

**RURAL WATER DISTRICT NO. 4,  
KAY COUNTY, OKLAHOMA**

**ANNUAL FINANCIAL STATEMENTS**

**YEARS ENDED SEPTEMBER 30, 2011 AND 2010**

RURAL WATER DISTRICT NO. 4,  
KAY COUNTY, OKLAHOMA  
TABLE OF CONTENTS  
YEARS ENDED SEPTEMBER 30, 2011 AND 2010

	Page
<b>INTRODUCTORY SECTION:</b>	
Table of Contents	i
<b>FINANCIAL SECTION:</b>	
Independent Auditor's Report	1
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards.</i>	2
Financial Statements:	3
Statements of Assets, Liabilities, and Net Assets – Modified Cash Basis	4
Statements of Revenues, Expenses and Changes in Net Assets - Modified Cash Basis	5
Statements of Cash Flows – Modified Cash Basis	6
Notes to Financial Statements	7-9

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## Independent Auditor's Report

Board of Directors  
Rural Water District No. 4, Kay County, Oklahoma

We have audited the accompanying financial statements of Rural Water District No. 4, Kay County, Oklahoma as of September 30, 2011 and 2010 and for the years 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 audits.

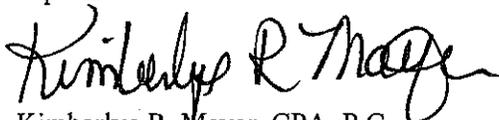
We conducted our audits in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance whether 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 included assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 1 Rural Water District No. 4, Kay County, Oklahoma prepared its financial statements on a modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above, present fairly, in all material respects, the financial position of Rural Water District No. 4, Kay County, Oklahoma, as of September 30, 2011 and 2010 and the results of its operations and its cash flows for the years then ended in conformity with the modified cash basis of accounting.

In accordance with *Government Auditing Standards*, we have also issued a report dated January 12, 2012 on our consideration of Rural Water District No. 4, Kay County, Oklahoma's internal control over financial reporting and on our tests of its compliance with certain 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.

Rural Water District No. 4, Kay County, Oklahoma has not presented the Management's Discussion and Analysis that the Government Accounting Standards Board requires to supplement, although, not be a part of the basic financial statements. The omission of this information does not affect the opinion expressed in the financial statements as a whole.



Kimberlye R. Mayer, CPA, P.C.  
Blackwell, Oklahoma  
January 12, 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  
Rural Water District No. 4, Kay County, Oklahoma

We have audited the financial statements of Rural Water District No. 4, Kay County, Oklahoma as of and for the years ended September 30, 2011 and 2010 and have issued our report thereon dated January 12, 2012. 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. The financial statements were prepared on the modified cash basis of accounting which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Rural Water District No. 4, Kay County, Oklahoma 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 Rural Water District No. 4, Kay County, Oklahoma'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 Rural Water District No. 4, Kay County, Oklahoma's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Rural Water District No. 4, Kay County, Oklahoma's internal control over financial reporting.

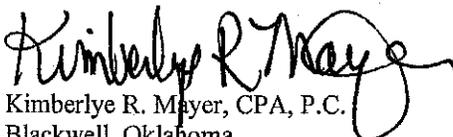
A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination 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 Rural Water District No. 4, Kay County, Oklahoma's financial statements are free of material misstatement, 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 audits 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, and others within the District 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

January 12, 2012

FINANCIAL STATEMENTS

AND

NOTES

RURAL WATER DISTRICT NO. 4  
 KAY COUNTY, OKLAHOMA  
 STATEMENTS OF ASSETS, LIABILITIES AND NET ASSETS  
 MODIFIED CASH BASIS  
 SEPTEMBER 30, 2011 AND 2010

ASSETS

	<u>2011</u>	<u>2010</u>
Cash and cash equivalents	\$ 36,342	\$ 38,405
Capital assets (net of accumulated depreciation) (Note 2)	<u>79,446</u>	<u>82,601</u>
Total Assets	<u><u>\$ 115,788</u></u>	<u><u>\$ 121,006</u></u>

LIABILITIES AND NET ASSETS

Liabilities	\$	\$
Net Assets:		
Invested in capital assets	79,446	82,601
Unrestricted	<u>36,342</u>	<u>38,405</u>
Total Net Assets	<u>115,788</u>	<u>121,006</u>
Total Liabilities and Net Assets	<u><u>\$ 115,788</u></u>	<u><u>\$ 121,006</u></u>

