

**Comanche County Rural
Water District #1**
Audit Report
For Year Ending December 31, 2021

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Independent Auditor's Report

To the Board of Directors of
Comanche County Rural Water District #1
Lawton, Oklahoma

Report on the Audit of the Financial Statements

Opinion

I have audited the accompanying financial statements of Comanche County Rural Water District #1, (District), as of and for the years ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Comanche County Rural Water District #1, as of December 31, 2021, and the respective changes in modified cash basis financial position and its cash flows for the year then ended in accordance with modified cash basis of accounting described in Note 1.

Basis for Opinion

I conducted the audit in accordance with auditing standards generally accepted in the United States of America (GAAS). My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of the District and to meet my other ethical responsibilities, in accordance with the relevant ethical requirements relating to the audits. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair representation of the financial statements in accordance with accounting principle generally accepted in the United States of America and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for 12 months after the date of the financial statements and no conditions were found that raise substantial doubt.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of these financial statements.

In performing an audit in accordance with GAAS, I: a) exercised professional judgement and maintained professional skepticism throughout the audit, b) identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements, c) obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed, d) evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements, e) conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time, and f) required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that I identified during the audit.

Report on Other Legal and Regulatory Requirements

In accordance with *Government Auditing Standards*, I have also issued my report dated July 13, 2022, on my consideration of the District's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grants. 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Scott Northrip, CPA

Certified Public Accountant

July 13, 2022

Comanche County Rural Water District No. 1

Statement of Net Position (Modified Cash Basis)

As of December 31, 2021

ASSETS:

Current Assets:

Cash & Cash Equivalents	\$	651,197
Certificates of Deposit		450,563
Inventory		20,237
Deposits		1,200

Total Current Assets

\$ 1,123,197

Noncurrent Assets:

Reserve Certificate - ORWAAG	\$	4,000
Capital Assets: (Note 5)		
Land		9,000
Other Capital Assets, net of depreciation		3,205,566

Total Noncurrent Assets

\$ 3,218,566

TOTAL ASSETS

\$ 4,341,763

LIABILITIES AND NET POSITION:

Current Liabilities:

Payroll Tax Liabilities	\$	7,566
Current Portion of Long-term Liabilities		-

Total Current Liabilities

\$ 7,566

Long-Term Liabilities:

Notes Payable - net of current portion	\$	-
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Net Position:

Net Investment in Capital Assets	\$	3,218,566
Restricted Fund Balance		-
Unrestricted Fund Balance		1,115,631

TOTAL NET POSITION

\$ 4,334,197

TOTAL LIABILITIES AND NET POSITIONS

\$ 4,341,763

See accompanying notes to the financial statements.

Comanche County Rural Water District No. 1

Statement of Revenues and Expenses (Modified Cash Basis)

For the Year Ending December 31, 2021

OPERATING REVENUES:

Water Sales	\$ 1,216,017	
Late Fees	9,283	
Insurance Proceeds	14,297	
Miscellaneous Fees	9,124	
Total Operating Revenues		\$ 1,248,721

OPERATING EXPENSES:

Water Purchases & Surcharges	\$ 532,104	
Depreciation Expense	165,848	
Utilities	41,762	
Salaries & Wages Expense	265,376	
Installation & Repairs	94,247	
Vehicle Expenses	10,639	
Legal & Professional Fees	8,082	
Employee Benefits	69,065	
Insurance	26,684	
Payroll Tax Expense	21,789	
Office Supplies & Postage	19,001	
Meeting & Travel Expense	4,789	
Lab Fees	2,480	
Dues & License Fees	4,397	
Communication Expense	7,239	
Miscellaneous Expense	2,703	
Total Operating Expenses		\$ 1,276,205

OPERATING INCOME (LOSS)	\$ (27,484)
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OTHER REVENUES (EXPENSES):

Investment Revenues	\$ 1,125	
Membership & Developer Fees	67,800	
Gain on Sale of Assets	-	
Total Other Revenues(Expenses)		\$ 68,925

NET REVENUES (EXPENSES)	\$ 41,441
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Net Position, January 1	4,292,756
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Net Position, December 31	<u><u>\$ 4,334,197</u></u>
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See accompanying notes to the financial statements.

Comanche County Rural Water District No. 1

Statement of Cash Flows (Modified Cash Basis)

For the Year Ending December 31, 2021

CASH FLOWS FROM OPERATING ACTIVITIES:

Receipts from customers	\$ 1,248,721	
Payments to suppliers	(741,500)	
Payments to employees & benefits	(348,664)	
Net Cash Provided by Operating Activities		\$ 158,557

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:

Purchase of capital assets	\$ (45,648)	
Payments for Construction in Progress	-	
Proceeds from Loans	-	
Prior period adjustments	-	
Proceeds from sale of assets	-	
Net Cash Used In Capital & Related Financing Activities		\$ (45,648)

CASH FLOWS FROM INVESTING ACTIVITIES:

Investment Receipts	\$ 1,125	
Other Proceeds	67,800	
Net Cash Provided from Investing Activities		\$ 68,925

INCREASE (DECREASE) IN CASH AND INVESTMENTS **\$ 181,834**

Cash and CD's Balance - Beginning 919,926

CASH AND CD's BALANCE - ENDING **\$ 1,101,760**

Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:

Operating Income (Loss)	\$ (27,484)	
Adjustments to reconcile operating income to net cash provided (used) by Operating Activities:		
Depreciation expense	165,848	
Change in assets and liabilities:		
Inventory	12,627	
Payroll Liabilities	7,566	
Net Cash Provided from Operating Activities		<u>\$ 158,557</u>

See accompanying notes to the financial statements.

