

COMANCHE COUNTY RURAL WATER DISTRICT NO. 1

ANNUAL FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2011

COMANCHE COUNTY RURAL WATER DISTRICT NO. 1,
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YEAR ENDED DECEMBER 31, 2011

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Independent Auditor's Report

Board of Directors
Comanche County Rural Water District No. 1,

We have audited the accompanying statement of assets, liabilities and net assets – modified cash basis of Comanche County Rural Water District No. 1 as of December 31, 2011 and the related statements of revenues and expenses, and changes in net assets and cash flows – modified cash basis for the year then ended. These financial statements are the responsibility of Comanche County Rural Water District No. 1's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards for 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 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 statements presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, Comanche County Rural Water District No. 1 prepared its financial statements on a modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above, present fairly, in all material respects, the assets, liabilities and net assets of Comanche County Rural Water District No. 1 at December 31, 2011, and its revenues, expenses and changes in net assets and cash flows for the year then ended in conformity with the modified cash basis of accounting.

In accordance with *Government Auditing Standards*, we have also issued a report dated February 28, 2012 on our consideration of Comanche County Rural Water District No. 1's internal controls over financial reporting and on our tests of its compliance with certain provisions of laws and regulations, contracts and grants and other matters. 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 the internal control over financial reporting or on compliance. That report is 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 my audit.

Comanche County Rural Water District No. 1 has not presented the Management's Discussion and Analysis that the Governmental Accounting Standards Board requires to supplement, although, not be a part of the basic financial statements.



Kimberlye R. Mayer, CPA, P.C.
Blackwell, Oklahoma
February 28, 2012

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Directors
Comanche County Rural Water District No. 1

We have audited the financial statements of Comanche County Rural Water District No. 1 as of and for the year ended December 31, 2011 and have issued our report thereon dated February 28, 2012. We conducted our audit 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 financial statements were prepared on the modified cash basis of accounting which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Comanche County Rural Water District No. 1 has not presented the Management's Discussion and Analysis that the Governmental Accounting Standards Boards requires to supplement, although, not be a part of the basic financial statements.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Comanche County Rural Water District No. 1'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, but not for the purpose of expressing an opinion on the effectiveness of the Comanche County Rural Water District No. 1's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Comanche County Rural Water District No. 1's internal control over financial reporting.

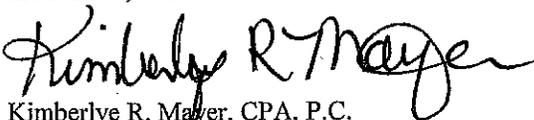
A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is 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 weakness, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Comanche County Rural Water District No. 1's financial statements are free of material misstatements, we performed tests 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, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the board of directors, and others within the District, and is not intended to be and should not be used by anyone other than these specified parties.



Kimberlye R. Mayer, CPA, P.C.
Blackwell, Oklahoma
February 28, 2012

FINANCIAL STATEMENTS

AND

NOTES

COMANCHE COUNTY RURAL WATER DISTRICT NO. 1
STATEMENT OF ASSETS, LIABILITIES AND NET ASSETS
MODIFIED CASH BASIS
DECEMBER 31, 2011

ASSETS

| | |
|--|----------------------------|
| Current Assets: | |
| Cash and cash equivalents | \$ 440,160 |
| Certificates of deposit | 335,384 |
| Inventory | <u>29,222</u> |
| Total Current Assets | 804,766 |
| Reserve certificate | 4,000 |
| Capital assets (Note 2) | |
| (net of accumulated depreciation of \$2,201,929) | 2,147,573 |
| Work in progress | <u>367,598</u> |
| Total Assets | <u><u>\$ 3,323,937</u></u> |

LIABILITIES AND NET ASSETS

| | |
|----------------------------------|----------------------------|
| Liabilities: | \$ |
| Net Assets: | |
| Invested in capital assets | 2,515,171 |
| Unrestricted | <u>808,766</u> |
| Total Net Assets | <u><u>3,323,937</u></u> |
| Total Liabilities and Net Assets | <u><u>\$ 3,323,937</u></u> |

COMANCHE COUNTY RURAL WATER DISTRICT NO. 1
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
MODIFIED CASH BASIS
YEAR ENDED DECEMBER 31, 2011

| | |
|----------------------------------|--------------|
| Operating Revenues: | |
| Water sales | \$ 1,044,770 |
| Service fees | 14,911 |
| Late penalties | 14,939 |
| Other income | 2,035 |
| Total Operating Revenues | 1,076,655 |
| Operating Expenses: | |
| Salaries and wages | 144,461 |
| Payroll taxes | 1,446 |
| Employee benefits | 34,335 |
| Repairs and maintenance | 45,180 |
| Pumping fees | 12,096 |
| Fuel and auto expenses | 14,908 |
| Insurance and bonds | 21,044 |
| Professional fees | 6,865 |
| Engineer fees | 350 |
| Meetings and travel | 7,300 |
| Office and postage | 14,664 |
| Water purchases | 429,081 |
| Telephone and pagers | 4,849 |
| Utilities | 31,339 |
| Water tests and fees | 785 |
| Licenses, permits and fees | 1,818 |
| Depreciation | 135,605 |
| Other expenses | 2,499 |
| Total Operating Expenses | 908,625 |
| Operating Income (Loss) | 168,030 |
| Nonoperating Revenue (Expenses): | |
| Interest income | 4,975 |
| System improvement fees | 35,432 |
| Membership and tap fees | 70,000 |
| Total Nonoperating Revenues | 110,407 |
| Change in Net Assets | 278,437 |
| Net Assets, beginning of year | 3,045,500 |
| Net Assets, end of year | \$ 3,323,937 |

The accompanying report and notes are an integral part of these financial statements.

