

**Comanche County Rural
Water District #3**

Audit Report
For Year Ending April 30, 2024

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Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinion

I have audited the accompanying financial statements of Comanche County Rural Water District #3, (District), as of and for the years ended April 30, 2024 and 2023, 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 #3, as of April 30, 2024 and 2023, 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.

Basis for Opinion

I conducted the audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 May 29, 2024, 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 29, 2024

Comanche County Rural Water District #3

Statement of Net Position
As of April 30, 2024 and 2023

ASSETS:	2024	2023
Current Assets:		
Cash & Cash Equivalents (Note 8)	\$ 1,053,117	\$ 778,881
Accounts Receivable (Note 2)	39,536	35,384
Other Receivable	-	-
Prepaid Insurance	20,063	15,514
Total Current Assets	\$ 1,112,716	\$ 829,779
Noncurrent Assets:		
Land	\$ 14,158	\$ 14,158
Capital Assets: (Note 6)		
Other Capital Assets, net of depreciation	2,468,697	2,216,536
Total Noncurrent Assets	\$ 2,482,855	\$ 2,230,694
TOTAL ASSETS	\$ 3,595,571	\$ 3,060,473
LIABILITIES AND NET POSITION:		
Current Liabilities:		
Accounts Payable	\$ 16,526	\$ 15,226
Interest Payable	-	-
Current Portion of Long-term Liabilities	-	-
Total Current Liabilities	\$ 16,526	\$ 15,226
Long-Term Liabilities: (Note 10)		
Notes Payable - net of current portion	\$ -	\$ -
Net Position:		
Restricted Fund Balance (Note 5)	\$ -	\$ -
Unrestricted Fund Balance	916,868	898,570
Total Fund Balance	\$ 916,868	\$ 898,570
Member Investments	1,311,760	1,283,760
Donated Assets (Note 7)	594,017	594,017
Impact & Storage Fees	64,000	64,000
Grants	692,400	204,900
TOTAL NET POSITION	\$ 3,579,045	\$ 3,045,247
TOTAL LIABILITIES AND NET POSITION	\$ 3,595,571	\$ 3,060,473

See accompanying notes to the financial statements.

Comanche County Rural Water District #3

Comparative Statement of Activities
For the Years Ended April 30, 2024 and 2023

	2024	2023
OPERATING REVENUES:		
Water Sales	\$ 690,674	\$ 687,754
Late Fees	7,776	7,592
Other Charges	2,565	2,068
Installation/Reconnect Fees	2,000	1,806
Total Operating Revenues	\$ 703,015	\$ 699,220
OPERATING EXPENSES:		
Salaries	\$ 190,768	\$ 132,913
Depreciation Expense	142,890	134,841
Interest Expense	-	-
Utilities	28,229	30,504
Water Purchases & Surcharges	74,079	73,932
Repairs ,Supplies & Exploration	119,959	66,524
Insurance	18,630	14,408
Legal & Professional Fees	3,550	3,500
Meter Reading & Part-time help	6,888	5,458
Transportation Expense	15,674	10,982
Employee Benefits	35,284	28,534
Payroll Tax Expense	15,605	10,830
Communications Expense	8,262	5,703
Office Supplies & Postage	21,826	20,492
Computer & Internet Expense	2,812	2,696
Labs & Licenses	8,951	8,219
Meeting Expense	2,903	1,577
Bad Debt Expense	-	2,043
Miscellaneous Expense	1,577	2,835
Total Operating Expenses	\$ 697,887	\$ 555,991
OPERATING INCOME (LOSS)	\$ 5,128	\$ 143,229
OTHER REVENUES (EXPENSES):		
Investment Revenues	\$ 13,170	\$ 7,303
Other Income	-	-
Gain on Sale of Assets	-	-
Total Other Revenues(Expenses)	\$ 13,170	\$ 7,303
NET INCOME	\$ 18,298	\$ 150,532

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, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Balance, May 1	<u>\$ 3,045,247</u>	<u>\$ 2,836,510</u>
Net Income (Loss)	18,298	150,532
Impact & Storage Fees	-	1,750
Member Investments	28,000	40,000
Donated Assets (Note 7)	-	16,455
Grants	<u>487,500</u>	<u>-</u>
Total Changes in Net Position	<u>\$ 533,798</u>	<u>\$ 208,737</u>
Balance, April 30	<u><u>\$ 3,579,045</u></u>	<u><u>\$ 3,045,247</u></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, 2024 and 2023

