

**LEFLORE COUNTY RURAL WATER DISTRICT NO. 17**

**ANNUAL FINANCIAL STATEMENTS**

**YEARS ENDED DECEMBER 31, 2011 AND 2010**

LEFLORE COUNTY RURAL WATER DISTRICT NO. 17,  
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## Independent Auditor's Report

Board of Directors  
Leflore County Rural Water District No. 17,

We have audited the statements of assets, liabilities and net assets – modified cash basis of Leflore County Rural Water District No. 17 as of December 31, 2011 and 2010 and the related statements of revenues and expenses, and changes in net assets and cash flows – modified cash basis 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.

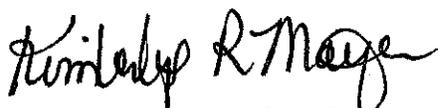
We conducted our audits in accordance with auditing standards generally accepted in the United States of America and those standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan 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 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 audits provide a reasonable basis for our opinion.

As discussed in Note 1, Leflore County Rural Water District No. 17 prepares its financial statements 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.

In our opinion, the financial statements referred to above, present fairly, in all material respects, the statements of assets, liabilities and net assets – modified cash basis of Leflore County Rural Water District No. 17 as of December 31, 2011 and 2010 and its revenues and expenses and changes in net assets and cash flows – modified cash basis for the years then ended.

In accordance with *Government Auditing Standards*, we have also issued a report dated June 12, 2012 on our consideration of the District's internal controls 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 audits.

Leflore County Rural Water District No. 17 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  
June 12, 2012

INDEPENDENT AUDITOR'S 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  
Leflore County Rural Water District No. 17

We have audited the financial statements of Leflore County Rural Water District No. 17 as of and for the year ended December 31, 2011 and have issued our report thereon dated June 12, 2012. We conducted our 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. 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. Leflore County Rural Water District No. 17 has not presented the Management's Discussion and Analysis that the Governmental Accounting Standards Boards requires to supplement, although, not be a part of the basic financial statements.

Internal Control Over Financial Reporting

In planning and performing our audits, we considered the Leflore County Rural Water District No. 17'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 Leflore County Rural Water District No. 17's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Leflore County Rural Water District No. 17's internal control over financial reporting.

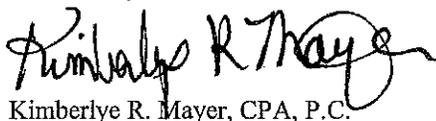
A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A material weakness is a deficiency, or combination of control deficiencies, 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 Leflore County Rural Water District No. 17'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 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  
June 12, 2012

FINANCIAL STATEMENTS

AND

NOTES

LEFLORE COUNTY RURAL WATER DISTRICT NO. 17  
 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	\$ 27,419	\$ 75,424
Certificates of deposit	145,000	155,739
Total Current Assets	<u>172,419</u>	<u>231,163</u>
Capital assets (net of accumulated depreciation) (Note 2)	<u>1,248,596</u>	<u>1,251,226</u>
Total Assets	<u><u>\$ 1,421,015</u></u>	<u><u>\$ 1,482,389</u></u>

LIABILITIES AND NET ASSETS

Liabilities:	\$	\$
Net Assets:		
Invested in capital assets	1,248,596	1,251,226
Unrestricted	<u>172,419</u>	<u>231,163</u>
Total Net Assets		
Total Liabilities and Net Assets	<u><u>\$ 1,421,015</u></u>	<u><u>\$ 1,482,389</u></u>

LEFLORE COUNTY RURAL WATER DISTRICT NO. 17  
 STATEMENTS OF REVENUES AND EXPENSES AND CHANGES IN NET ASSETS  
 MODIFIED CASH BASIS  
 YEARS ENDED DECEMBER 31, 2011 AND 2010

	2011	2010
Operating Revenues:		
Water service	\$ 55,474	\$ 62,226
Miscellaneous income	1,836	1,064
Total Operating Revenues	57,310	63,290
Operating Expenses:		
Water purchases	15,119	27,327
Utilities	1,830	2,234
Repairs and maintenance	15,975	15,621
Auto expenses	7,906	3,718
Office supplies and postage	925	2,396
Insurance and bonds	4,933	4,351
Auditing, accounting and legal fees	4,633	6,130
Personnel costs	32,105	25,698
Travel and meals	159	159
Depreciation	36,294	33,841
DEQ fees	510	887
Dues, memberships and fees	958	815
Telephone	1,600	1,686
Total Operating Expenses	122,947	124,863
Operating Income (Loss)	(65,637)	(61,573)
Nonoperating Revenues (Expenses):		
Interest income	1,257	4,116
Memberships	3,006	1,392
Total Nonoperating Revenues (Expenses)	4,263	5,508
Changes in net assets	(61,374)	(56,065)
Net assets, beginning of year	1,482,389	1,538,454
Net assets, end of year	\$ 1,421,015	\$ 1,482,389

