

WOODWARD COUNTY RURAL WATER DISTRICT NO. 1

ANNUAL FINANCIAL STATEMENTS

YEAR ENDED OCTOBER 31, 2011

WOODWARD COUNTY RURAL WATER DISTRICT NO. 1
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YEAR ENDED OCTOBER 31, 2011

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Independent Auditor's Report

Board of Directors
Woodward County Rural Water District No. 1

We have audited the accompanying financial statements of Woodward County Rural Water District No. 1 as of October 31, 2011 and for the year then ended. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *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 statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above, present fairly, in all material respects, the financial position of Woodward County Rural Water District No. 1 as of October 31, 2011 and the changes in financial position and cash flows 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 a report dated February 5, 2012 on our consideration of Woodward County Rural Water District No. 1's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants 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 audit.

Woodward County Rural Water District No. 1 has not presented the Management's Discussion and Analysis that the Governmental Accounting Standards Board requires to supplement, although, not be a part of the basic financial statements.



Kimberlye R. Mayer, CPA, P.C.
Blackwell, Oklahoma
February 5, 2012

REPORT 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*

Board of Directors
Woodward County Rural Water District No. 1

We have audited the financial statement of Woodward County Rural Water District No. 1 as of October 31, 2011 and for the year then ended, and have issued our report thereon dated February 5, 2012. We conducted our 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. Woodward County Rural Water District No. 1 has not presented the Management's Discussion and Analysis that the Governmental Accounting Standards Board requires to supplement, although, not be a part of the basic financial statements.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Woodward County Rural Water District No. 1's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Woodward County Rural Water District No. 1's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Woodward County Rural Water District No. 1's internal control over financial reporting.

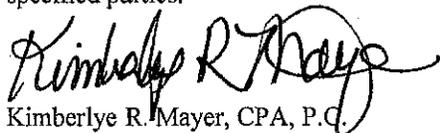
A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting 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. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weakness, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Woodward County Rural Water District No. 1's financial statements are free of material misstatements, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the board of directors, others within the District, and Rural Development, USDA and is not intended to be and should not be used by anyone other than these specified parties.



Kimberlye R. Mayer, CPA, P.C.
Blackwell, Oklahoma
February 5, 2012

FINANCIAL STATEMENTS

AND

NOTES

WOODWARD COUNTY RURAL WATER DISTRICT NO. 1
STATEMENT OF NET ASSETS
OCTOBER 31, 2011

ASSETS

Current Assets:

Cash and cash equivalents (Note 2)	\$ 18,267
Accounts receivable (Note 3)	31,182
Interest receivable	12
Inventory	9,995
Total Current Assets	59,456
Capital reserve account	90,285
Reserve deposits	2,000
Water system (net of accumulated depreciation) (Note 4)	1,641,878
Total Assets	\$ 1,793,619

LIABILITIES AND NET ASSETS

Current Liabilities:

Accounts payable	\$ 6,400
Payroll taxes due	920
Notes payable (current portion) (Note 6)	157,900
Total Current Liabilities	165,220
Total Liabilities	165,220

Net Assets:

Invested in capital assets, net of related debt	1,483,978
Unrestricted	144,421
Total Net Assets	1,628,399
Total Liabilities and Net Assets	\$ 1,793,619

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

WOODWARD COUNTY RURAL WATER DISTRICT NO. 1
 STATEMENT OF REVENUES AND EXPENSES AND CHANGES IN NET ASSETS
 YEAR ENDED OCTOBER 31, 2011

Operating Revenue:	
Water sales	\$ 196,386
Other income	3,835
Total Operating Revenue	200,221
Operating Expense:	
Payroll	37,464
Payroll taxes	3,103
Administration and travel	15,590
Insurance and bonds	5,044
Professional fees	1,220
Repairs and maintenance	30,048
Chemicals	3,791
DEQ fees	1,991
Utilities	24,793
Depreciation	55,814
Other expense	1,279
Total Operating Expense	180,137
Income (Loss) From Operations	20,084
Non-operating Revenue (Expense):	
Benefit units	7,300
Interest income	649
Interest expense	(10,090)
Total Non-operating Revenue (Expense)	(2,141)
Change in Net Assets	17,943
Net Assets, beginning of year	1,610,456
Net Assets, end of year	\$ 1,628,399