Comanche County Rural Water District No. 1

Notes to the Financial Statements
For the Year Ending December 31, 2021

Note 1 - Significant Accounting Policies

Organization:

Comanche County Rural Water District No. 1, (District) was incorporated under the laws of the State of Oklahoma in accordance with O.S. Title 82, as a subdivision of the State of Oklahoma. The District operates and maintains a water distribution system to its members within its designated area in Comanche County. The District is governed by a board of five elected by the membership.

Basis of Accounting:

The District is a proprietary fund type of entity and uses the modified cash method of accounting which reports revenues when received and expenses when paid. The District is not legally required to adopt a budget or report on budget comparisons in this report. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. If the District utilized the basis of accounting recognized as generally accepted, the financial statements would use the accrual basis of accounting.

Fixed Assets and Depreciation:

The District records its capital assets at their historical cost or donated value. Depreciation is calculated on each individual asset using the straight-line method of depreciation at the asset's estimated useful life. The District estimates the useful lives of the assets based on the type of asset. The lives range from 5 to 40 years.

Income Tax:

The District is exempt from federal and state income taxes under IRS Code Section 115 (a) as an agency of the State of Oklahoma.

Note 2 - Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that effect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Note 3 - Contingencies

The District didn't have any contingencies as of the date of the audit.

Note 4 - Compensated Absences

As a result of the District's use of the modified cash basis of accounting, accrued liabilities related to compensated absences (accumulated but unused vacation, eligible sick leave and compensated time earned but unpaid at year-end) are not reflected in the financial statements.

Comanche County Rural Water District No. 1

Notes to the Financial Statements
For the Year Ending December 31, 2021

Note 5 - Changes in Capital Assets

	Balance 1/1/2021	Additions	Disposed	Balance 12/31/2021
Water System Plant Assets	\$ 6,021,850	\$ -	\$ -	\$ 6,021,850
Office Furniture & Fixtures	7,751	-	-	7,751
Equipment	198,116	-	-	198,116
Vehicles	139,516	-	-	139,516
Buildings & Improvements	197,576	45,648	-	243,224
Total Assets	\$ 6,564,809	\$ 45,648	\$ -	\$ 6,610,457
Accumulated Depreciation:				
Water System Plant Assets	\$ 2,845,650	\$ 129,048	\$ -	\$ 2,974,698
Office Furniture & Fixtures	7,701	50	-	7,751
Equipment	136,870	13,384	-	150,254
Vehicles	93,853	14,222	-	108,075
Buildings & Improvements	154,969	9,144	-	164,113
Less: Accumulated Depreciation	3,239,043	165,848	-	3,404,891
Net Fixed Assets	\$ 3,325,766	\$ (120,200)	\$ -	\$ 3,205,566

Note 6 - Prior Period Adjustments

There were no prior period adjustments in the financial statements.

Note 7 - Employee Pension and Other Benefits

The District participates in a SEP Retirement Plan for its full-time eligible employees. The plan is administered through Stifel. The District contributes 7% of the eligible wages of each participating employee. The District contributed \$18,954 during the year.

Note 8 - Components of Cash and Equivalents

	Interest Rate	Balance
Petty Cash	0.00%	\$ 279
Checking - Liberty National Bank (Operating)	0.00%	650,918
Certificates of Deposit - Liberty National	0.30%	227,590
Certificates of Deposit - All American Bank	0.30%	67,997
Certificates of Deposit - Peoples State	0.20%	64,976
Certificates of Deposit - First National	0.10%	90,000
Total Cash and Equivalents		\$ 1,101,760

Liberty National has pledged securities for amounts over FDIC Insurance coverage.

Note 9 - Evaluation of Subsequent Events

The subsequent events of the District have been evaluated through July 13, 2022.

SCOTT NORTHRIP, CPA

P.O. Box 642, Hobart, Oklahoma 73651

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND INTERNAL CONTROL OVER FINANCIAL REPORTING PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors of
Comanche County Rural Water District #1
Lawton, Oklahoma

I have audited, 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 basic financial statements of Comanche County Rural Water District #1 (District), as of and for the year ending December 31, 2021, and have issued my report thereon dated July 13, 2022.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, I performed test 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, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Internal Control over Financial Reporting

In planning and performing my audit of the financial statements, I considered the District's internal control over financial reporting (internal control) to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control.

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 a 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. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Report on Compliance and Internal Controls-Continued

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Given these limitations, during my audit I did not identify any deficiencies in internal control that I considered to be material weaknesses. I did identify certain deficiencies in internal control described in the accompanying schedule of findings that I consider to be significant.

Response to Findings

Comanche County Rural Water District #1's response to the findings identified in our audit is described in the accompanying schedule of findings. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Scott Northrip

Certified Public Accountant

July 13, 2022

Comanche County Rural Water District No. 1

Schedule of Findings and Responses For the Year Ending December 31, 2021

1) District's check book contained blank, pre-signed checks.

Criteria: The internal control procedures require that checks on be prepared and signed when the expenditure is to be made and substantiating evidence supports the check.

Condition: The pre-signed checks are kept in a secure location. Pre-signed was caused by the inconvenience of finding available signers.

Effect: The signed blank check could lead to unauthorized expenditures and the protections of dual signed checks.

Recommendation: The District should only signed checks after expenditures are ready to be paid and compared to proper supporting documentation.

Response: The District will consider the recommendations.