FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors  
Burnt Cabin Rural Water District  
Park Hill, Oklahoma

I have audited, in accordance with the 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, the financial statements of Burnt Cabin Rural Water District, which comprise the statement of net assets as of December 31, 2015 and the related statements of revenue, expenditures, and changes in net assets and cash flows for the year then ended, and the related notes to the financial statements, and have issued my report thereon dated July 24, 2017.

**Internal Control Over Financial Reporting**

In planning and performing my audit of the financial statements, I considered Burnt Cabin Rural Water District, Inc. internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Burnt Cabin Rural Water District's internal control. Accordingly, I do not express an opinion on the effectiveness of Burnt Cabin Rural Water District's internal control.

*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 a 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. 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.

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

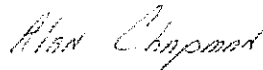
**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Burnt Cabin Rural Water District financial statements are free from material misstatement, I 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 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*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

July 24, 2017



Alan Chapman, CPA



## **FINANCIAL STATEMENTS**

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**BURNT CABIN RURAL WATER DISTRICT**  
**Statement of Net Assets**  
**December 31, 2015**

**Assets**

Current Assets:

Cash and Cash Equivalents	\$ 45,416
Accounts Receivable - Net	4,855
Prepaid Insurance	<u>405</u>
Total Current Assets	<u>50,675</u>

Noncurrent Assets:

Water System	13,544
Land and Buildings	18,056
Auto's and Equipment	25,816
Less Accumulated Depreciation	<u>(29,937)</u>
Total Noncurrent Assets	<u>27,479</u>
Total Assets	<u>78,153</u>

**Liabilities**

Current Liabilities:

Accounts Payable	<u>1,805</u>
Total Current Liabilities	1,805

**Net Assets**

Invested in capital assets, net of related debt	27,479
Unrestricted	<u>48,869</u>
Total Net Assets	<u>\$ 76,348</u>

The accompanying notes and audit report are an internal part of these statements of financial position.

**BURNT CABIN RURAL WATER DISTRICT #3**  
**Park Hill, Oklahoma**  
**Statement of Revenue, Expenditures, and Changes in Net Assets**  
**For the Year Ended December 31, 2015**

**Revenues:**

Water Revenues	\$	51,513
Memberships		-
Late charges and Reconnect Fees		1,063
Other Operating Income		<u>-</u>
<b>Total Operating Income</b>		<b>52,576</b>

**Expenditures:**

Bad Debt		175
Accounting and Billing		2,910
Contract Labor		12,689
Supplies and Chemicals		7,735
Legal Fees		5,950
Insurance and Bonds		1,646
Postage and Office		962
Repairs and Maintenance		2,758
Telephone		885
Water Testing		1,465
DEQ Fees		3,038
Utilities		4,433
Depreciation		636
Miscellaneous		<u>735</u>
<b>Total Operating Expenses</b>		<b>46,017</b>

**Operating Income (Loss)** 6,559

**Non-Operating Income (Expense):**

Interest Revenue		<u>153</u>
<b>Total Non-Operating Expenses</b>		<u>153</u>

**Net Income or Loss** 6,712

**Net Assets, Beginning of Year** 69,636

**Net Assets, End of Year** \$ 76,348

The accompanying notes and auditors report are an integral part of these financial statements

**BURNT CABIN RURAL WATER DISTRICT**  
**Park Hill, Oklahoma**  
**Statement of Cash Flows**  
**For the Year Ended December 31, 2015**

<b>Cash Flows from Operating Activities</b>	
Cash received from Customers	\$ 51,917
Cash paid to Suppliers	<u>(44,838)</u>
Net Cash Provided by Operations	7,079
 <b>Cash Flows from Capital and Related Financing Activities</b>	
Purchase of Capital Assets	<u>(9,544)</u>
Net Cash Used in Capital and Related Financing Activities	(9,544)
 <b>Cash Flows From Investing Activities</b>	
(Increase) Decrease in Restricted Cash-Net	-
(Increase) Decrease in Investments	-
Investment Income Received	<u>153</u>
Net Cash Used by Investing Activities	153
 Net Increase in Cash and Cash Equivalents	 (2,312)
Beginning Cash and Cash Equivalents	<u>47,727</u>
Ending Cash and Cash Equivalents	<u><u>45,416</u></u>
 <b>Reconciliation of Operating Income to Net Cash</b>	
Provided by Operating Activities	
Operating Income	6,559
Adjustment to Reconcile Operating Income to Net Cash	
Provided by Operating Activities	
Depreciation	636
Decrease (Increase) in Prepaid Insurance	543
Decrease (Increase) in Accounts Receivable	<u>(659)</u>
Increase (Decrease) in Accounts Payable	-
Net Cash Provided by Operating Activities	<u><u>\$ 7,079</u></u>

The accompanying notes and audit report are an internal part of these statements of financial position.

