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AUDIT REPORT
CREEK COUNTY RURAL WATER DISTRICT NO. 4
SAPULPA, OKLAHOMA
FOR YEARS ENDED DECEMBER 31, 2011 AND 2010

Audited by

JACK H. JENKINS
CERTIFIED PUBLIC ACCOUNTANT
A PROFESSIONAL CORPORATION
TULSA, OK

**CREEK COUNTY RURAL WATER DISTRICT NO. 4
SAPULPA, OKLAHOMA
DECEMBER 31, 2011**

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**CREEK COUNTY RURAL WATER DISTRICT NO. 4
BOARD OF DIRECTORS
DECEMBER 31, 2011**

BOARD OF DIRECTORS

Chairman	Michael Houser
Vice-Chairman	Vacant
Secretary/Treasurer	Delores Harper
Member	Louis Beaumont
Member	Steven Redfern

OPERATOR

Don Tunnell

BOOKKEEPER

Loretta Kelch



Jack H. Jenkins, CPA *A Professional Corporation*

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Creek County Rural Water District No. 4
Sapulpa, Oklahoma 74066

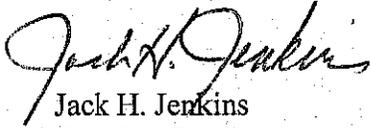
I have audited the accompanying financial statements of the business-type activities of the Creek County Rural Water District No. 4, Sapulpa, Oklahoma, as of and for the years ended December 31, 2011 and 2010, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. My responsibility is to express an opinion on these financial statements based on my audits.

I conducted my 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 I 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. I believe that my audits provide a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Creek County Rural Water District No. 4, Sapulpa, Oklahoma, as of December 31, 2011 and 2010, and the respective changes in financial position and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Management has elected to omit the Management Discussion and Analysis, which is considered required supplementary information. Due to this omission, the usefulness and accessibility of the financial statements are limited to the District's management. The omission of this information does not affect the opinion expressed on the financial statements as a whole.

In accordance with *Government Auditing Standards*, I have also issued a report dated April 20, 2012, on my consideration of the District's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grants. 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 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 considered in assessing the results of my audit.



Jack H. Jenkins
Certified Public Accountant, P.C.

April 20, 2012



Jack H. Jenkins, CPA *A Professional Corporation*

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

Board of Directors
Creek County Rural Water District No. 4
Sapulpa, Oklahoma 74066

I have audited the financial statements of the Creek County Rural Water District No. 4, Sapulpa, Oklahoma, as of and for the years ended December 31, 2011 and 2010, and have issued my report thereon dated April 20, 2012. I conducted my 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 my audit, I considered the District's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the combined financial statements - regulatory basis, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the District's internal control over financial reporting.

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 misstatements 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.

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 over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of 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 is required to be reported under *Government Auditing Standards*.

This report is intended for the information of the board of directors and management, and is not intended and should not be used by anyone other than these specified parties.



Jack H. Jenkins
Certified Public Accountant, P.C.

April 20, 2012

**CREEK COUNTY RURAL WATER DISTRICT NO. 4
SCHEDULE OF AUDIT RESULTS
DECEMBER 31, 2011**

There were no material findings.

**CREEK COUNTY RURAL WATER DISTRICT NO. 4
STATEMENT OF NET ASSETS
FOR YEARS ENDED DECEMBER 31, 2011 & 2010**

	December 31,	
<u>ASSETS</u>	<u>2011</u>	<u>2010</u>
Current assets:		
Cash in bank	\$ 54,812	48,780
Investments	388,847	378,842
Accounts receivable	25,638	24,433
Prepaid insurance	956	939
Total current assets	470,253	452,994
Noncurrent assets:		
Capital Assets:		
Water system fixed assets	217,039	217,039
Office furniture and equipment	10,175	10,175
Less: accumulated depreciation	(133,469)	(130,461)
Total noncurrent assets	93,745	96,753
Total Assets	563,998	549,747
 <u>LIABILITIES</u>		
Current Liabilities:		
Accounts payable	7,265	8,197
Payroll taxes payable	958	898
Funds held for Taneha Utilities Authority	28,729	28,898
Total current liabilities	36,952	37,993
Non-current Liabilities		
Customer deposits	7,874	7,824
Total non-current liabilities	7,874	7,824
Total Liabilities	44,826	45,817
 <u>NET ASSETS</u>		
Invested in capital assets, net of related debt	93,745	96,753
Unrestricted	425,427	407,177
Total Net Assets	\$ 519,172	503,930

The accompanying notes are an integral part of the financial statements

CREEK COUNTY RURAL WATER DISTRICT NO. 4
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
FOR YEARS ENDED DECEMBER 31, 2011 & 2010

	December 31,	
	2011	2010
Operating Revenues:		
Water sales	\$ 126,044	133,496
Transfer fees	100	75
Tap sales	500	
Reconnect fees	450	300
Penalties		80
Other income	1,317	576
Reimbursement from Taneha Utilities Authority	48,424	48,493
Total operating revenues	176,835	183,020
Operating Expenses:		
Water purchased	43,577	45,725
Repair and installation	38,650	52,650
Maintenance supplies	8,177	5,654
Salaries and payroll taxes	47,396	42,403
Contract labor		324
Professional services	6,500	7,550
Office expense	5,521	5,963
Insurance	9,606	9,485
Depreciation	3,008	3,159
Rent and telephone	4,708	4,859
Dues and fees	1,011	709
Water samples	600	600
Miscellaneous	2,843	611
Total operating expenses	171,597	179,692
Operating Income (Loss)	5,238	3,328
Non-Operating Revenues (Expenses):		
Interest/Dividend income	7,715	14,812
Gain/(loss) on investments	3,698	991
Fiduciary fees on investments	(1,409)	(1,686)
Total non-operating revenues (expenses)	10,004	14,117
Changes in Net Assets	15,242	17,445
Total Net Assets, beginning of period	503,930	486,485
Total Net Assets, end of period	\$ 519,172	503,930

