



**Comanche County Rural
Water District #3**
Audit Report
For Year Ending April 30, 2012

Scott Northrip, CPA
P.O. Box 642
Hobart, OK 73651
(580) 726-5681

Scott Northrip

Certified Public Accountant

P.O. Box 642
Hobart, Oklahoma 73651

311 S. Main St.
(580) 726-5681

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, 2012 and 2011, 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, 2012, and 2011 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 17, 2012, 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 17, 2012

Comanche County Rural Water District #3

Statement of Net Assets
As of April 30, 2012 and 2011

ASSETS:	<u>2012</u>	<u>2011</u>
Current Assets:		
Cash & Cash Equivalents (Note 8)	\$ 514,105	\$ 385,102
Accounts Receivable (Note 2)	26,968	34,247
Other Receivable	100	100
Prepaid Insurance	13,075	13,001
Accrued Interest Receivable	639	39
Total Current Assets	<u>\$ 554,887</u>	<u>\$ 432,489</u>
Noncurrent Assets:		
Construction in Progress	\$ -	\$ 31,319
Capital Assets: (Note 6)		
Other Capital Assets, net of depreciation	1,302,569	1,330,903
Total Noncurrent Assets	<u>\$ 1,302,569</u>	<u>\$ 1,362,222</u>
TOTAL ASSETS	<u><u>\$ 1,857,456</u></u>	<u><u>\$ 1,794,711</u></u>
 LIABILITIES AND NET ASSETS:		
Current Liabilities:		
Accounts Payable	\$ 25,292	\$ 24,346
Interest Payable	593	662
Outside Coalition Legal Fund	66	66
Current Portion of Long-term Liabilities	50,751	48,291
Total Current Liabilities	<u>\$ 76,702</u>	<u>\$ 73,365</u>
Long-Term Liabilities: (Note 10)		
Notes Payable - net of current portion	<u>\$ 155,254</u>	<u>\$ 205,965</u>
Net Assets:		
Restricted Fund Balance (Note 5)	\$ 59,808	\$ 59,808
Unrestricted Fund Balance	(149,986)	(202,846)
Total Fund Balance	<u>\$ (90,178)</u>	<u>\$ (143,038)</u>
Member Investments	971,760	927,760
Donated Assets (Note 7)	487,268	474,009
Impact & Storage Fees	51,750	51,750
Grants	204,900	204,900
TOTAL NET ASSETS	<u>\$ 1,625,500</u>	<u>\$ 1,515,381</u>
 TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 1,857,456</u></u>	<u><u>\$ 1,794,711</u></u>

See accompanying notes to the financial statements.

Comanche County Rural Water District #3

Comparative Statement of Activities
For the Years Ended April 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
OPERATING REVENUES:		
Water Sales	\$ 485,449	\$ 399,965
Late Fees	8,739	8,200
Other Charges	31,188	2,970
Installation Fees	853	-
Total Operating Revenues	<u>\$ 526,229</u>	<u>\$ 411,135</u>
OPERATING EXPENSES:		
Salaries	\$ 87,707	\$ 84,662
Depreciation Expense	86,569	93,551
Interest Expense	11,488	13,838
Utilities	13,948	12,835
Water Purchases	125,728	76,205
Repairs & Supplies	42,723	49,200
Insurance	12,520	11,964
Legal & Professional Fees	19,611	2,475
Meter Reading	11,370	10,682
Transportation Expense	11,343	9,289
Employee Benefits	20,547	20,198
Payroll Tax Expense	7,123	6,813
Communications Expense	3,650	3,648
Office Supplies & Postage	9,836	8,464
Rent Expense	1,800	1,800
Dues & Licenses	581	573
Health Permit	4,275	1,008
Meeting Expense	2,141	1,940
Bad Debt Expense	658	-
Miscellaneous Expense	2,208	2,717
Total Operating Expenses	<u>\$ 475,826</u>	<u>\$ 411,862</u>
OPERATING INCOME (LOSS)	<u>\$ 50,403</u>	<u>\$ (727)</u>
OTHER REVENUES (EXPENSES):		
Investment Revenues	\$ 2,457	\$ 2,377
Other Income	-	-
Gain on Sale of Assets	-	-
Total Other Revenues(Expenses)	<u>\$ 2,457</u>	<u>\$ 2,377</u>
NET INCOME	<u><u>\$ 52,860</u></u>	<u><u>\$ 1,650</u></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, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Balance, May 1	<u>\$ 1,515,381</u>	<u>\$ 1,471,230</u>
Net Income (Loss)	52,860	1,650
Impact & Storage Fees	-	3,500
Member Investments	44,000	28,000
Donated Assets (Note 7)	13,259	11,001
Grants	-	-
	<u> </u>	<u> </u>
Total Changes in Net Assets	<u>\$ 110,119</u>	<u>\$ 44,151</u>
	<u> </u>	<u> </u>
Balance, April 30	<u><u>\$ 1,625,500</u></u>	<u><u>\$ 1,515,381</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, 2012 and 2011

