

**Comanche County Rural
Water District #3**
Audit Report
For Year Ending April 30, 2013

Scott Northrip, CPA
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Scott Northrip

Certified Public Accountant

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Independent Auditor' s Report

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

We have audited the accompanying financial statements of Comanche County Rural Water District #3 (District) as of April 30, 2013 and 2012, and 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 the 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. 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 the audits provide 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 Comanche County Rural Water District #3 as of April 30, 2013 and 2012, and the results of its operations and its cash flows and its changes in fund balance for the years 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 May 22, 2013, on our consideration of the internal control and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grants. These reports are 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 the audit

Scott Northrip, CPA

Certified Public Accountant

May 22, 2013

Comanche County Rural Water District #3

Statement of Net Assets
As of April 30, 2013 and 2012

ASSETS:	2013	2012
Current Assets:		
Cash & Cash Equivalents (Note 8)	\$ 583,229	\$ 514,105
Accounts Receivable (Note 2)	28,438	26,968
Other Receivable	100	100
Prepaid Insurance	13,020	13,075
Accrued Interest Receivable	521	639
Total Current Assets	\$ 625,308	\$ 554,887
Noncurrent Assets:		
Land	\$ 14,158	\$ -
Capital Assets: (Note 6)		
Other Capital Assets, net of depreciation	1,269,401	1,302,569
Total Noncurrent Assets	\$ 1,283,559	\$ 1,302,569
TOTAL ASSETS	\$ 1,908,867	\$ 1,857,456
 LIABILITIES AND NET ASSETS:		
Current Liabilities:		
Accounts Payable	\$ 24,313	\$ 25,292
Interest Payable	468	593
Outside Coalition Legal Fund	66	66
Current Portion of Long-term Liabilities	38,534	50,751
Total Current Liabilities	\$ 63,381	\$ 76,702
Long-Term Liabilities: (Note 10)		
Notes Payable - net of current portion	\$ 116,800	\$ 155,254
Net Assets:		
Restricted Fund Balance (Note 5)	\$ 59,808	\$ 59,808
Unrestricted Fund Balance	(80,300)	(149,986)
Total Fund Balance	\$ (20,492)	\$ (90,178)
Member Investments	1,001,760	971,760
Donated Assets (Note 7)	487,268	487,268
Impact & Storage Fees	55,250	51,750
Grants	204,900	204,900
TOTAL NET ASSETS	\$ 1,728,686	\$ 1,625,500
TOTAL LIABILITIES AND NET ASSETS	\$ 1,908,867	\$ 1,857,456

See accompanying notes to the financial statements.

Comanche County Rural Water District #3

Comparative Statement of Activities
For the Years Ended April 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
OPERATING REVENUES:		
Water Sales	\$ 479,336	\$ 485,449
Late Fees	7,589	8,739
Other Charges	20,065	31,188
Installation Fees	3,337	853
Total Operating Revenues	<u>\$ 510,327</u>	<u>\$ 526,229</u>
OPERATING EXPENSES:		
Salaries	\$ 90,330	\$ 87,707
Depreciation Expense	75,502	86,569
Interest Expense	9,012	11,488
Utilities	13,678	13,948
Water Purchases	125,863	125,728
Repairs & Supplies	34,088	42,723
Insurance	11,177	12,520
Legal & Professional Fees	11,717	19,611
Meter Reading	12,373	11,370
Transportation Expense	10,049	11,343
Employee Benefits	20,975	20,547
Payroll Tax Expense	8,000	7,123
Communications Expense	3,846	3,650
Office Supplies & Postage	9,289	9,836
Rent Expense	1,800	1,800
Dues & Licenses	593	581
Health Permit	5,066	4,275
Meeting Expense	468	2,141
Bad Debt Expense	180	658
Miscellaneous Expense	837	2,208
Total Operating Expenses	<u>\$ 444,843</u>	<u>\$ 475,826</u>
OPERATING INCOME (LOSS)	<u>\$ 65,484</u>	<u>\$ 50,403</u>
OTHER REVENUES (EXPENSES):		
Investment Revenues	\$ 4,202	\$ 2,457
Other Income	-	-
Gain on Sale of Assets	-	-
Total Other Revenues(Expenses)	<u>\$ 4,202</u>	<u>\$ 2,457</u>
NET INCOME	<u>\$ 69,686</u>	<u>\$ 52,860</u>

See accompanying notes to the financial statements.

Comanche County Rural Water District #3

Comparative Statement of Changes in Net Assets
For the Years Ended April 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Balance, May 1	\$ 1,625,500	\$ 1,515,381
Net Income (Loss)	69,686	52,860
Impact & Storage Fees	3,500	-
Member Investments	30,000	44,000
Donated Assets (Note 7)	-	13,259
Grants	-	-
Total Changes in Net Assets	<u>\$ 103,186</u>	<u>\$ 110,119</u>
Balance, April 30	<u>\$ 1,728,686</u>	<u>\$ 1,625,500</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, 2013 and 2012