	<u>2024</u>	<u>2023</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers	\$ 698,863	\$ 704,938
Payments to suppliers	(316,589)	(266,049)
Payments to employees & benefits	(241,657)	(172,277)
Net Cash Provided by Operating Activities	<u>\$ 140,617</u>	<u>\$ 266,612</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Purchase of capital assets	\$ (395,051)	\$ (311,301)
Donated Assets	-	16,455
Payments for Construction in Progress	-	-
Proceeds from Grants	487,500	-
Principal payments on notes payable	-	-
Interest paid on notes payable	-	-
Proceeds from sale of assets	-	-
Net Cash Used In Capital & Related Financing Activities	<u>\$ 92,449</u>	<u>\$ (294,846)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment Receipts	\$ 13,170	\$ 7,303
Proceeds from Impact & Storage Fees	-	1,750
Proceeds from memberships	28,000	40,000
Net Cash Provided from Investing Activities	<u>\$ 41,170</u>	<u>\$ 49,053</u>
INCREASE (DECREASE) IN CASH AND INVESTMENTS	<u>\$ 274,236</u>	<u>\$ 20,819</u>
Cash and Investment Balance - Beginning	778,881	758,062
CASH AND INVESTMENT BALANCE - ENDING	<u>\$ 1,053,117</u>	<u>\$ 778,881</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:		
Operating Income (Loss)	\$ 5,128	\$ 143,229
Adjustments to reconcile operating income to net cash provided (used) by Operating Activities:		
Interest Expense	-	-
Depreciation expense	142,890	134,841
Change in assets and liabilities:		
Accounts Receivable	(4,152)	5,718
Other Receivables	-	-
Prepaid Insurance	(4,549)	(1,408)
Accounts Payable	1,300	(15,768)
Outside Coalition Legal Fund	-	-
Net Cash Provided from Operating Activities	<u>\$ 140,617</u>	<u>\$ 266,612</u>

See accompanying notes to the financial statements.

Comanche County Rural Water District #3

Notes to the Financial Statements
For the Years Ended April 30, 2024 and 2023

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 1,012 and 998 meters for the years ending April 30, 2024 and 2023.

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, 2024 and 2023 amounted to \$39,536 and \$35,384. 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 no restricted assets as of April 30, 2024 and 2023.

Comanche County Rural Water District #3

Notes to the Financial Statements
For the Years Ended April 30, 2024 and 2023

Note 6 - Changes in Capital Assets

	Balance 5/1/2023	Additions	Disposed	Balance 4/30/2024
Water System Plant Assets	\$ 903,684	\$ 152,274	\$ (36,304)	\$ 1,019,654
Wells, Pumps & Telemetry	628,313	224,008	-	852,321
System Extension	2,831,297	1,453	-	2,832,750
Vehicles	98,217	4,113	-	102,330
Office Building	426,819	-	-	426,819
Office Furniture & Equipment	53,283	13,203	-	66,486
Total Assets	\$ 4,941,613	\$ 395,051	\$ (36,304)	\$ 5,300,360
Less: Accumulated Depreciation	2,725,077	142,890	(36,304)	2,831,663
Net Fixed Assets	\$ 2,216,536	\$ 252,161	\$ -	\$ 2,468,697

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, 2024 and 2023 were \$0 and \$16,455, respectively.

Note 8 - Components of Cash and Investments

	Date of Maturity	Interest Rate	Balance
Checking - City National Bank	-	0.10%	\$ 285,369
Petty Cash	-	0.00%	200
Construction Acct - Walters Bank	-	0.10%	-
Money Market Acct - Sovereign Bank	-	3.10%	292,481
CD - Walters Bank	3/29/2025	3.00%	250,067
CD - Arvest Bank	4/1/2025	5.20%	225,000
Total Cash and Investments			\$ 1,053,117

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, 2024 and 2023 were \$17,557 and \$11,755.

Note 10 - Long Term Liabilities

The District has no long term liabilities as of the years ending April 30, 2024 or 2023.

Comanche County Rural Water District #3
Notes to the Financial Statements
For the Years Ended April 30, 2024 and 2023

Note 11 - Prior Period Adjustments

There were no prior period adjustments in the financial statements for the years ending April 30, 2024 or 2023.

Note 12 - Evaluation of Subsequent Events

The subsequent events of the District have been evaluated through May 29, 2024, the date of the financial statements.

Note 13 - Grants

The District received ARPA Grant Funds through Comanche County during the year ending April 30, 2024 for 3 water system improvement projects totalling \$487,500.

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, 2024 and 2023, and have issued my report thereon dated May 29, 2024.

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 29, 2024