

**Comanche County Rural
Water District #3**
Audit Report
For Year Ending April 30, 2016

Scott Northrip, CPA
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SCOTT NORTHRIP, CPA

P.O. Box 642, Hobart, Oklahoma 73651

Independent Auditor's Report

To The Board of Directors of
Comanche County Rural Water District #3
Lawton, Oklahoma

I have audited the accompanying financial statements of Comanche County Rural Water District #3, (District), as of and for the years ended April 30, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair representation of these financial statements in accordance accounting principle generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted the 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 I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence supporting the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Auditor's Opinion

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 #3, as of April 30, 2016 and 2015, and the respective changes in financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Requirements by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, I have also issued my report dated May 18, 2016, 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

May 18, 2016

Comanche County Rural Water District #3

Statement of Net Position
As of April 30, 2016 and 2015

ASSETS:	2016	2015
Current Assets:		
Cash & Cash Equivalents (Note 8)	\$ 312,339	\$ 330,691
Accounts Receivable (Note 2)	36,642	34,162
Other Receivable	100	100
Prepaid Insurance	15,362	15,114
Accrued Interest Receivable	13	13
Total Current Assets	\$ 364,456	\$ 380,080
Noncurrent Assets:		
Land	\$ 14,158	\$ 14,158
Capital Assets: (Note 6)		
Other Capital Assets, net of depreciation	1,685,718	1,590,539
Total Noncurrent Assets	\$ 1,699,876	\$ 1,604,697
TOTAL ASSETS	\$ 2,064,332	\$ 1,984,777
 LIABILITIES AND NET POSITION:		
Current Liabilities:		
Accounts Payable	\$ 25,885	\$ 27,631
Interest Payable	220	235
Outside Coalition Legal Fund	66	66
Current Portion of Long-term Liabilities	17,486	16,633
Total Current Liabilities	\$ 43,657	\$ 44,565
Long-Term Liabilities: (Note 10)		
Notes Payable - net of current portion	\$ 67,000	\$ 84,480
Net Position:		
Restricted Fund Balance (Note 5)	\$ 21,276	\$ 21,276
Unrestricted Fund Balance	50,115	(23,828)
Total Fund Balance	\$ 71,391	\$ (2,552)
Member Investments	1,105,760	1,081,760
Donated Assets (Note 7)	514,624	514,624
Impact & Storage Fees	57,000	57,000
Grants	204,900	204,900
TOTAL NET POSITION	\$ 1,953,675	\$ 1,855,732
TOTAL LIABILITIES AND NET POSITION	\$ 2,064,332	\$ 1,984,777

See accompanying notes to the financial statements.

Comanche County Rural Water District #3

Comparative Statement of Activities
For the Years Ended April 30, 2016 and 2015

	2016	2015
OPERATING REVENUES:		
Water Sales	\$ 501,916	\$ 466,655
Late Fees	7,465	7,704
Other Charges	5,461	2,598
Installation Fees	5,550	2,980
Total Operating Revenues	\$ 520,392	\$ 479,937
OPERATING EXPENSES:		
Salaries	\$ 95,577	\$ 94,303
Depreciation Expense	86,364	82,132
Interest Expense	4,633	5,461
Utilities	23,248	20,847
Water Purchases	72,031	123,296
Repairs ,Supplies & Exploration	52,268	68,252
Insurance	12,687	12,487
Legal & Professional Fees	18,556	8,721
Meter Reading	13,607	14,756
Transportation Expense	6,243	7,265
Employee Benefits	23,087	22,448
Payroll Tax Expense	7,656	7,639
Communications Expense	4,371	3,817
Office Supplies & Postage	17,760	15,574
Other Labor Expense	3,115	-
Dues & Licenses	764	691
Health Permit	2,747	3,784
Meeting Expense	1,544	496
Bad Debt Expense	-	800
Miscellaneous Expense	2,024	4,919
Total Operating Expenses	\$ 448,282	\$ 497,688
OPERATING INCOME (LOSS)	\$ 72,110	\$ (17,751)
OTHER REVENUES (EXPENSES):		
Investment Revenues	\$ 1,833	\$ 1,733
Other Income	-	-
Gain on Sale of Assets	-	-
Total Other Revenues(Expenses)	\$ 1,833	\$ 1,733
NET INCOME	\$ 73,943	\$ (16,018)

See accompanying notes to the financial statements.