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers	\$ 508,857	\$ 533,508
Payments to suppliers	(241,948)	(261,520)
Payments to employees	(119,305)	(115,377)
Net Cash Provided by Operating Activities	\$ 147,604	\$ 156,611
 CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Purchase of capital assets	\$ (42,334)	\$ (58,235)
Donated Assets	-	13,259
Payments for Construction in Progress	-	31,319
Purchase of land	(14,158)	-
Principal payments on notes payable	(50,672)	(48,251)
Interest paid on notes payable	(9,136)	(11,557)
Proceeds from sale of assets	-	-
Net Cash Used In Capital & Related Financing Activities	\$ (116,300)	\$ (73,465)
 CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment Receipts	\$ 4,320	\$ 1,857
Proceeds from Impact & Storage Fees	3,500	-
Proceeds from memberships	30,000	44,000
Net Cash Provided from Investing Activities	\$ 37,820	\$ 45,857
 INCREASE (DECREASE) IN CASH AND INVESTMENTS	\$ 69,124	\$ 129,003
Cash and Investment Balance - Beginning	514,105	385,102
CASH AND INVESTMENT BALANCE - ENDING	\$ 583,229	\$ 514,105
 Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:		
Operating Income (Loss)	\$ 65,484	\$ 50,403
Adjustments to reconcile operating income to net cash provided (used) by Operating Activities:		
Interest Expense	9,012	11,488
Depreciation expense	75,502	86,569
Change in assets and liabilities:		
Accounts Receivable	(1,470)	7,279
Other Receivables	-	-
Prepaid Insurance	55	(74)
Accounts Payable	(979)	946
Outside Coalition Legal Fund	-	-
Net Cash Provided from Operating Activities	\$ 147,604	\$ 156,611

See accompanying notes to the financial statements.

Comanche County Rural Water District #3

Notes to the Financial Statements
For the Years Ended April 30, 2013 and 2012

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 879 and 866 meters for the years ending April 30, 2013 and 2012.

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, 2013 and 2012 amounted to \$28,438 and \$26,968. 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 \$59,808 for debt service as required by Rural Development's mortgage as of April 30, 2013 and 2012.

Comanche County Rural Water District #3

Notes to the Financial Statements
For the Years Ended April 30, 2013 and 2012

Note 6 - Changes in Capital Assets

	Balance 5/1/2012	Additions	Disposed	Balance 4/30/2013
Water System Plant Assets	\$ 792,338	\$ 1,044	\$ -	\$ 793,382
Wells, Pumps & Telemetry	423,745	23,146	-	446,891
System Extension	1,786,426	524	-	1,786,950
Vehicles	21,636	-	-	21,636
Office Building	-	17,620	-	17,620
Office Furniture & Equipment	25,656	-	-	25,656
Total Assets	\$ 3,049,801	\$ 42,334	\$ -	\$ 3,092,135
Less: Accumulated Depreciation	1,747,232	75,502	-	1,822,734
Net Fixed Assets	\$ 1,302,569	\$ (33,168)	\$ -	\$ 1,269,401

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, 2013 and 2012 were \$0 and \$13,259, respectively.

Note 8 - Components of Cash and Investments

	Date of Maturity	Interest Rate	Balance
Checking - City National Bank	-	0.10%	\$ 72,161
Petty Cash	-	0.00%	200
Construction Acct - Walters Bank	-	0.30%	101,091
Money Market Acct - First National Bank	-	1.50%	230,852
Storage Acct - Arvest Bank	-	0.15%	13,569
Impact Fee Acct - Arvest Bank	-	0.15%	40,217
CD - Arvest Bank	9/8/2012	0.65%	60,288
CD - Arvest Bank	9/8/2012	0.65%	64,851
Total Cash and Investments			\$ 583,229

Comanche County Rural Water District #3

Notes to the Financial Statements
For the Years Ended April 30, 2013 and 2012

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, 2013 and 2012 were \$8,926 and \$8,673.

Note 10 - Long Term Liabilities

The District has two 40 year notes with Rural Development, an agency of the United States Department of Agriculture. The loans are all fixed interest notes. The notes are 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 each of the notes.

Note Number	Date of Note	Annual Payment	Balance 4/30/2013	Balance 4/30/2012	Interest Rate
91-01	6/30/1975	38,532	23,484	59,847	5.00%
91-02	10/7/1980	21,276	131,850	146,158	5.00%
		<u>\$ 59,808</u>	<u>\$ 155,334</u>	<u>\$ 206,005</u>	
Less: Current Portion			38,534	50,751	
Net Balance			<u>\$ 116,800</u>	<u>\$ 155,254</u>	

Current Portion:		Note 01	Note 02
Year Ending	4/30/2014	23,484	15,050
Year Ending	4/30/2015	-	15,822
Year Ending	4/30/2016	-	16,633
Year Ending	4/30/2017	-	17,486
Year Ending	4/30/2018	-	18,381

Note 11 - Prior Period Adjustments

There were no prior period adjustments in the financial statements for the years ending April 30, 2013 or 2012.

Scott Northrip

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

**To the Board of Directors of
Comanche County Rural Water District #3**

We have audited the basic financial statements of the Comanche County Rural Water District #3 (District) for the year ended April 30, 2013 and 2012, and have issued our report thereon dated May 22, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the Government Auditing Standards issued by the Comptroller General of The United States.

Compliance

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the District's compliance with certain laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However our objective was not to provide an opinion on the overall compliance with such provisions, and accordingly we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control

In planning and performing our audit, we considered 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 and but not for the purpose of expressing our opinions 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 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.

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.

This report is intended for the information of the board of directors and management of the District. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

Scott Northrip, CPA

Certified Public Accountant

May 22, 2013