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers	\$ 533,508	\$ 399,799
Payments to suppliers	(261,520)	(181,180)
Payments to employees	(115,377)	(111,673)
Net Cash Provided by Operating Activities	\$ 156,611	\$ 106,946
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Purchase of capital assets	\$ (58,235)	\$ (20,574)
Donated Assets	13,259	11,001
Payments for Construction in Progress	31,319	(15,933)
Proceeds from Grants	-	-
Principal payments on notes payable	(48,251)	(45,892)
Interest paid on notes payable	(11,557)	(13,916)
Proceeds from sale of assets	-	-
Net Cash Used In Capital & Related Financing Activities	\$ (73,465)	\$ (85,314)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment Receipts	\$ 1,857	\$ 2,911
Proceeds from Impact & Storage Fees	-	3,500
Proceeds from memberships	44,000	28,000
Net Cash Provided from Investing Activities	\$ 45,857	\$ 34,411
INCREASE (DECREASE) IN CASH AND INVESTMENTS	\$ 129,003	\$ 56,043
Cash and Investment Balance - Beginning	385,102	329,059
CASH AND INVESTMENT BALANCE - ENDING	\$ 514,105	\$ 385,102
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:		
Operating Income (Loss)	\$ 50,403	\$ (727)
Adjustments to reconcile operating income to net cash provided (used) by Operating Activities:		
Interest Expense	11,488	13,838
Depreciation expense	86,569	93,551
Change in assets and liabilities:		
Accounts Receivable	7,279	(11,336)
Other Receivables	-	-
Prepaid Insurance	(74)	(459)
Accounts Payable	946	12,145
Outside Coalition Legal Fund	-	(66)
Net Cash Provided from Operating Activities	\$ 156,611	\$ 106,946

See accompanying notes to the financial statements.

Comanche County Rural Water District #3

Notes to the Financial Statements
For the Years Ended April 30, 2012 and 2011

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 866 and 848 meters for the years ending April 30, 2012 and 2011.

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, 2012 and 2011 amounted to \$26,968 and \$34,247. 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, 2012 and 2011.

Comanche County Rural Water District #3

Notes to the Financial Statements
For the Years Ended April 30, 2012 and 2011

Note 6 - Changes in Capital Assets

	Balance			Balance
	5/1/2011	Additions	Disposed	4/30/2012
Water System Plant Assets	\$ 754,390	\$ 37,948	\$ -	\$ 792,338
Wells, Pumps & Telemetry	416,717	7,028	-	423,745
System Extension	1,773,167	13,259	-	1,786,426
Vehicles	21,636	-	-	21,636
Office Furniture & Equipment	25,656	-	-	25,656
Total Assets	\$ 2,991,566	\$ 58,235	\$ -	\$ 3,049,801
Less: Accumulated Depreciation	1,660,663	86,569	-	1,747,232
Net Fixed Assets	\$ 1,330,903	\$ (28,334)	\$ -	\$ 1,302,569

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, 2011 and 2010 were \$11,001 and \$0, respectively.

Note 8 - Components of Cash and Investments

	Date of	Interest	Balance
	Maturity	Rate	
Checking - City National Bank	-	0.15%	\$ 100,909
Construction Acct - Walters Bank	-	0.10%	100,667
Money Market Acct - First National Bank	-	0.50%	138,178
Outside Coalition Acct - City National Bank	-	0.00%	-
Storage Acct - Arvest Bank	-	0.20%	12,050
Impact Fee Acct - Arvest Bank	-	0.20%	38,158
CD - Arvest Bank	9/8/2012	0.80%	59,808
CD - Arvest Bank	9/8/2012	0.80%	64,335
Total Cash and Investments			\$ 514,105

Comanche County Rural Water District #3

Notes to the Financial Statements
For the Years Ended April 30, 2012 and 2011

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, 2012 and 2011 were \$8,673 and \$8,416.

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 4/30/2012	Balance 4/30/2011	Interest Rate
91-01	6/30/1975	38,532	59,847	94,461	5.00%
91-02	10/7/1980	21,276	146,158	159,795	5.00%
		<u>\$ 59,808</u>	<u>\$ 206,005</u>	<u>\$ 254,256</u>	
Less: Current Portion			50,751	48,291	
Net Balance			<u>\$ 155,254</u>	<u>\$ 205,965</u>	

Current Portion:		Note 01	Note 02
Year Ending	4/30/2013	36,435	14,316
Year Ending	4/30/2014	23,412	15,050
Year Ending	4/30/2015	-	15,822
Year Ending	4/30/2016	-	16,633
Year Ending	4/30/2017	-	17,486

Note 11 - Prior Period Adjustments

There were no prior period adjustments in the financial statements for the years ending April 30, 2012 or 2011.

Scott Northrip

Certified Public Accountant

P.O. Box 642
Hobart, Oklahoma 73651

311 S. Main St.
(580) 726-5681

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, 2012, and have issued our report thereon dated May 17, 2012. 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 17, 2012