

COMANCHE COUNTY
RURAL WATER DISTRICT #3
Audit Report
For the Years Ended
April 30, 2014 and 2013

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, 2014 and 2013, 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, 2014 and 2013, 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, 2014, 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, 2014

Comanche County Rural Water District #3

Statement of Net Position
As of April 30, 2014 and 2013

ASSETS:	2014	2013
Current Assets:		
Cash & Cash Equivalents (Note 8)	\$ 260,300	\$ 583,229
Accounts Receivable (Note 2)	30,924	28,438
Other Receivable	100	100
Prepaid Insurance	14,707	13,020
Accrued Interest Receivable	38	521
Total Current Assets	\$ 306,069	\$ 625,308
Noncurrent Assets:		
Land	\$ 14,158	\$ 14,158
Capital Assets: (Note 6)		
Other Capital Assets, net of depreciation	1,615,581	1,269,401
Total Noncurrent Assets	\$ 1,629,739	\$ 1,283,559
TOTAL ASSETS	\$ 1,935,808	\$ 1,908,867
 LIABILITIES AND NET POSITION:		
Current Liabilities:		
Accounts Payable	\$ 20,184	\$ 24,313
Interest Payable	398	468
Outside Coalition Legal Fund	66	66
Current Portion of Long-term Liabilities	15,822	38,534
Total Current Liabilities	\$ 36,470	\$ 63,381
Long-Term Liabilities: (Note 10)		
Notes Payable - net of current portion	\$ 100,944	\$ 116,800
Net Position:		
Restricted Fund Balance (Note 5)	\$ 21,276	\$ 59,808
Unrestricted Fund Balance	(7,810)	(80,300)
Total Fund Balance	\$ 13,466	\$ (20,492)
Member Investments	1,035,760	1,001,760
Donated Assets (Note 7)	487,268	487,268
Impact & Storage Fees	57,000	55,250
Grants	204,900	204,900
TOTAL NET POSITION	\$ 1,798,394	\$ 1,728,686
TOTAL LIABILITIES AND NET POSITION	\$ 1,935,808	\$ 1,908,867

See accompanying notes to the financial statements.

Comanche County Rural Water District #3

Comparative Statement of Activities
For the Years Ended April 30, 2014 and 2013

	2014	2013
OPERATING REVENUES:		
Water Sales	\$ 444,709	\$ 479,336
Late Fees	7,581	7,589
Other Charges	317	20,065
Installation Fees	214	3,337
Total Operating Revenues	\$ 452,821	\$ 510,327
OPERATING EXPENSES:		
Salaries	\$ 91,866	\$ 90,330
Depreciation Expense	70,413	75,502
Interest Expense	6,546	9,012
Utilities	17,383	13,678
Water Purchases	112,202	125,863
Repairs & Supplies	29,962	34,088
Insurance	12,226	11,177
Legal & Professional Fees	2,100	11,717
Meter Reading	13,384	12,373
Transportation Expense	9,498	10,049
Employee Benefits	21,731	20,975
Payroll Tax Expense	8,133	8,000
Communications Expense	4,166	3,846
Office Supplies & Postage	13,377	9,289
Rent Expense	1,050	1,800
Dues & Licenses	628	593
Health Permit	3,730	5,066
Meeting Expense	481	468
Bad Debt Expense	186	180
Miscellaneous Expense	2,635	837
Total Operating Expenses	\$ 421,697	\$ 444,843
OPERATING INCOME (LOSS)	\$ 31,124	\$ 65,484
OTHER REVENUES (EXPENSES):		
Investment Revenues	\$ 2,834	\$ 4,202
Other Income	-	-
Gain on Sale of Assets	-	-
Total Other Revenues(Expenses)	\$ 2,834	\$ 4,202
NET INCOME	\$ 33,958	\$ 69,686

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, 2014 and 2013

	2014	2013
Balance, May 1	\$ 1,728,686	\$ 1,625,500
Net Income (Loss)	33,958	69,686
Impact & Storage Fees	1,750	3,500
Member Investments	34,000	30,000
Donated Assets (Note 7)	-	-
Grants	-	-
Total Changes in Net Assets	\$ 69,708	\$ 103,186
Balance, April 30	\$ 1,798,394	\$ 1,728,686

See accompanying notes to the financial statements.