Comanche County Rural Water District #3

Comparative Statement of Changes in Net Position
For the Years Ended April 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Balance, May 1	\$ 1,855,732	\$ 1,798,394
Net Income (Loss)	73,943	(16,018)
Impact & Storage Fees	-	-
Member Investments	24,000	46,000
Donated Assets (Note 7)	-	27,356
Grants	-	-
Total Changes in Net Position	<u>\$ 97,943</u>	<u>\$ 57,338</u>
Balance, April 30	<u>\$ 1,953,675</u>	<u>\$ 1,855,732</u>

See accompanying notes to the financial statements.

Comanche County Rural Water District #3

Comparative Statement of Cash Flows
For the Years Ended April 30, 2016 and 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers	\$ 517,912	\$ 476,699
Payments to suppliers	(232,959)	(278,665)
Payments to employees & benefits	(126,320)	(124,390)
Net Cash Provided by Operating Activities	\$ 158,633	\$ 73,644
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Purchase of capital assets	\$ (181,543)	\$ (57,090)
Donated Assets	-	27,356
Payments for Construction in Progress	-	-
Purchase of land	-	-
Principal payments on notes payable	(16,627)	(15,653)
Interest paid on notes payable	(4,648)	(5,623)
Proceeds from sale of assets	-	-
Net Cash Used In Capital & Related Financing Activities	\$ (202,818)	\$ (51,010)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment Receipts	\$ 1,833	\$ 1,757
Proceeds from Impact & Storage Fees	-	-
Proceeds from memberships	24,000	46,000
Net Cash Provided from Investing Activities	\$ 25,833	\$ 47,757
INCREASE (DECREASE) IN CASH AND INVESTMENTS	\$ (18,352)	\$ 70,391
Cash and Investment Balance - Beginning	330,691	260,300
CASH AND INVESTMENT BALANCE - ENDING	\$ 312,339	\$ 330,691
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:		
Operating Income (Loss)	\$ 72,110	\$ (17,751)
Adjustments to reconcile operating income to net cash provided (used) by Operating Activities:		
Interest Expense	4,633	5,461
Depreciation expense	86,364	82,132
Change in assets and liabilities:		
Accounts Receivable	(2,480)	(3,238)
Other Receivables	-	-
Prepaid Insurance	(248)	(407)
Accounts Payable	(1,746)	7,447
Outside Coalition Legal Fund	-	-
Net Cash Provided from Operating Activities	\$ 158,633	\$ 73,644

See accompanying notes to the financial statements.

Comanche County Rural Water District #3

Notes to the Financial Statements
For the Years Ended April 30, 2016 and 2015

Note 1 - Significant Accounting Policies

Organization:

Comanche County Rural Water District #3, (District) is an Oklahoma trust formed under the Oklahoma Rural Water Act to provide water in a designated area in and around Comanche County, Oklahoma to individuals and businesses that purchase a membership. The District served 924 and 912 meters for the years ending April 30, 2016 and 2015.

Basis of Accounting:

The District is a proprietary fund type of entity and uses the accrual method of accounting which reports revenues when earned and expenses when incurred. The District is not legally required to adopt a budget or report on budget comparisons in this report.

Fixed Assets and Depreciation:

The District records its fixed 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 3 to 35 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 - Accounts Receivable

The accounts receivable represents the water usage and service revenues for April plus any unpaid balances from the previous months. The District uses the direct method to account for bad debts. No provision for an allowance has been made based on the history of the District's bad debts being very small or nonexistent. The accounts receivable balances at April 30, 2016 and 2015 amounted to \$36,642 and \$34,162. The meters are read monthly.