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

RURAL WATER DISTRICT NO. 4  
 KAY COUNTY, OKLAHOMA  
 STATEMENTS OF REVENUES, EXPENSES AND  
 CHANGES IN NET ASSETS - MODIFIED CASH BASIS  
 YEARS ENDED SEPTEMBER 30, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
Operating Revenues		
Water service	\$ 66,059	\$ 51,530
Benefit units	1,750	750
Other income		
Total Operating Revenues	<u>67,809</u>	<u>52,280</u>
 Operating Expenses		
Contract labor	1,344	1,920
Water purchases	48,352	24,252
Repairs and maintenance	5,391	1,817
Mowing	875	900
Insurance	967	926
Licenses, dues and memberships	463	463
Water samples and fees	767	120
Meetings and administration	1,748	1,331
Office and postage	630	
Billing and collection costs	7,625	7,500
Telephone and answering service	624	
Professional fees	885	1,020
Other expenses	201	62
Depreciation	3,155	3,155
Total Operating Expenses	<u>73,027</u>	<u>43,466</u>
 Change in Net Assets	 (5,218)	 8,814
 Net Assets, beginning of year	 <u>121,006</u>	 <u>112,192</u>
 Net Assets, end of year	 <u><u>\$ 115,788</u></u>	 <u><u>\$ 121,006</u></u>

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

RURAL WATER DISTRICT NO. 4  
KAY COUNTY, OKLAHOMA  
STATEMENTS OF CASH FLOWS  
MODIFIED CASH BASIS  
YEARS ENDED SEPTEMBER 30, 2011 AND 2010

	2011	2010
Cash Flows From Operating Activities:		
Cash received from customers	\$ 67,809	\$ 52,280
Cash payments to suppliers for goods and services	(69,872)	(40,311)
Net cash provided (used) by operating activities	(2,063)	11,969
Cash flows from non-capital financing activities:		
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	—	—
Net cash provided (used) by financing activities	—	—
Cash flows from investing activities:	—	—
Net increase (decrease) in cash and cash equivalents	(2,063)	11,969
Beginning cash and cash equivalents	38,405	26,436
Ending cash and cash equivalents	\$ 36,342	\$ 38,405
Reconciliation of income (loss) from operations to net cash provided (used) by operating activities:		
Increase (decrease) in net assets	\$ (5,218)	\$ 8,814
Adjustments to reconcile income (loss) from operations to net cash provided (used) by operating activities:		
Depreciation	3,155	3,155
Net cash provided (used) by operating activities	\$ (2,063)	\$ 11,969

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

RURAL WATER DISTRICT NO. 4,  
KAY COUNTY, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED SEPTEMBER 30, 2011 AND 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Nature of Organization

The Rural Water District No. 4, Kay County, Oklahoma, was incorporated on November 22, 1976, under Title 82, Section 1324.1 as amended, of the laws of the State of Oklahoma. The District is exempt from Federal and State income tax. The purpose of the District is to provide water services to the owners and occupants of property located within the District, and other as authorized by law.

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

Basis of Accounting

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 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.

Cash and Deposits

Cash is 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.

RURAL WATER DISTRICT NO. 4  
 KAY COUNTY, OKLAHOMA  
 NOTES TO FINANCIAL STATEMENTS  
 YEARS ENDED SEPTEMBER 30, 2011 AND 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

Statement of Cash Flows

For the purposes of the Statement of Cash Flows, the District considers all checking accounts and deposits with a maturity of three months or less to be cash equivalents.

NOTE 2 – PROPERTY, PLANT, AND EQUIPMENT:

Depreciable assets are recorded at cost when purchased or constructed. Depreciation is calculated on a straight-line basis over the estimated useful lives of the depreciable assets. Total depreciation for the year ended September 30, 2011 was \$3,155. The balances for depreciable assets at September 30, 2011 and 2010 by major category are as follows:

	Balance at Sept. 30, 2010	Additions	Balance at Sept. 30, 2011
Waterline system	\$ 145,652	\$	\$ 145,652
Accumulated depreciation	(63,051)	(3,155)	(66,206)
Net	<u>\$ 82,601</u>	<u>\$ (3,155)</u>	<u>\$ 79,446</u>

NOTE 3- ESTIMATES.

The preparation of financial statements in conformity with the modified cash basis of accounting requires 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 4 – RISK MANAGEMENT:

The District is exposed to various risks of loss related to torts; thefts of, damages 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 probably 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.

RURAL WATER DISTRICT NO. 4,  
KAY COUNTY, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED SEPTEMBER 30, 2011 AND 2010

NOTE 5 – CONTINGENCIES:

As of September 30, 2011, the District did not have any pending litigation or potential non-disclosed liabilities that management believes would have a material effect of the financial statements.

NOTE 6 – EVALUATION OF SUBSEQUENT EVENTS:

The District has evaluated subsequent events through January 12, 2012, the date which the financial statements were available to be issued.