

**Comanche County Rural
Water District #4**
Audit Report
For Year Ending August 31, 2013

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Independent Auditor's Report

To The Board of Directors of
Rural Water District #4, Comanche County

We have audited the accompanying financial statements of Rural Water District #4 Comanche County (District) as of August 31, 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 Rural Water District #4 Comanche County as of August 31, 2013 and 2012, and the results of its activities, its cash flows and its changes in net assets 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 October 23, 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

October 23, 2013

Rural Water District #4, Comanche County

Comparative Statement of Net Position

As of August 31, 2013 and 2012

ASSETS:	2013	2012
Current Assets:		
Cash & Cash Equivalents	\$ 617,012	\$ 572,012
Accounts Receivable (Note 2)	114,803	164,013
Prepaid Insurance	8,706	9,481
Other Receivable	-	-
Inventory	38,001	14,095
Total Current Assets	\$ 778,522	\$ 759,601
Noncurrent Assets:		
Construction in Progress	\$ -	\$ -
Capital Assets: (Note 6)		
Other Capital Assets, net of depreciation	3,702,448	3,490,637
Total Noncurrent Assets	\$ 3,702,448	\$ 3,490,637
TOTAL ASSETS	\$ 4,480,970	\$ 4,250,238
 LIABILITIES AND NET POSITION:		
Current Liabilities:		
Accounts Payable	\$ 52,849	\$ 64,451
Accrued Wages Payable	9,428	8,815
Interest Payable	7,376	3,802
Current Portion of Long-term Liabilities	108,978	104,368
Total Current Liabilities	\$ 178,631	\$ 181,436
Long-Term Liabilities: (Note 10)		
Notes Payable - net of current portion	\$ 1,058,573	\$ 1,222,334
Net Positions:		
Restricted Fund Balance	\$ 15,324	\$ 15,324
Unrestricted Fund Balance	1,282,485	1,043,315
Total Fund Balance	\$ 1,297,809	\$ 1,058,639
Member Investments	1,167,250	1,079,750
Donated Assets (Note 7)	67,940	19,640
Grants	710,767	688,439
TOTAL NET POSITIONS	\$ 3,243,766	\$ 2,846,468
 TOTAL LIABILITIES AND NET POSITION	\$ 4,480,970	\$ 4,250,238

See accompanying notes to the financial statements.

Rural Water District #4, Comanche County

Comparative Statement of Activities
For the Years Ended August 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
OPERATING REVENUES:		
Water Sales	\$ 1,123,479	\$ 1,248,584
Reimbursements	17,171	30,887
Miscellaneous Operating	-	1,275
Total Operating Revenues	<u>\$ 1,140,650</u>	<u>\$ 1,280,746</u>
OPERATING EXPENSES:		
Water Purchases	\$ 282,443	\$ 416,199
Personnel Expense	138,197	123,373
Depreciation Expense	111,508	105,597
Interest Expense	53,670	60,290
Utilities & Communication	40,119	36,637
Installation & Repairs	116,324	184,518
Transportation	37,783	36,829
Insurance	14,509	15,166
Dues & Licenses	9,772	8,446
Bad Debts Expense	-	-
Rent Expense	54,112	18,225
Office Expenses & Postage	14,276	12,589
Legal & Professional Fees	10,064	6,417
Directors Fees & Meeting Expense	3,600	3,600
Miscellaneous Expense	15,783	7,647
Total Operating Expenses	<u>\$ 902,160</u>	<u>\$ 1,035,533</u>
OPERATING INCOME (LOSS)	<u>\$ 238,490</u>	<u>\$ 245,213</u>
OTHER REVENUES (EXPENSES):		
Investment Revenues	\$ 680	\$ 745
Other Income	-	-
Gain on Sale of Assets	-	-
Total Other Revenues(Expenses)	<u>\$ 680</u>	<u>\$ 745</u>
NET INCOME	<u><u>\$ 239,170</u></u>	<u><u>\$ 245,958</u></u>

See accompanying notes to the financial statements.

Rural Water District #4, Comanche County

Comparative Statement of Changes in Net Assets
For the Years Ended August 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Balance, September 1	\$ 2,846,468	\$ 2,440,808
Net Income (Loss)	239,170	245,958
Prior Period Adjustment (Note 11)	-	-
Member Investments	87,500	55,000
Donated Assets (Note 7)	48,300	15,390
Grants	22,328	89,312
Total Changes in Net Assets	<u>\$ 397,298</u>	<u>\$ 405,660</u>
Balance, August 31	<u><u>\$ 3,243,766</u></u>	<u><u>\$ 2,846,468</u></u>

See accompanying notes to the financial statements.