Note 3 - 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 4 - Contingencies

The District did not have any contingencies as of the date of the audit.

Note 5 - Restricted Assets

The District has restricted certificates of deposit in the amount of \$21,276 and \$21,276 for debt service as required by Rural Development's mortgage as of April 30, 2016 and 2015. The restricted assets decreased because one of the notes was paid off during the year.

Comanche County Rural Water District #3

Notes to the Financial Statements
For the Years Ended April 30, 2016 and 2015

Note 6 - Changes in Capital Assets

	Balance 5/1/2015	Additions	Disposed	Balance 4/30/2016
Water System Plant Assets	\$ 805,918	\$ 71,914	\$ -	\$ 877,832
Wells, Pumps & Telemetry	464,516	108,629	-	573,145
System Extension	1,784,275	-	-	1,784,275
Vehicles	24,812	-	-	24,812
Office Building	416,563	1,000	-	417,563
Office Furniture & Equipment	48,098	-	-	48,098
Total Assets	\$ 3,544,182	\$ 181,543	\$ -	\$ 3,725,725
Less: Accumulated Depreciation	1,953,643	86,364	-	2,040,007
Net Fixed Assets	\$ 1,590,539	\$ 95,179	\$ -	\$ 1,685,718

Note 7 - Donated Assets

Donated assets are the estimated value of water lines installed by members from the existing lines of the system to the member's meter. The value of the lines donated to the District for the years ending April 30, 2016 and 2015 were \$0 and \$27,356, respectively.

Note 8 - Components of Cash and Investments

	Date of Maturity	Interest Rate	Balance
Checking - City National Bank	-	0.08%	\$ 142,822
Petty Cash	-	0.00%	200
Construction Acct - Walters Bank	-	0.30%	-
Money Market Acct - First National Bank	-	1.40%	147,547
Storage Acct - Arvest Bank	-	0.15%	-
Impact Fee Acct - Arvest Bank	-	0.15%	-
CD - Walters Bank	9/17/2016	0.50%	21,770
			-
Total Cash and Investments			\$ 312,339

Comanche County Rural Water District #3

Notes to the Financial Statements
For the Years Ended April 30, 2016 and 2015

Note 9 - Retirement

The District provides a retirement plan for its participating employees and the District contributes an amount equal to 10% of the employee's wages. The contributions made by the District during the year ending April 30, 2016 and 2015 were \$9,495 and \$9,369.

Note 10 - Long Term Liabilities

The District has a 40 year note with Rural Development, an agency of the United States Department of Agriculture. The loan is a fixed interest note. The note is secured by the assets of the District. Rural Development requires the District to reserve enough funds to pay an amount equal to a year's total payments. The District makes monthly payments on the note.

Note Number	Date of Note	Annual Payment	Balance 4/30/2016	Balance 4/30/2015	Interest Rate
91-02	10/7/1980	21,276	84,486	101,113	5.00%
		\$ 21,276	\$ 84,486	\$ 101,113	
	Less: Current Portion		17,486	16,633	
	Net Balance		\$ 67,000	\$ 84,480	

Current Portion:	Note 91-02
Year Ending 4/30/2017	17,486
Year Ending 4/30/2018	18,381
Year Ending 4/30/2019	19,325
Year Ending 4/30/2020	20,306
Year Ending 4/30/2021	8,988

Note 11 - Prior Period Adjustments

There were no prior period adjustments in the financial statements for the years ending April 30, 2016 or 2015.

Note 12 - Evaluation of Subsequent Events

The subsequent events of the District have been evaluated through May 18, 2016, the date of the financial statements.

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 #3
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 #3 (District), as of and for the years ending April 30, 2016 and 2015, and have issued my report thereon dated May 18, 2016.

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.

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

May 18, 2016