

**RURAL WATER, SEWER, GAS AND SOLID WASTE
MANAGEMENT DISTRICT NO. 6
CHOCTAW COUNTY, OKLAHOMA**

INDEPENDENT AUDITOR'S REPORT

AS OF AND FOR THE YEAR ENDED

DECEMBER 31, 2011

**BROWN & DAVIS, LLP
CERTIFIED PUBLIC ACCOUNTANTS**

**RURAL WATER, SEWER, GAS AND SOLID WASTE MANAGEMENT
DISTRICT NO. 6, CHOCTAW COUNTY, OKLAHOMA**

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	3
MANAGEMENT'S DISCUSSION AND ANALYSIS	4-5
BASIC FINANCIAL STATEMENTS:	
Statements of Net Assets - Proprietary Fund	6
Statements of Revenues, Expenses, and Changes in Fund Net Assets - Proprietary Fund	7
Statements of Cash Flows - Proprietary Fund	8
Notes to the Basic Financial Statements	9-13
 REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS	 14

BROWN & DAVIS, LLP

CERTIFIED PUBLIC ACCOUNTANTS

MEMBERS OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

BOBBY J. BROWN, CPA
VERÓNICA DAVIS, CPA
PO Box 1218 Denison, TX 75021-1218
Phone 903-463-3765 Fax 903-463-7262

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Rural Water, Sewer, Gas and
Solid Waste Management District No. 6
Choctaw County, Oklahoma

We have audited the accompanying financial statements of the business-type activities of Rural Water, Sewer, Gas and Solid Waste Management District Number 6, Choctaw County, Oklahoma (the District) as of and for the year ended December 31, 2011, which collectively comprises the District's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these basic financial statements based on our audit. We previously audited and reported on the financial statements of the District for the year ended December 31, 2010 and expressed an unqualified opinion on those financial statements in our report dated August 19, 2011.

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. 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 statement 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 the business-type activities of Rural Water, Sewer, Gas and Solid Waste Management District Number 6, Choctaw County, Oklahoma, as of December 31, 2011, and the respective changes in financial position and its 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 our report dated January 30, 2013 on our consideration of the District'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 considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



Brown & Davis, LLP
Certified Public Accountants
January 30, 2013

**RURAL WATER, SEWER, GAS AND SOLID WASTE
MANAGEMENT DISTRICT NO. 6, CHOCTAW COUNTY OKLAHOMA**

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Rural Water, Sewer, Gas and Solid Waste Management District No. 6, Choctaw County, Oklahoma's (the District) annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year ended December 31, 2011. Please read it in conjunction with the accompanying financial statements and disclosures.

Financial Statements

Operating revenue increased to \$212,356 for 2011 from \$200,661 for 2010 and operating expenses increased to \$255,087 from \$231,559 for the same years. There was a net loss from operations for 2011 of \$42,731 compared to \$30,898 for 2010.

Net assets decreased from December 31, 2010 to December 31, 2011 by \$54,157 and decreased from December 31, 2009 to December 31, 2010 by \$40,717.

Financial Highlights

A comparison between years is shown below for selected line items of the financial statements.

	<u>12/31/2010</u>	Increase <u>(Decrease)</u>	<u>12/31/2011</u>
<u>Assets</u>			
Cash and CD's	\$ 221,700	\$ 14,820	\$ 236,520
Accts receivable, net of allowance	14,973	951	15,924
Capital assets, net of depreciation	3,678,099	(81,441)	3,596,658
Other assets	1,890	(188)	1,702
Total assets	<u>\$ 3,916,662</u>	<u>\$ (65,858)</u>	<u>\$ 3,850,804</u>
<u>Liabilities</u>			
Accounts payable	\$ 6,346	\$ 3,128	\$ 9,474
Mortgage payable	1,151,998	(14,924)	1,137,074
Other liabilities	5,016	95	5,111
Total liabilities	<u>\$ 1,163,360</u>	<u>\$ (11,701)</u>	<u>\$ 1,151,659</u>
<u>Net Assets</u>			
Invested in capital assets, net of debt	\$ 2,526,101	\$ (66,517)	\$ 2,459,584
Restricted	66,456	-	66,456
Unrestricted	160,745	12,360	173,105
	<u>\$ 2,753,302</u>	<u>\$ (54,157)</u>	<u>\$ 2,699,145</u>

Debt

Most of the District's debt is a long-term note to the Rural Utilities Service agency of the U.S. Department of Agriculture for a loan of \$1,206,500 for water system improvements. The note has been paid down to a balance of \$1,137,074 at December 31, 2011. All payments due in 2011 were paid as required.