The accompanying notes are an integral part of the financial statements

CREEK COUNTY RURAL WATER DISTRICT NO. 4
STATEMENT OF CASH FLOWS
FOR YEARS ENDED DECEMBER 31, 2011 & 2010

	December 31,	
	2011	2010
Cash Flows from Operating Activities:		
Cash received from customers	\$ 127,206	128,178
Cash received from Taneha Utilities Authority	48,424	48,493
Cash paid to employees	(47,396)	(42,403)
Cash paid to suppliers	(122,202)	(123,709)
Net cash flows from operating activities	6,032	10,559
Cash Flows from Investing Activities:		
Net cash flows from investing activities	-	-
Cash Flows from Financing Activities:		
Net cash flows from financing activities	-	-
Net increase (decrease) in cash and cash equivalents	6,032	10,559
Cash and cash equivalents, beginning of period	48,780	38,221
Cash and cash equivalents, end of period	\$ 54,812	48,780
	54812	
Reconciliation of operating income (loss) to net cash provided by operating activities:		
Operating income (loss)	\$ 5,238	3,328
Add depreciation expense	3,008	3,159
Less capital outlay		
(Increase)/Decrease in Current Assets		
Accounts receivable, net	(1,205)	(6,349)
Prepaid expenses	(17)	38
Increase/(Decrease) in Current Liabilities		
Accounts payable	(1,102)	10,245
Customer deposits	50	80
Payroll taxes payable	60	58
Net cash flows from operating activities	\$ 6,032	10,559

The accompanying notes are an integral part of the financial statements

**CREEK COUNTY RURAL WATER DISTRICT NO. 4
NOTES TO FINANCIAL STATEMENTS
FOR YEARS ENDED DECEMBER 31, 2011 AND 2010**

Note 1 – Organization

Creek County Rural Water District No. 4, Sapulpa, Oklahoma, is recognized as a public not for profit rural water district under Oklahoma Statutes, Title 82. The purpose of the organization is to provide water to residential and commercial customers who are members of the District.

Note 2 – Summary of significant accounting policies

Reporting Entity

Creek County Rural Water District No. 4 is an independent, self-contained reporting entity with no associated component units. It is operated in a manner similar to a private business enterprise where the cost of providing water services is financed through user charges. The District purchases water primarily from the city of Sapulpa.

Measurement Focus, Basis of Accounting and Basis of Presentation – Fund Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with Generally Accepted Accounting Principles promulgated in the United States of America. The accounting and financial reporting treatment is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operation are included on the balance sheet. The operating statements present increases and decreases in net total assets. Depreciation expense is provided for capital assets based upon estimated useful lives.

Financial activity is accounted for on the flow of economic resources measurement focus using the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

Accounts Receivable

Billings for accounts receivable at December 31, 2011 and 2010 were \$25,638 and \$24,433, respectively. No computation was made for allowance for doubtful accounts, which is not considered to be material to the financial statements. The aging of these accounts are detailed as follows:

	December 31,	
	<u>2011</u>	<u>2010</u>
1-30 days	<u>\$25,638</u>	<u>\$24,433</u>

**CREEK COUNTY RURAL WATER DISTRICT NO. 4
NOTES TO FINANCIAL STATEMENTS
FOR YEARS ENDED DECEMBER 31, 2011 AND 2010**

Note 2 – Summary of significant accounting policies – cont'd

Inventory

Inventory is expensed when used and the amount of inventory on hand was deemed to be immaterial to the financial statements.

Property and Equipment

Property and equipment is recorded at cost when purchased. Depreciation expense is recorded using the straight-line method over the estimated useful life of the asset. Water line extensions and improvements are depreciated using a 40-year life. Equipment is depreciated using a 5 year life. Water system improvements constructed by the District include capitalizing the direct cost of materials and labor. If an asset is permanently impaired in value, the asset cost is written down to market value. Line extension costs reimbursed by the customer are not capitalized and accordingly not depreciated.

Cash and Cash Equivalents

Cash and cash equivalents, shown in the financial statements, are amounts that are not subject to fluctuations in principal value due to changing market conditions and have a maturity of less than three months.

Custodial Credit Risk

At December 31, 2011 and 2010, the District held deposits at financial institutions of approximately \$443,659 and \$427,622, respectively. The District's cash deposits are entirely covered by Federal Depository Insurance.

Note 3 – Accumulated Unpaid Vacation and Sick Pay

At December 31, 2011 and 2010, no determination of the aggregate dollar value of vacation and sick pay had been made.

Note 4 – Contingent Liabilities

The District had no known contingent liabilities as of the balance sheet date.

**CREEK COUNTY RURAL WATER DISTRICT NO. 4
NOTES TO FINANCIAL STATEMENTS
FOR YEARS ENDED DECEMBER 31, 2011 AND 2010**

Note 5 – Risk Management

Creek County Rural Water District No. 4 is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District continues to carry commercial insurance for these risks, including general and auto liability, property damage, and public officials liability. Settled claims resulting from these risks have not exceeded the commercial insurance coverage in any of the past three fiscal years.

Note 6 – Capital Assets

The following is a summary of changes in property, plant and equipment:

	Balance December 31, 2010	Additions	Deletions	Balance December 31, 2011
Water System & Equipment	\$ 217,039			217,039
Office Furniture & Equipment	10,175			10,175
Less accumulated depreciation	(130,461)	(3,008)		(133,469)
Net	<u>\$ 96,753</u>	<u>(3,008)</u>		<u>93,745</u>