

State Auditor
& Inspector

FILED

JAN 18 2012

State Auditor & Inspector

RECEIPT #

3053

**Seminole County Rural Water and
Solid Waste Management District No. 1
Wewoka, Oklahoma**

Financial Statements and
Reports of Independent Auditor

For Years Ended October 31, 2011 and 2010

Audited by

**SANDERS, BLEDSOE & HEWETT
CERTIFIED PUBLIC ACCOUNTANTS, LLP**

BROKEN ARROW, OK

**Seminole County Rural Water and Solid
Waste Management District No. 1
Wewoka, Oklahoma**

Board of Directors

October 31, 2011

Chairman

Scott Johnson

Vice Chairman

Bobby Shackelford

Secretary/Treasurer

Janice Bryant

Member

Ruth Reich

Member

Vacant

Bookkeeper

Phallis Taylor

**Seminole County Rural Water and
Solid Waste Management District No. 1
Wewoka, Oklahoma**

Table of Contents
October 31, 2011

Board of Directors	i
Independent Auditor’s Report	1 - 2
Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	3 - 4
Disposition of Prior Year’s Reportable Conditions	5
Schedule of Audit Results	6
Combined Financial Statements:	
Statements of Net Assets – Cash Basis.....	7
Statements of Revenues, Expenses and Changes in Net Assets – Cash Basis	8
Notes to the Financial Statements.....	9 - 11



SANDERS, BLEDSOE & HEWETT
CERTIFIED PUBLIC ACCOUNTANTS, LLP

Stephen H. Sanders, CPA
Eric M. Bledsoe, CPA
Jeffrey D. Hewett, CPA

P. O. BOX 1310 • 112 W. DALLAS ST. • BROKEN ARROW, OK 74013 • (918) 449-9991 • (800) 522-3831 • FAX (918) 449-9779

Independent Auditor's Report

Board of Directors
Seminole County Rural Water and
Solid Waste Management District No. 1
Wewoka, Oklahoma

We have audited the accompanying financial statements of the business-type activities of the Seminole County Rural Water and Solid Waste Management District No. 1 (the District), Wewoka, Oklahoma, as of and for the years ended October 31, 2011 and 2010, which collectively comprise the District's basic financial statements as listed in the table of contents. 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 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.

As discussed in Note A, the District prepares its financial statements on the basis of cash receipts and disbursements, 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 respective financial position of the business-type activities of the District as of October 31, 2011 and 2010, and the respective changes in financial position thereof for the year then ended in conformity with the basis of accounting described in Note A.

Management has elected to omit the Management Discussion and Analysis, which is considered required supplementary information that is normally subjected to auditing procedures. Due to this omission, the usefulness and accessibility of the financial statements are limited to the District's management. The omission of this information does not affect the opinion expressed on the financial statements as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 3, 2012, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining and individual fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole on the basis of accounting described in Note A.

Sanders, Bledsoe & Hewett

Sanders, Bledsoe & Hewett
Certified Public Accountants, LLP

January 3, 2012



SANDERS, BLEDSOE & HEWETT
CERTIFIED PUBLIC ACCOUNTANTS, LLP

Stephen H. Sanders, CPA
Eric M. Bledsoe, CPA
Jeffrey D. Hewett, CPA

P. O. BOX 1310 • 112 W. DALLAS ST. • BROKEN ARROW, OK 74013 • (918) 449-9991 • (800) 522-3831 • FAX (918) 449-9779

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
Seminole County Rural Water and
Solid Waste Management District No. 1
Wewoka, Oklahoma

We have audited the financial statements of the Seminole County Rural Water and Solid Waste Management District No. 1 (the District), Wewoka, Oklahoma, as of and for the years ended October 31, 2011 and 2010, and have issued our report thereon dated January 3, 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.

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. We identified no deficiencies in the internal controls over financial reporting.

A control deficiency 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 significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepting accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in a more than a remote likelihood that a material misstatement of the financial statements will not be presented or detected by the entity's internal control. Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses.

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 and is not intended to be, and should not be, used by anyone other than these specified parties.



Sanders, Bledsoe & Hewett
Certified Public Accountants, LLP

January 3, 2012

**Seminole County Rural Water and Solid
Waste Management District No. 1
Wewoka, Oklahoma**

Disposition of Prior Year's Reportable Conditions
October 31, 2011

There were no prior year reportable conditions.

**Seminole County Rural Water and Solid
Waste Management District No. 1
Wewoka, Oklahoma**

Schedule of Audit Results and Findings
October 31, 2011

Section 1 – Summary of Auditor’s Results:

1. An unqualified opinion report was issued on the financial statements.
2. The audit disclosed no reportable conditions in the internal controls.
3. The audit disclosed no instances of noncompliance.