The following shows a comparison of selected operating revenues and expenses:

	Increase		
<u>Revenues</u>	<u>12/31/2010</u>	<u>(Decrease)</u>	<u>12/31/2011</u>
Water sales	\$ 193,908	\$ 16,748	\$ 210,656
Membership and other	6,753	(5,053)	1,700
	<u>\$ 200,661</u>	<u>\$ 11,695</u>	<u>\$ 212,356</u>
<u>Expenses</u>			
Salaries and benefits	\$ 19,800	\$ (120)	\$ 19,680
Water purchased	52,595	13,951	66,546
Other operating expenses	50,625	9,583	60,208
	<u>\$ 123,020</u>	<u>\$ 23,414</u>	<u>\$ 146,434</u>
Operating income (loss)			
before depreciation	\$ 77,641	\$ (11,719)	\$ 65,922
Depreciation	(108,539)	(114)	(108,653)
Net operating loss	<u>\$ (30,898)</u>	<u>\$ (11,833)</u>	<u>\$ (42,731)</u>

Request for Information

This report is designed to provide a general overview of the District's finances for all those with an interest in these matters. If you have questions about this report or would like to request additional information, contact the District Office at PO Box 696, Boswell, Oklahoma 74727.

**RURAL WATER, SEWER, GAS AND SOLID WASTE MANAGEMENT
DISTRICT NO. 6, CHOCTAW COUNTY, OKLAHOMA
STATEMENTS OF NET ASSETS
PROPRIETARY FUND
DECEMBER 31, 2011 AND 2010**

<u>ASSETS</u>	<u>2011</u>	<u>2010</u>
Current assets		
Cash on hand and in bank	\$ 44,382	\$ 37,384
Certificates of Deposit	125,682	117,860
Accounts receivable, net of allowance for loss	15,924	14,973
Accrued interest receivable	15	892
Prepaid and other assets	1,687	998
Total current assets	<u>187,690</u>	<u>172,107</u>
Noncurrent assets		
Restricted cash in bank	66,456	66,456
Capital assets, net of accumulated depreciation	<u>3,596,658</u>	<u>3,678,099</u>
Total noncurrent assets	<u>3,663,114</u>	<u>3,744,555</u>
 Total assets	 <u>\$ 3,850,804</u>	 <u>\$ 3,916,662</u>
 <u>LIABILITIES AND NET ASSETS</u>		
Current liabilities		
Accounts payable	\$ 9,474	\$ 6,346
Accrued and withheld payroll taxes	905	755
Accrued interest payable	4,206	4,261
Current portion of long-term debt	15,602	14,917
Total current liabilities	<u>30,187</u>	<u>26,279</u>
Long-term liabilities		
Mortgage payable	1,137,074	1,151,998
Less current portion of mortgage payable	<u>(15,602)</u>	<u>(14,917)</u>
Total long-term liabilities	<u>1,121,472</u>	<u>1,137,081</u>
 Total liabilities	 <u>\$ 1,151,659</u>	 <u>\$ 1,163,360</u>
Net Assets		
Invested in capital assets, net of related debt	2,459,584	2,526,101
Restricted	66,456	66,456
Unrestricted	173,105	160,745
Total net assets	<u>2,699,145</u>	<u>2,753,302</u>
 Total liabilities and net assets	 <u>\$ 3,850,804</u>	 <u>\$ 3,916,662</u>

**RURAL WATER, SEWER, GAS AND SOLID WASTE MANAGEMENT
DISTRICT NO. 6, CHOCTAW COUNTY, OKLAHOMA
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUND
FOR THE YEARS ENDED DECEMBER 31, 2011 and 2010**

