

R & C WATER AUTHORITY
ANNUAL FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2011 AND 2010

R & C WATER AUTHORITY
ANNUAL FINANCIAL REPORT
TABLE OF CONTENTS
YEARS ENDED DECEMBER 31, 2011 AND 2010

	Page
INTRODUCTORY SECTION:	
Table of Contents	i
FINANCIAL SECTION:	
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

Kimberlye R. Mayer, CPA, P.C.

735 West Doolin

Blackwell, OK 74631

(580) 363-1453
Fax (580) 363-0068

Independent Auditor's Report

Board of Trustees
R & C Water Authority

We have audited the accompanying financial statements of R & C Water Authority as of December 31, 2011 and 2010 and for the years then ended. These financial statements are the responsibility of the Authority'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, R & C Water Authority prepared its financial statements on the 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 R & C Water Authority as of December 31, 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 March 6, 2012 on our consideration of R & C Water Authority'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.

R & C Water Authority 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
March 6, 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 Trustees
R & C Water Authority

We have audited the financial statements of R & C Water Authority as of and for the year ended December 31, 2011 and have issued our report thereon dated March 6, 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. R & C Water Authority 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 R & C Water Authority'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 R & C Water Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the R & C Water Authority's internal control over financial reporting.

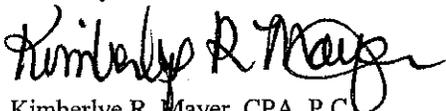
A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A material weakness is a deficiency, or combination of control deficiencies, in internal control that there is reasonable possibility that a material misstatement of the entity's financial statements that is more than inconsequential 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 R & C Water Authority'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 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 trustees, and others within the Authority 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
March 6, 2012

FINANCIAL STATEMENTS

AND

NOTES

R & C WATER AUTHORITY
 STATEMENTS OF ASSETS, LIABILITIES AND NET ASSETS
 MODIFIED CASH BASIS
 DECEMBER 31, 2011 AND 2010

ASSETS

	<u>2011</u>	<u>2010</u>
Current Assets		
Cash and cash equivalents (Note 2)	\$ 88,442	\$ 72,695
Certificates of deposit	<u>55,584</u>	<u>54,950</u>
Total Current Assets	144,026	127,645
Waterline system (net of accumulated depreciation) (Note 3)	<u>108,068</u>	<u>115,582</u>
Total Assets	<u><u>\$ 252,094</u></u>	<u><u>\$ 243,227</u></u>

LIABILITIES AND NET ASSETS

Liabilities	\$	\$
Net Assets:		
Invested in capital assets, net of related debt	108,068	115,582
Unrestricted	<u>144,026</u>	<u>127,645</u>
Total Net Assets	<u>252,094</u>	<u>243,227</u>
Total Liabilities and Net Assets	<u><u>\$ 252,094</u></u>	<u><u>\$ 243,227</u></u>

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

R & C WATER AUTHORITY
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
MODIFIED CASH BASIS
YEARS ENDED DECEMBER 31, 2011 AND 2010

	2011	2010
Operating Revenues:		
Water service	\$ 153,021	\$ 133,965
Operating Expenses		
Water purchases	56,853	46,736
Bookkeeper fees	6,600	6,600
Operator fees	21,600	21,600
Repairs and maintenance	38,273	20,568
Depreciation	15,399	18,362
Insurance and bonds	705	698
Professional fees	1,015	900
Office & postage	1,957	2,358
Utilities	5,214	4,780
Other expenses	551	235
Total Operating Expenses	148,167	122,837
Operating Income (Loss)	4,854	11,128
Nonoperating Revenues (Expenses):		
Interest income	763	1,230
System development fees	3,250	2,250
Total Nonoperating Revenues (Expenses)	4,013	3,480
Changes in Net Assets	8,867	14,608
Net Assets, beginning of year	243,227	228,619
Net Assets, end of year	\$ 252,094	\$ 243,227

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

R & C WATER AUTHORITY
 STATEMENTS OF CASH FLOWS
 MODIFIED CASH BASIS
 YEARS ENDED DECEMBER 31, 2011 AND 2010

	2011	2010
Cash Flows From Operating Activities:		
Cash received from customers	\$ 153,021	\$ 133,965
Cash payments to suppliers for goods and services	(132,768)	(104,475)
Net cash provided (used) by operating activities	20,253	29,490
 Cash flows from non-capital financing activities:		
 Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	(7,885)	
System development fees	3,250	2,250
Net cash provided (used) by financing activities	(4,635)	2,250
 Cash flows from investing activities:		
Interest on cash and investments	763	1,230
Increase in certificates of deposit	(634)	(1,059)
Net cash provided (used) by investing activities	129	171
 Net increase (decrease) in cash and cash equivalents	15,747	31,911
 Beginning cash and cash equivalents	72,695	40,784
 Ending cash and cash equivalents	\$ 88,442	\$ 72,695
 Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	\$ 4,854	\$ 11,128
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation	15,399	18,362
Changes in assets and liabilities:		
Net cash provided (used) by operating activities	\$ 20,253	\$ 29,490

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

R & C WATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2011 AND 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Nature of Organization

R & C Water Authority was created under the provisions of Title 60 of the Oklahoma Statutes, 1981, the Oklahoma Trust Act, and the laws of the State of Oklahoma. The purpose of this trust is to furnish and supply to owners and occupants of property within the corporate limits of its Beneficiary (Grant County), water and related facilities and services.

The Authority is governed by an elected Board of Trustees that acts as the authoritative and legislative body of the entity.

Basis of Accounting

The Authority 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 Authority have been prepared using the modified cash basis of accounting. This basis recognizes assets, liabilities, net assets/funds equity, revenues, and expenditures/expenses when they result from cash transactions with 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 the 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 States 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.

Income Taxes

As provided in Title 60, Oklahoma Statutes, R & C Water Authority is a tax-exempt public trust; consequently, no provision has been made for income taxes.

R & C WATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2011 AND 2010

NOTE 2 – CASH AND CASH EQUIVALENTS:

The Authority considers all checking and savings accounts to be cash equivalents.

NOTE 3 – WATERLINE SYSTEM:

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 years ended December 31, 2011 and 2010 was \$15,399 and \$18,362 respectively. The balances for depreciable assets by major category for the year ended December 31, 2011 are as follows:

	Balance at 12/31/10	Additions	Balance at 12/31/11
Office equipment	\$ 953	\$	\$ 953
Waterline system	810,061	7,885	817,946
Accumulated depreciation	(695,432)	(15,399)	(710,831)
Net	<u>\$ 115,582</u>	<u>\$ (7,514)</u>	<u>\$ 108,068</u>

NOTE 4 – 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 amount of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

NOTE 5 – RISK MANAGEMENT:

The Authority is exposed to various risks or losses related to torts; thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority 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 non have been reports, are considered. There were no claims during the year ended December 31, 2011.

R & C WATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2011 AND 2010

NOTE 6 – CONTINGENCIES:

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

NOTE 7 – 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 Authority legislation or external restrictions by creditors, grantors, laws or regulations of other governments.

NOTE 8 – EVALUATION OF SUBSEQUENT EVENTS:

The Authority has evaluated subsequent events through March 6, 2012, the date which the financial statements were available to be issued.