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

WOODWARD COUNTY RURAL WATER DISTRICT NO. 1
STATEMENT OF CASH FLOWS
YEAR ENDED OCTOBER 31, 2011

Cash Flows From Operating Activities:	
Cash received from customers	\$ 202,817
Cash payments to employees	(37,464)
Cash payments to suppliers for goods and services	(81,379)
Net cash provided (used) by operating activities	<u>83,974</u>
Cash flows from non-capital financing activities:	
Cash flows from capital and related financing activities:	
Acquisition and construction of capital assets	(28,719)
Principal paid on notes	(36,400)
Interest paid on notes and loans	(10,090)
New memberships	7,300
Net cash provided (used) by financing activities	<u>(67,909)</u>
Cash flows from investing activities:	
Interest on cash and investments	649
(Increase) decrease in reserve accounts	(15,197)
Net cash provided (used) by investing activities	<u>(14,548)</u>
Net increase (decrease) in cash and cash equivalents	1,517
Beginning cash and cash equivalents	16,750
Ending cash and cash equivalents	<u>\$ 18,267</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	\$ 20,084
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	55,814
Changes in assets and liabilities:	
(Increase) decrease in receivables	2,601
(Increase) decrease in inventory	4,404
Increase (decrease) in payables	1,071
Net cash provided (used) by operating activities	<u>\$ 83,974</u>

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

WOODWARD COUNTY RURAL WATER DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED OCTOBER 31, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Nature of Organization

Woodward County Rural Water District No. 1 was organized and established under the provisions of Title 82 of the laws of the State of Oklahoma. The purpose of this District is to furnish and supply to owners and occupants of property within the corporate limits water and related facilities and services.

The District is a governed entity administered by a Board of Directors that act as the authoritative and legislative body of the entity. The Board is comprised of elected board members.

Basis of Accounting

The accounting policies of Woodward County Rural Water District No. 1 conform to the basic principles of governmental accounting and financial reporting set forth by the Governmental Accounting Standards Board.

The District is classified as an Enterprise Fund. The costs of providing the water services to the public are financed mainly through user charges. The financial statements of the District have been prepared using the accrual basis of accounting. Their revenues are recognized when they are earned and their expenses are recognized when they are incurred.

Cash and Deposits

Cash and deposits are maintained in financial institutions which provide coverage to depositors through the Federal Deposit Insurance Corporation. The State of Oklahoma allows government entities to invest in the following: direct obligations of the United State Government, its agencies or instrumentalities; collateralized or insured certificates of deposit; insured savings accounts or savings certificates; or county, municipal or school district direct debt.

Net Assets

Net assets present the difference between assets and liabilities in the statement of net assets. Net assets invested in capital assets are reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are legal limitations imposed on their use by District legislation or external restrictions by creditors, grantors, laws or regulations of other governments.

NOTE 2 – CASH AND CASH EQUIVALENTS:

For the purpose of the Statement of Cash Flows, the District considers all highly liquid investments (excluding the reserve accounts) with a maturity of three months or less to be cash equivalents.

WOODWARD COUNTY RURAL WATER DISTRICT NO. 1
 NOTES TO FINANCIAL STATEMENTS
 YEAR ENDED OCTOBER 31, 2011

NOTE 3 – ACCOUNTS RECEIVABLES:

The accounts receivable balance at October 31, 2011 includes amounts due from customers for water service and reimbursements for road bores.

NOTE 4 – WATER SYSTEM:

Depreciable assets are recorded at cost when purchased or constructed. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not. Depreciation is calculated on a straight-line basis over the estimated useful lives of the depreciable assets. Total depreciation for the year ended October 31, 2011 was \$55,814. The following is a summary by category of changes in property and equipment:

Category	10/31/10	Additions	Deletions	10/31/11
Land	\$ 321,055	\$	\$	\$ 321,055
Buildings	9,500			9,500
Waterline system	2,443,589	28,719		2,472,308
Accumulated depreciation	(1,105,171)	(55,814)		(1,160,985)
Net	<u>\$ 1,668,973</u>	<u>\$ (27,095)</u>	<u>\$</u>	<u>\$ 1,641,878</u>

NOTE 5 – NOTES PAYABLE:

The note for interim financing for the purchase of 320 acres in the amount of \$320,000 carries an interest rate of 5.75%. The note is due on demand with a maturity date of November 3, 2012. A schedule of the loan activity during the year ended October 31, 2011 is as follows:

Principle balance at 10/31/10	\$ 194,300
Principle payments	<u>(36,400)</u>
Principle balance at 10/31/11	<u>\$ 157,900</u>

The following is a schedule of the District's future debt requirements.

<u>Year Ending</u>	<u>Payments</u>
10/31/11	\$ 166,980
Less interest	(9,080)
Net	<u>\$ 157,900</u>

WOODWARD COUNTY RURAL WATER DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED OCTOBER 31, 2011

NOTE 6 – ESTIMATES:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures 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 7-- RISK MANAGEMENT:

The District is exposed to various risks of losses related to torts; thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. The District manages this risk through the purchase of commercial insurance policies. Claims are recognized when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. In determining claims, events that might create claims, but for which none have been reported, are considered.

NOTE 8 – CONTINGENCIES:

As of October 31, 2011, the District did not have any pending litigation or potential non-disclosed liabilities that management believes would have a material effect on the financial statements.

NOTE 9 – EVALUATION OF SUBSEQUENT EVENTS:

The District has evaluated subsequent events through February 5, 2012, the date which the financial statements were available to be issued.