	<u>2011</u>	<u>2010</u>
Operating revenues		
Water sales	\$ 210,656	\$ 193,908
Membership and other revenue	1,700	6,650
Miscellaneous revenue	-	103
Total operating revenues	<u>212,356</u>	<u>200,661</u>
Operating expenses		
Accounting services	8,050	8,850
Advertising	86	37
Bad debt expense	3,181	1,416
Bank fees	147	-
Contract labor	11,072	5,100
Depreciation	108,653	108,539
Dues and fees	45	280
Equipment rental	-	-
Insurance	3,360	2,120
Licenses and permits	314	313
Materials and supplies	5,622	5,652
Mileage expense	7,800	7,800
Miscellaneous expenses	628	5
Operating supplies	4,566	2,056
Postage and shipping	1,405	1,268
Professional fees	6,550	8,908
Repairs and maintenance	1,577	1,242
Salaries and benefits	19,680	19,800
Payroll Taxes	1,702	1,706
Telephone and communications	1,968	1,715
Utilities	1,835	1,927
Water purchased	66,546	52,595
Water testing fees	300	230
Total operating expenses	<u>255,087</u>	<u>231,559</u>
Income (loss) from operations	\$ (42,731)	\$ (30,898)
Non-operating revenue (expense)		
Interest income	\$ 446	2,316
Grant - USDA/RD	40,209	40,000
Interest expense	<u>(52,081)</u>	<u>(52,135)</u>
Net non-operating revenue (expense)	<u>(11,426)</u>	<u>(9,819)</u>
Increase (decrease) in net assets	\$ (54,157)	\$ (40,717)
Net assets - beginning of year	<u>2,753,302</u>	<u>2,794,019</u>
Net assets - end of year	<u><u>\$ 2,699,145</u></u>	<u><u>\$ 2,753,302</u></u>

**RURAL WATER, SEWER, GAS AND SOLID WASTE
MANAGEMENT DISTRICT NO. 6, CHOCTAW COUNTY, OKLAHOMA
STATEMENTS OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEARS ENDED DECEMBER 31, 2011 and 2010**

	<u>2011</u>	<u>2010</u>
Cash flows from operating activities		
Cash received from customers	\$ 211,405	\$ 202,776
Cash paid for goods and services	(124,165)	(101,754)
Cash paid to contractors	-	(40,000)
Cash paid to employees	(19,680)	(19,800)
Net cash provided by operating activities	<u>67,560</u>	<u>41,222</u>
Cash flows from capital and related financing activities		
Grant from USDA-RD	40,209	40,000
Purchase of capital assets	(27,212)	-
Interest paid on mortgage payable	(52,136)	(52,189)
Principal paid on mortgage payable	(14,924)	(14,267)
Net cash provided by capital and related financing activities	<u>(54,063)</u>	<u>(26,456)</u>
Cash flows from investing activities		
Interest received on cash	<u>1,323</u>	<u>1,424</u>
Net cash provided by investing activities	<u>1,323</u>	<u>1,424</u>
Net increase (decrease) in cash and cash equivalents	14,820	16,190
Cash and equivalents - beginning of year	<u>221,700</u>	<u>205,510</u>
Cash and equivalents - end of year	<u><u>\$ 236,520</u></u>	<u><u>\$ 221,700</u></u>
Reconciliation of operating (loss) to net cash provided by (used for) operating activities:		
Income (loss) from operations	\$ (42,731)	\$ (30,898)
Adjustments to reconcile operating loss to net cash provided by (used for) operating activities:		
Depreciation	108,653	108,539
Reduction in water system per settlement	-	39,396
Changes in assets and liabilities		
(Increase) decrease in accounts receivable	(4,132)	699
Increase (decrease) in allowance for bad debts	3,181	1,416
Increase (decrease) in prepaid assets	(689)	(329)
Increase (decrease) in accounts payable	3,128	(77,641)
Increase (decrease) in payroll taxes payable	150	(87)
Increase (decrease) in interest payable	-	127
Net cash provided by operating activities	<u><u>\$ 67,560</u></u>	<u><u>\$ 41,222</u></u>

**RURAL WATER, SEWER, GAS AND SOLID WASTE
MANAGEMENT DISTRICT NO. 6, CHOCTAW COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2011 and 2010**

Note 1 - Summary of Significant Accounting Policies

The Rural Water, Sewer, Gas, and Solid Waste Management District No. 6, Choctaw County, Oklahoma (the District) was incorporated on April 21, 1997. It provides water to its members within its geographic boundaries. The District is governed by a five member Board of Directors who are elected by the participating members. These financial statements include all of the funds under the control of the Board of Directors relevant to the operations of the District.

The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America, herein referred to as generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District applies Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989 unless they conflict with GASB guidance.

Basis of Accounting

The District is financed and operated in a manner similar to a private business enterprise, where the intent of the governing body is that the costs of providing water to the general public on a continuing basis be financed or recovered primarily through user charges, or where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, management control, accountability, or other purposes.

The accounting of governmental entities are organized on the basis of funds, each of which is considered to be a separate accounting entity. The District uses one fund which is a proprietary fund of a business-type activity as described above. This fund is reported on the accrual basis of accounting; consequently, all revenue is included when earned, and all expenses are recognized when the obligation is incurred.

Proprietary fund equity is reported as restricted net assets (funds that are restricted to a particular use), unrestricted net assets, and investments in capital assets net of related debt.