**Section 2 – Findings Relating to the Financial Statements Required to be Reported in
Accordance with GAGAS:**

NONE

COMBINED FINANCIAL STATEMENTS

SEMINOLE COUNTY RURAL WATER AND SOLID
WASTE MANAGEMENT DISTRICT NO. 1
STATEMENT OF ASSETS, LIABILITIES AND NET ASSETS - CASH BASIS
FOR YEARS ENDED OCTOBER 31, 2011 AND 2010

<u>ASSETS</u>	OCTOBER 31,	
	2011	2010
Current Assets:		
Cash-		
Operating account	\$ 103,364	5,219
Reserve account	0	9
Investments	0	106,888
Total current assets	103,364	112,116
Restricted Assets:		
Cash-		
Reserve fund - Rural Development loan agreement	4,668	3,955
Fixed Assets:		
Water and sewer system	899,013	895,863
Land	2,300	2,300
Total fixed assets	901,313	898,163
Less accumulated depreciation	(400,592)	(380,533)
Total fixed assets (net)	500,721	517,630
Total Assets	\$ 608,753	633,701
<u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities:		
Current maturities of long-term debt	\$ 6,085	6,002
Long-Term Debt, less current maturities:		
Notes payable	110,012	116,090
Total Liabilities	116,097	122,092
Net Assets:		
Temporarily Restricted	4,668	3,955
Unrestricted	487,988	507,654
Total fund equity	492,656	511,609
Total Liabilities and Net Assets	\$ 608,753	633,701

The accompanying notes are an integral part of the financial statements

SEMINOLE COUNTY RURAL WATER AND SOLID
WASTE MANAGEMENT DISTRICT NO. 1
STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS - CASH BASIS
FOR YEARS ENDED OCTOBER 31, 2011 AND 2010

	OCTOBER 31,	
	2011	2010
Revenue from Operations:		
Water sales	\$ 54,939	51,434
Sewer services	23,397	20,183
Late charges	3,394	2,873
Cut-off charges	2,779	775
Benefit units	435	925
Miscellaneous	1,250	4,004
Total revenue from water operations	86,194	80,194
Expenses from Operations:		
Contracted labor	32,730	29,920
Contracted computer services	1,331	1,396
Depreciation	20,059	19,199
Water purchases	24,776	18,133
Sewer maintenance	8,306	8,072
Office & postage	87	374
Insurance	1,937	2,017
Utilities	2,544	2,351
Miscellaneous	1,720	1,024
Professional fees	900	0
Meter work	265	420
Repairs & maintenance	4,155	5,311
Dues & fees	4,327	916
Total expenses from water operations	103,137	89,133
Net Income (Loss) from Operations	(16,943)	(8,939)
Other Income:		
Interest earnings	1,031	1,947
Other Expenses:		
Interest paid on debt	(3,041)	(3,121)
Net Income (Loss)	(18,953)	(10,113)
Net Assets, beginning of period	511,609	521,722
Net Assets, end of period	\$ 492,656	511,609

The accompanying notes are an integral part of the financial statements

**Seminole County Rural Water and Solid
Waste Management District No. 1
Wewoka, Oklahoma**

Notes to Financial Statements
For the Years Ended October 31, 2011 and 2010

Note A – Significant Accounting Policies

Basis of Accounting

The cash basis of accounting is followed for all accounts. Revenues are recorded when received and expenditures are recognized when paid. This basis of accounting is not in accordance with generally accepted accounting principles.

Cash

The District's accounts are with First United Bank and Security State Bank, Wewoka, Oklahoma, and at October 31, 2011, are detailed as follows:

Maintenance and operation account (checking)	\$ 108,055
Reserve account	<u>4,668</u>
Total	<u>\$ 112,724</u>

Investments

All investments are stated at cost, which approximates market value unless otherwise indicated. The District had no outstanding investments at October 31, 2011.

Restricted Assets

In accordance with the loan agreement with Rural Development, the District is required to maintain a reserve fund in an amount equal to one year's loan payments. Accordingly, the District was required to have \$4,668 in the reserve account at October 31, 2011. The balance in the reserve account was \$4,668 at October 31, 2011.

**Seminole County Rural Water and Solid
Waste Management District No. 1
Wewoka, Oklahoma**

Notes to Financial Statements
For the Years Ended October 31, 2011 and October 31, 2010

Note A – Significant Accounting Policies – cont'd

Fixed Assets

Fixed assets are valued at cost, depreciation is computed by use of the straight-line method. The estimated useful lives for fixed assets are detailed as follows:

Water System	40 years
Sewer System	40 years
Office and Other Equipment	10 years

Federal Income Tax

The District is exempt from all federal and state income taxes.

Collateral Pledged

It appears that all funds were adequately insured by the \$250,000 of FDIC coverage as of October 31, 2011.

Note B – Long-term Debt

At October 31, 2011, long-term debt is summarized as follows:

Note 92-01, 5.00% mortgage payable to Rural Development, \$389 per month, October 27, 1999, maturing in 2032	\$ 59,939
Promissory note, 0% mortgage payable to Dept. of Corrections, \$365 per month, November 1, 2004, maturing in 2024	<u>56,158</u>
	<u>\$ 116,097</u>

**Seminole County Rural Water and Solid
Waste Management District No. 1
Wewoka, Oklahoma**

Notes to Financial Statements
For the Years Ended October 31, 2011 and October 31, 2010

Note B – Long-term Debt – cont'd

The estimated maturities for this debt are as follows:

	<u>Rural Development</u>	<u>Department of Corrections</u>
2011 – 12	\$ 1,710	4,375
2012 – 13	1,797	4,375
2013 – 14	1,889	4,375
2014 – 15	1,986	4,375
2015 – 16	2,088	4,375
Thereafter	<u>50,469</u>	<u>34,283</u>
Total	<u>\$59,939</u>	<u>56,158</u>

Note E – Insurance and Surety Bond Coverage

The District appears to have had adequate insurance to cover all major perils at October 31, 2011.