COMANCHE COUNTY RURAL WATER DISTRICT NO.1
STATEMENT OF CASH FLOWS
MODIFIED CASH BASIS
YEAR ENDED DECEMBER 31, 2011

| | |
|---|-------------------|
| Cash Flows From Operating Activities: | |
| Cash received from customers | \$ 1,076,655 |
| Cash payments to suppliers for goods and services | (633,601) |
| Cash payments to employees | (144,461) |
| Net cash provided (used) by operating activities | <u>298,593</u> |
| Cash flows from non-capital financing activities: | |
| Cash flows from capital and related financing activities: | |
| Grant income | |
| (Increase) decrease in capital assets | (385,445) |
| System development fees and membership fees | 105,432 |
| Net cash provided (used) by financing activities | <u>(280,013)</u> |
| Cash flows from investing activities: | |
| Interest income | 4,975 |
| (Increase) decrease in CD's | (3,895) |
| Net cash provided (used) by investing activities | <u>1,080</u> |
| Net increase (decrease) in cash and cash equivalents | 19,660 |
| Beginning cash and cash equivalents | 420,500 |
| Ending cash and cash equivalents | <u>\$ 440,160</u> |
| Reconciliation of income (loss) from operations to net cash provided (used) by operating activities: | |
| Operating income or loss | \$ 168,030 |
| Adjustments to reconcile income (loss) from operations to net cash provided (used) by operating activities: | |
| Depreciation | 135,605 |
| (Increase) decrease in inventory | (5,042) |
| Net cash provided (used) by operating activities | <u>\$ 298,593</u> |

The accompanying report and notes are an integral part of these financial statements.

COMANCHE COUNTY RURAL WATER DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Nature of Organization

Comanche County Rural Water District No. 1 was created in 1965 under the Rural Water District Act, Title 82, as amended, of the laws of the State of Oklahoma. The District is exempt from federal and state income taxes. The purpose of the District is to provide water services to the owners and occupants of land located within the District, and others as authorized by law. Membership in the water district consists of water users who have paid the required membership fees.

The District is an entity governed by a Board of Directors that acts as the authoritative and legislative body of the entity. The Board of Directors is comprised of elected board members.

Basis of Accounting

The District is classified as an Enterprise Fund. The costs of providing the water services to the public are financed mainly through user charges. The financial statements of the District have been prepared using the modified cash basis of accounting. This basis recognizes assets, liabilities, net assets, revenues, and expenses when they result from cash transactions with a provision for depreciation. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

As a result of the use of the modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities on their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

Cash and Deposits

Cash is maintained in financial institutions, which provide coverage to depositors through the Federal Deposit Insurance Corporation.

The State of Oklahoma allows government entities to invest in the following: direct obligations of the United States Government, its agencies or instrumentalities; collateralized or insured certificates of deposit; insured savings accounts or savings certificates; or county, municipal or school district direct debt.

Statement of Cash Flows

For the purposes of the Statement of Cash Flows, the District considers all accounts and certificates of deposit with a maturity of three months or less to be cash equivalents.

COMANCHE COUNTY RURAL WATER DISTRICT NO. 1
 NOTES TO FINANCIAL STATEMENTS
 YEAR ENDED DECEMBER 31, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Budget

The District is not legally required to adopt a budget.

Inventory

Supplies inventory is valued at cost.

NOTE 2 – WATERLINE SYSTEM AND EQUIPMENT:

Waterline extensions and additions are capitalized and depreciated over their estimated useful lives. Annual depreciation is calculated on a straight-line basis. Total depreciation for the year ended December 31, 2011 was \$135,605. The balances for depreciable assets by major category as of December 31, 2011 are as follows:

| | 12/31/10 | Deletions | Additions | 12/31/11 |
|----------------------------|---------------------|-----------|------------------|---------------------|
| Land | \$ 6,000 | \$ | \$ | \$ 6,000 |
| Waterline system | 3,858,888 | | 117,560 | 3,976,448 |
| Machinery and equipment | 45,765 | | 56,095 | 101,860 |
| Vehicles | 63,986 | | | 63,986 |
| Buildings and improvements | 161,589 | | | 161,589 |
| Furniture and fixtures | 39,619 | | | 39,619 |
| Accumulated depreciation | (2,066,324) | | (135,605) | (2,201,929) |
| Total | <u>\$ 2,109,523</u> | <u>\$</u> | <u>\$ 38,050</u> | <u>\$ 2,147,573</u> |

NOTE 3 – RETIREMENT PLAN:

The full-time, permanent employees of the District participate in a SEP retirement plan. The District contributes to the employees retirement accounts. This amounted to \$8,175 for the year ended December 31, 2011.

NOTE 4 – RISK MANAGEMENT:

The District is exposed to various risks of losses related to torts; thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District manages this risk through the purchase of commercial insurance policies. Claims are recognized when it is probable that a loss has occurred and the amounts of the loss can be reasonably estimated. In determining claims, events that might create claims, but for which none have been reported, are considered. There were no claims during the year ended December 31, 2011.

COMANCHE COUNTY RURAL WATER DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2011

NOTE 5 – ESTIMATES:

The preparation of financial statements in conformity with the modified cash basis requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

NOTE 6 – CONTINGENCIES:

As of December 31, 2011 the District did not have any pending litigation or potential non-disclosed liabilities that management believes would have a material effect on the financial statements.

NOTE 7 – EVALUATION OF SUBSEQUENT EVENTS:

The District has evaluated subsequent events through February 28, 2012, the date which the financial statements were available to be issued.