Operating revenues and expenses for proprietary funds are those that result from providing water, sewer, gas and solid waste collection services.

The preparation of financial statements requires management to make estimates and assumptions that affect certain reported amounts in various funds. Actual results could differ from those estimates.

Cash and equivalents

For the purpose of the Statement of Net Assets, "cash and equivalents" include all demand, savings accounts, and certificates of deposits of the District. For the purpose of the proprietary fund Statement of Cash Flows, "cash and equivalents" include all demand and savings accounts, certificates of deposit, and investments with an original maturity of three months or less.

Deposits are classified into the following three categories: (1) Insured or collateralized with securities held by the entity or by its agent or in the entity's name (Category 1); (2) Collateralized with securities held by the pledging financial institutions trust department or agent in the entity's name (Category 2); and (3) Uncollateralized, including any bank balance that is collateralized with securities held by the pledging institution, or by its trust department or agent but not in the entity's name (Category 3).

All of the District's cash accounts are considered Category 1. The Emergency Economic Stabilization Act of 2008 temporarily raised the basic limit on FDIC coverage to \$250,000 per depositor. This coverage limit will return to \$100,000 after December 31, 2013. At December 31, 2011 and 2010 all accounts were covered by federal depository insurance.

**RURAL WATER, SEWER, GAS AND SOLID WASTE
MANAGEMENT DISTRICT NO. 6, CHOCTAW COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2011 and 2010**

Accounts Receivables

Receivables consist of all revenues earned at year-end and not yet received. Allowances for losses on receivables are recorded when management believes a receivable is uncollectible. Management periodically reviews its receivables to determine what is collectible. At December 31, 2011 and 2010, management established an allowance for loss of \$13,123 and \$9,942, respectively.

Accrued Compensated Absences

The District does not have any full-time employees and has not established a compensated absences policy.

Capital Assets

Capital assets used in the District's operations are stated at cost less accumulated depreciation. Depreciation is provided on the straight-line method at various rates based on the estimated useful lives of the assets. Estimated useful lives of ten to thirty years for office buildings and improvements, three to seven years for office equipment, forty years for water lines and improvements, and ten to forty years for the standpipe and water tower. During 2010 an agreed settlement with a contractor reduced the original amount charged to water lines.

Liabilities

Liabilities are considered current if they are due and payable within the year subsequent to the balance sheet date.

Equity Classifications

Equity is classified as net assets and displayed in three components:

Invested in capital assets, net of related debt - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted net assets - Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) laws through constitutional provisions or enabling legislation.

Unrestricted net assets - All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

Operating Revenue and Expenses

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services.

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect certain reported amounts in various funds. Actual results could differ from those estimates.

Budget

The District prepares an annual estimated budget of cash receipts and disbursements for the purpose of adjusting water rates if necessary and as a forecast of cash receipts and disbursements required by the USDA Rural Development. This does not meet the definition of a legally required and adopted budget and accordingly is not presented.

**RURAL WATER, SEWER, GAS AND SOLID WASTE
MANAGEMENT DISTRICT NO. 6, CHOCTAW COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2011 and 2010**

Risk Management

The District 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 purchases commercial insurance to cover these possible liabilities.

Note 2 - Changes in Capital Assets

Changes in capital assets for the years ended September 30, 2011 and 2010 are as follows:

	<u>Balance</u> <u>12/31/2010</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>12/31/2011</u>
Office bldg & improvements	\$ 47,117	\$ 8,107	\$ -	\$ 55,224
Office equipment	1,698	-	-	1,698
Water lines & improvements	3,958,970	19,105	-	3,978,075
Standpipe & water tower	264,976	-	-	264,976
Water tower - land	1,500	-	-	1,500
Totals	<u>4,274,261</u>	<u>27,212</u>	<u>-</u>	<u>4,301,473</u>
Less accumulated depreciation				
Office bldg & improvements	(8,624)	(1,773)	-	(10,397)
Office equipment	(1,698)	-	-	(1,698)
Water lines & improvements	(540,286)	(98,974)	-	(639,260)
Standpipe & water tower	(45,554)	(7,906)	-	(53,460)
Totals	<u>(596,162)</u>	<u>(108,653)</u>	<u>-</u>	<u>(704,815)</u>
Net capital assets	<u>\$ 3,678,099</u>	<u>\$ (81,441)</u>	<u>\$ -</u>	<u>\$ 3,596,658</u>