Rural Water District #4, Comanche County

Comparative Statement of Cash Flows For the Years Ended August 31, 2013 and 2012

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers	\$ 1,189,860	\$ 1,284,030
Payments to suppliers	(633,518)	(741,291)
Payments to employees	(137,584)	(123,373)
Net Cash Provided by Operating Activities	\$ 418,758	\$ 419,366
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Purchase of capital assets	\$ (323,319)	\$ (219,476)
Donated Assets	48,300	15,390
Payments for Construction in Progress	-	13,360
Principal payments on notes payable	(159,151)	(147,693)
Interest paid on notes payable	(50,096)	(61,631)
Proceeds from Grants	22,328	89,312
Proceeds from Long-term notes	-	-
Net Cash Used In Capital & Related Financing Activities	\$ (461,938)	\$ (310,738)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment Receipts	\$ 680	\$ 745
Other Proceeds	-	-
Proceeds from memberships	87,500	55,000
Net Cash Provided from Investing Activities	\$ 88,180	\$ 55,745
INCREASE (DECREASE) IN CASH AND INVESTMENTS	\$ 45,000	\$ 164,373
Cash and Investment Balance - Beginning	572,012	407,639
CASH AND INVESTMENT BALANCE - ENDING	\$ 617,012	\$ 572,012
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:		
Operating Income (Loss)	\$ 238,490	\$ 245,213
Adjustments to reconcile operating income to net cash provided (used):		
Interest Expense	53,670	60,290
Depreciation expense	111,508	105,597
Change in assets and liabilities:		
Accounts Receivable	49,210	3,284
Other Receivables	-	-
Prepaid Insurance	775	(1,066)
Inventory	(23,906)	6,907
Accounts Payable	(11,602)	(859)
Accrued Wages Payable	613	-
Net Cash Provided from Operating Activities	\$ 418,758	\$ 419,366

See accompanying notes to the financial statements.

Rural Water District #4, Comanche County

Notes to the Financial Statements
For the Years Ended August 31, 2013 and 2012

Note 1 - Significant Accounting Policies

Organization:

Rural Water District #4, Comanche Co., OK, (District) was 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 1,280 and 1,252 meters at August 31, 2013 and 2012 respectively.

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 4 to 50 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 June 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 August 31, 2013 and 2012. 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 didn't 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 \$15,324 for debt service as required by Berkadia's mortgage as of August 31, 2013 and 2012. The amount decreased when one of the notes was paid in full.

Rural Water District #4, Comanche County

Notes to the Financial Statements
For the Years Ended August 31, 2013 and 2012

Note 6 - Changes in Capital Assets

	Balance 9/1/2012	Additions	Disposed	Balance 8/31/2013
Water System Plant Assets	\$ 4,681,464	\$ 323,319	\$ -	\$ 5,004,783
Office Furniture & Fixtures	13,725	-	-	13,725
Equipment	88,512	-	-	88,512
Buildings & Improvements	260,810	-	-	260,810
Total Assets	\$ 5,044,511	\$ 323,319	\$ -	\$ 5,367,830
Less: Accumulated Depreciation	1,553,874	111,508	-	1,665,382
Net Fixed Assets	\$ 3,490,637	\$ 211,811	\$ -	\$ 3,702,448

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 August 31, 2013 and 2012 were \$48,300 and \$15,390, respectively.

Note 8 - Components of Cash and Investments

	Date of Maturity	Interest Rate	8/31/2013 Balance
Checking - Bank of the Wichitas	-	0.05%	\$ 485,408
CD - IBC Bank	2/28/2014	0.50%	109,258
Checking - Bank of the Wichitas (Const)	-	0.00%	22,346
Total Cash and Investments			\$ 617,012

Note 9 - Retirement

The District provides a 401(a) retirement plan for its employees and matches contributions up to 10%. The District contributed \$8,832 and \$8,438 for the years August 31, 2013 and 2012.

Rural Water District #4, Comanche County

Notes to the Financial Statements
For the Years Ended August 31, 2013 and 2012

Note 10 - Long Term Liabilities

The District has two 40 year notes with Berkadia Mortgage and two notes with Bank of the Wichitas. The loans are fixed interest notes. The notes are secured by the assets of the District. Berkadia 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 notes. The District has elected to pay extra principal payments on the BOW notes.

	Date of Note	Annual Payments	Balance 8/31/2012	Balance 8/31/2012	Interest Rate
Berkadia	1/1/1988	\$ 15,324	\$ 80,150	\$ 91,071	5.00%
BOW (1)	3/12/2009	-	1	1	6.00%
BOW (2)	6/17/2008	138,441	1,087,400	1,235,630	4.25%
		<u>\$ 153,765</u>	<u>\$ 1,167,551</u>	<u>\$ 1,326,702</u>	
Less: Current Portion			108,978	104,368	
Net Balance			<u>\$ 1,058,573</u>	<u>\$ 1,222,334</u>	

Current Portion:	Berkadia	BOW (1)	BOW (2)
Year Ending 2014	11,494	-	97,484
Year Ending 2015	12,085	-	101,715
Year Ending 2016	12,804	-	106,129
Year Ending 2017	13,465	-	110,736
Year Ending 2018	14,154	-	112,245

Note 11 - Prior Period Adjustments

There were no prior period adjustments in the financial statements for the years ending August 31, 2013 or 2012.

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OF THE FINANCIAL STATEMENTS IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors of
Rural Water District #4, Comanche County

We have audited the basic financial statements of the Rural Water District #4 Comanche County for the year ended August 31, 2013 and 2012, and have issued our report thereon dated October 23, 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 Over Financial Reporting

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

October 23, 2013