Comanche County Rural Water District #3

Comparative Statement of Cash Flows
For the Years Ended April 30, 2014 and 2013

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers	\$ 450,335	\$ 508,857
Payments to suppliers	(228,824)	(241,948)
Payments to employees	(121,730)	(119,305)
Net Cash Provided by Operating Activities	\$ 99,781	\$ 147,604
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Purchase of capital assets	\$ (416,593)	\$ (42,334)
Donated Assets	-	-
Payments for Construction in Progress	-	-
Purchase of land	-	(14,158)
Principal payments on notes payable	(38,567)	(50,672)
Interest paid on notes payable	(6,616)	(9,136)
Proceeds from sale of assets	-	-
Net Cash Used In Capital & Related Financing Activities	\$ (461,776)	\$ (116,300)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment Receipts	\$ 3,316	\$ 4,320
Proceeds from Impact & Storage Fees	1,750	3,500
Proceeds from memberships	34,000	30,000
Net Cash Provided from Investing Activities	\$ 39,066	\$ 37,820
INCREASE (DECREASE) IN CASH AND INVESTMENTS	\$ (322,929)	\$ 69,124
Cash and Investment Balance - Beginning	583,229	514,105
CASH AND INVESTMENT BALANCE - ENDING	\$ 260,300	\$ 583,229
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:		
Operating Income (Loss)	\$ 31,124	\$ 65,484
Adjustments to reconcile operating income to net cash provided (used) by Operating Activities:		
Interest Expense	6,546	9,012
Depreciation expense	70,413	75,502
Change in assets and liabilities:		
Accounts Receivable	(2,486)	(1,470)
Other Receivables	-	-
Prepaid Insurance	(1,687)	55
Accounts Payable	(4,129)	(979)
Outside Coalition Legal Fund	-	-
Net Cash Provided from Operating Activities	\$ 99,781	\$ 147,604

See accompanying notes to the financial statements.

Comanche County Rural Water District #3

Notes to the Financial Statements
For the Years Ended April 30, 2014 and 2013

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 894 and 879 meters for the years ending April 30, 2014 and 2013.

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, 2014 and 2013 amounted to \$30,924 and \$28,438. 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 \$59,808 for debt service as required by Rural Development's mortgage as of April 30, 2014 and 2013. 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, 2014 and 2013

Note 6 - Changes in Capital Assets

	Balance 5/1/2013	Additions	Disposed	Balance 4/30/2014
Water System Plant Assets	\$ 793,382	\$ -	\$ -	\$ 793,382
Wells, Pumps & Telemetry	446,891	-	-	446,891
System Extension	1,786,950	1,200	-	1,788,150
Vehicles	21,636	-	-	21,636
Office Building	17,620	405,445	-	423,065
Office Furniture & Equipment	25,656	9,948	-	35,604
Total Assets	\$ 3,092,135	\$ 416,593	\$ -	\$ 3,508,728
Less: Accumulated Depreciation	1,822,734	70,413	-	1,893,147
Net Fixed Assets	\$ 1,269,401	\$ 346,180	\$ -	\$ 1,615,581

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, 2014 and 2013 were \$0 and \$0, respectively.

Note 8 - Components of Cash and Investments

	Date of Maturity	Interest Rate	Balance
Checking - City National Bank	-	0.10%	\$ 94,105
Petty Cash	-	0.00%	200
Construction Acct - Walters Bank	-	0.30%	-
Money Market Acct - First National Bank	-	1.50%	90,581
Storage Acct - Arvest Bank	-	0.15%	13,588
Impact Fee Acct - Arvest Bank	-	0.15%	40,273
CD - Walters Bank	9/17/2014	0.45%	21,553
			-
Total Cash and Investments			\$ 260,300

Comanche County Rural Water District #3

Notes to the Financial Statements
For the Years Ended April 30, 2014 and 2013

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, 2014 and 2013 were \$9,135 and \$8,926.

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 4/30/2014	Balance 4/30/2013	Interest Rate
91-01	6/30/1975	38,532	-	23,484	5.00%
91-02	10/7/1980	21,276	116,766	131,850	5.00%
		<u>\$ 59,808</u>	<u>\$ 116,766</u>	<u>\$ 155,334</u>	
Less: Current Portion			15,822	50,751	
Net Balance			<u><u>\$ 100,944</u></u>	<u><u>\$ 104,583</u></u>	

Current Portion:		Note 01	Note 02
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
Year Ending	4/30/2019	-	19,325

Note 11 - Prior Period Adjustments

There were no prior period adjustments in the financial statements for the years ending April 30, 2014 or 2013.

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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, 2014 and 2013, and have issued our report thereon dated May 22, 2014. 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, 2014