## NOTES

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**BURNT CABIN RURAL WATER DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015**

**NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**1. NATURE OF THE ORGANIZATION**

Burnt Cabin Rural Water District was incorporated under the Rural Water District Act of Oklahoma, for the purpose of acquiring water rights, and to build and acquire pipelines and other facilities and to operate the same for the purpose for furnishing water to serve the need of owners and occupants of land located within the district. The District is exempt from federal and state income tax.

The board of Directors consists of 5 members serving 3- year terms. The vacant Board seats are elected at the annual meeting, and following, the Board of Directors meet and elect a chairman, Vice-chairman, and secretary-treasurer.

**2. BASIS OF ACCOUNTING**

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting is related to the timing of the measurements made, regardless of the measurement focus applied. All activities are accounted for using the accrual basis of accounting. Revenues are recognized when earned, and their expenses are recognized when they are incurred.

**3. BASIS OF PRESENTATION**

The District complies with GASB Statement No 14, "The Financial Reporting Entity." This statement establishes standards for defining and reporting on the financial reporting entity. It defines component units as legally separate organizations for which the elected officials of the primary government are financially accountable and together organizations for which the nature and significance of their relationship with primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The District considered all potential component units in determining what organizations should be included in the financial statements. Based on these criteria, there are no component units to include in the District's financial statements.

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The District's fund is enterprise fund. Enterprise funds are proprietary funds used to account for business-like activities provided to the general public. These activities are finance primarily by user charges and the measurements of financial activity focuses on net income measurement similar to the private sector.

4. **CASH AND CASH EQUIVALENTS**

For the purpose of the statement of cash flows, the organization considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

5. **PROPERTY AND EQUIPMENT**

Property and equipment are carried at cost or, if donated, at the estimated fair value at the date of donation. The agency maintains a capitalization policy that recognizes the purchase of a fixed asset in nature (equipment and property with a useful life in excess of one year) as a fixed asset. This determination affects the method that the expense is recorded. The cash outflow is recorded as an asset rather than an expense and is shown on the statement of the financial position (balance sheet) rather than on the statement of activities (operating statement income statement) where expenses usually are recorded if not capitalized.

6. **DONATED ASSETS**

Donated non-cash donations are recorded as contributions at their estimated fair values at the date of donation.

**NOTE B: CASH AND INVESTMENTS**

Unrestricted cash consists of the following cash and equivalents.

Cash Checking	\$ 14,676
Cash Savings	24,771
Certificate of Deposit	<u>5,969</u>
TOTAL CASH	<u>\$ 45,416</u>

At December 31, 2015 there were no short term investments on hand deemed to be cash equivalents. At the date of this report all cash accounts were fully insured by FDIC insurance

**NOTE C: INVENTORY**

Expendable items are reflected as expenditures as purchased. Merchandise on hand at December 31, 2015 is determined as immaterial, therefore no inventories have been reflected in the Financial Statements.

**NOTE D: ACCOUNTS RECEIVABLE**

Accounts receivable are written off when it has been determined that they are uncollectible and are recorded as bad debt at that time. The majority of receivables are from water customers and service contracts.

**NOTE E: INVESTMENTS**

At year end there were no investments

**NOTE F: 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. Accordingly, actual results could differ from those estimates.

**NOTE G: CONCENTRATION OF RISK**

The operation of the organization is dependent upon water sales contracts and grants. Should an economic downturn affect these sources the organizations ability to continue to provide services at current levels may be impacted.

**NOTE M: FIXED ASSETS**

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>
Buildings	\$ 2,056	\$ 1,000	\$ 0	\$ 3,056
Equipment	25,816	0	0	25,816
Land	15,000	0	0	15,000
Water System	5,000	8,544	0	13,544
Total	\$ 47,872	\$ 0	\$ 0	\$ 57,416
Accumulated Depreciation	(29,301)	(636)	\$ 0	\$ (29,937)
Net Book Value	\$ 18,571	\$ 8,908	\$ 0	\$ 27,479

Estimated useful lives for depreciation purposes are as follows:

- Buildings - 20 years
- Equipment - 10 years
- Water System - 40 years



**NOTE O: SUBSEQUENT EVENTS**

Subsequent events have been evaluated through March 24, 2017, which is the date the financial statements were available to be issued.