	<u>Balance</u> <u>12/31/2009</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>12/31/2010</u>
Office bldg & improvements	\$ 47,117	\$ -	\$ -	\$ 47,117
Office equipment	1,698	-	-	1,698
Water lines & improvements	3,998,366	-	(39,396)	3,958,970
Standpipe & water tower	264,976	-	-	264,976
Water tower - land	1,500	-	-	1,500
Totals	<u>4,313,657</u>	<u>-</u>	<u>(39,396)</u>	<u>4,274,261</u>
Less accumulated depreciation				
Office bldg & improvements	(7,052)	(1,571)	-	(8,624)
Office equipment	(1,531)	(168)	-	(1,698)
Water lines & improvements	(441,391)	(98,895)	-	(540,286)
Standpipe & water tower	(37,649)	(7,905)	-	(45,554)
Totals	<u>(487,623)</u>	<u>(108,539)</u>	<u>-</u>	<u>(596,162)</u>
Net capital assets	<u>\$ 3,826,034</u>	<u>\$ (108,539)</u>	<u>\$ (39,396)</u>	<u>\$ 3,678,099</u>

**RURAL WATER, SEWER, GAS AND SOLID WASTE
MANAGEMENT DISTRICT NO. 6, CHOCTAW COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2011 and 2010**

Note 3 - Mortgage Payable

On December 2, 2002, the District financed their water distribution system by borrowing \$1,206,500 from the Rural Utilities Service agency of the United States Department of Agriculture. The promissory note calls for annual payments of interest only on November 1, 2005, and November 1, 2006, then monthly payments of principal and interest of \$5,538 beginning on December 1, 2006. The promissory note was executed on November 1, 2004 and matures in forty (40) years. The promissory note carries a fixed rate of interest of 4.5%. The note is secured by a pledge and assignment of revenues and receipts derived by the District from its water system and other revenue producing utility systems. It is also secured by a mortgage and security agreement on the system.

Changes in the District's long-term debt are as follows:

	Year ended December 31,	
	<u>2011</u>	<u>2010</u>
Beginning balance	\$ 1,151,998	\$ 1,166,265
Principal reductions	(14,924)	(14,267)
Totals	<u>\$ 1,137,074</u>	<u>\$ 1,151,998</u>

Requirements to amortize the mortgage payable at December 31, 2011 are:

<u>Year ending Dec 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2012	\$ 15,602	\$ 50,853	\$ 66,455
2013	16,319	50,137	66,456
2014	17,069	49,387	66,456
2015	17,853	48,603	66,456
2016	18,673	47,783	66,456
2017-2021	107,050	225,230	332,280
2022-2026	134,005	198,275	332,280
2027-2031	167,747	164,533	332,280
2032-2036	209,985	122,295	332,280
2037-2041	262,858	69,422	332,280
2042-2044	169,913	10,949	180,862
Totals	<u>\$ 1,137,074</u>	<u>\$ 1,037,467</u>	<u>\$ 2,174,541</u>

Note 4 - Restricted Net Assets

The United States Department of Agriculture requires an amount equal to the note payments for one year be set aside and controlled by them. That amount has been invested in a reserve account and in certificates of deposit and is included in restricted assets.

**RURAL WATER, SEWER, GAS AND SOLID WASTE
MANAGEMENT DISTRICT NO. 6, CHOCTAW COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2011 and 2010**

Note 5 - Commitments and Contingencies

The District participates in state and federally assisted grant programs. These programs are subject to program compliance audits by grantors or their representatives. Accordingly, the District's compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenses which may be disallowed by the granting agencies cannot be determined at this time although the District expects such amounts, if any, to be immaterial.

Note 6 - Subsequent Events

The District has evaluated subsequent events through January 30, 2013, the date the financial statements were available to be issued.

BROWN & DAVIS, LLP

CERTIFIED PUBLIC ACCOUNTANTS

MEMBERS OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

BOBBY J. BROWN, CPA
VERONICA DAVIS, CPA
PO Box 1218 Denison, TX 75021-1218
Phone 903-463-3765 Fax 903-463-7262

**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**

To the Board of Directors
Rural Water, Sewer, Gas and Solid Waste
Management District No. 6
Choctaw County, Oklahoma

We have audited the financial statements of the business-type activities of Rural Water, Sewer, Gas and Solid Waste Management District No. 6, Choctaw County, Oklahoma (the District) as of and for the year ended December 31, 2011, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 30, 2013. 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.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the District'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 District's internal control over financial reporting. Accordingly, we 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 and correct misstatements on a timely basis. A *material weakness* is a deficiency, or 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.

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 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, we 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 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, others within the organization, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Brown & Davis, LLP
Certified Public Accountants
January 30, 2013