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

LEFLORE COUNTY RURAL WATER DISTRICT NO. 17  
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	\$ 55,474	\$ 62,226
Other operating cash receipts	1,836	1,064
Cash payments to employees	(30,004)	(24,169)
Cash payments to suppliers for goods and services	(56,649)	(66,853)
Net cash provided (used) by operating activities	(29,343)	(27,732)
 Cash flows from non-capital financing activities:		
 Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	(33,664)	(34,984)
Membership fees	3,006	1,392
Net cash provided (used) by financing activities	(30,658)	(33,592)
 Cash flows from investing activities:		
Interest income	1,257	4,116
(Increase) decrease in CDs	10,739	48,675
Net cash provided (used) by investing activities	11,996	52,791
 Net increase (decrease) in cash and cash equivalents	(48,005)	(8,533)
Beginning cash and cash equivalents	75,424	83,957
Ending cash and cash equivalents	\$ 27,419	\$ 75,424
 Reconciliation of income (loss) from operations to net cash provided (used) by operating activities:		
Operating income or loss	\$ (65,637)	\$ (61,573)
Adjustments to reconcile income (loss) from operations to net cash provided (used) by operating activities:		
Depreciation	36,294	33,841
Net cash provided (used) by operating activities	\$ (29,343)	\$ (27,732)

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

LEFLORE COUNTY RURAL WATER DISTRICT NO. 17  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2011 AND 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Nature of Organization

Leflore County Rural Water District No. 17 was organized under the Rural Water District Act of the Oklahoma State Statutes, Title 82, 1301-1321, as amended. The purpose of the District is to acquire water and water rights; to build and acquire waterlines and other facilities; and to operate the same for the purpose of furnishing water to serve the needs of owners and occupants of land located within the District, and others as authorized by the Bylaws.

The District is a governed entity governed 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 maintains its records and prepares its financial statements on the modified cash basis of accounting. Under the modified cash basis, revenues are recognized when received, rather than when earned, and expenditures are recognized when paid, rather than when incurred. Fixed assets are recorded at cost when purchased. Annual depreciation is calculated on a straight-line basis. Total depreciation for the year ended December 31, 2011 was \$36,294.

Cash and Deposits

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.

Cash is maintained in financial institutions, which provide coverage to depositors through the Federal Deposit Insurance Corporation.

Statement of Cash Flows

For the purposes of the Statement of Cash Flows, the District considers all accounts (excluding restricted reserves), with a maturity of three months or less to be cash equivalents.

Budget

The District is not legally required to adopt a budget.

LEFLORE COUNTY RURAL WATER DISTRICT NO. 17  
 NOTES TO FINANCIAL STATEMENTS  
 YEARS ENDED DECEMBER 31, 2011 AND 2010

NOTE 2 – PROPERTY AND EQUIPMENT:

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 expendable. Annual depreciation is calculated on a straight-line basis. The balances for depreciable assets by major category are as follows:

	12/31/2010	Additions	12/31/2011
Land	\$ 5,000	\$	\$ 5,000
Waterline system	1,454,293	23,308	1,477,601
Office building	28,500		28,500
Office equipment and tools	2,446		2,446
Vehicles and machinery	38,606	5,502	44,108
	<u>1,528,845</u>	<u>28,810</u>	<u>1,557,655</u>
Accumulated depreciation	(277,619)	(31,440)	(309,059)
Net	<u>\$ 1,251,226</u>	<u>\$ (2,630)</u>	<u>\$ 1,248,596</u>

NOTE 3 – 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 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. There were no claims during the year ended December 31, 2011 and 2010.

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 amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

NOTE 5 – CONTINGENCIES:

As of December 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.

LEFLORE COUNTY RURAL WATER DISTRICT NO. 17  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2011 AND 2010

NOTE 6 – EVALUATION OF SUBSEQUENT EVENTS:

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