

**COMANCHE COUNTY RURAL WATER DISTRICT NO. 1**

**ANNUAL FINANCIAL STATEMENTS**

**YEAR ENDED DECEMBER 31, 2012**

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YEAR ENDED DECEMBER 31, 2012

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## Independent Auditor's Report

Board of Directors  
Comanche County Rural Water District No. 1

### **Report on the Financial Statements**

We have audited the accompanying modified cash basis financial statements of Comanche County Rural Water District No. 1 as of December 31, 2012 and for the year then ended. These financial statements are the responsibility of the District's management.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting as described in Note 1. This includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and *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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such an opinion. An audit also includes evaluating 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## Opinions

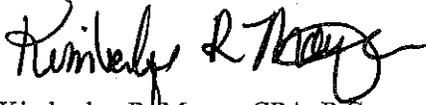
In our opinion, the financial statements referred to above, present fairly, in all material respects, the respective modified cash basis financial position of Comanche County Rural Water District No. 1, as of December 31, 2012; the respective changes in modified cash basis financial position; and, when applicable, cash flows thereof, for the year then ended in conformity with the basis of accounting described in Note 1.

## Basis of Accounting

We draw attention to Note 1 of the financial statements that describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

## Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated March 14, 2013 on our consideration of Comanche County Rural Water District No. 1's internal control over financial reporting and on our tests of its compliance with certain laws, 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 our audit.



Kimberlye R. Mayer, CPA, P.C.  
Blackwell, Oklahoma  
March 14, 2013

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, 2012 and have issued our report thereon dated March 14, 2013. 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.

Internal Control Over Financial Reporting

Management of Comanche County Rural Water District No. 1 is responsible for establishing and maintaining effective 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*.

  
Kimberlye R. Mayer, CPA, F.C.  
Blackwell, Oklahoma  
March 14, 2013

FINANCIAL STATEMENTS

AND

NOTES

COMANCHE COUNTY RURAL WATER DISTRICT NO. 1  
STATEMENT OF ASSETS, LIABILITIES AND NET ASSETS  
MODIFIED CASH BASIS  
DECEMBER 31, 2012

ASSETS

Current Assets:	
Cash and cash equivalents	\$ 351,775
Certificates of deposit	337,393
Inventory	28,540
Total Current Assets	<u>717,708</u>
Reserve certificate	4,000
Capital assets (net of accumulated depreciation) (Note 2)	2,099,854
Work in progress	<u>698,649</u>
Total Assets	<u><u>\$ 3,520,211</u></u>

LIABILITIES AND NET ASSETS

Liabilities:	\$
Net Assets:	
Invested in capital assets	2,798,503
Unrestricted	721,708
Total Net Assets	<u>3,520,211</u>
Total Liabilities and Net Assets	<u><u>\$ 3,520,211</u></u>

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

COMANCHE COUNTY RURAL WATER DISTRICT NO. 1  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
MODIFIED CASH BASIS  
YEAR ENDED DECEMBER 31, 2012

Operating Revenues:	
Water sales	\$ 1,058,833
Service fees	22,387
Late penalties	14,247
Other income	6,219
Total Operating Revenues	<u>1,101,686</u>
Operating Expenses:	
Salaries and wages	157,736
Payroll taxes	2,053
Employee benefits	40,999
Repairs and maintenance	43,250
Pumping fees	21,363
Fuel and auto expenses	11,457
Insurance and bonds	21,794
Professional fees	27,363
Engineer fees	350
Meetings and travel	7,539
Office, postage and billing fees	14,573
Water purchases	458,058
Telephone and pagers	4,220
Utilities	31,119
Water tests and fees	4,309
Licenses, permits and fees	1,922
Depreciation	84,684
Other expenses	1,717
Total Operating Expenses	<u>934,506</u>
Operating Income (Loss)	167,180
Nonoperating Revenue (Expenses):	
Interest income	3,094
Membership and tap fees	26,000
Total Nonoperating Revenues	<u>29,094</u>
Change in Net Assets	196,274
Net Assets, beginning of year	3,323,937
Net Assets, end of year	<u><u>\$ 3,520,211</u></u>

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, 2012

Cash Flows From Operating Activities:	
Cash received from customers	\$ 1,101,686
Cash payments to suppliers for goods and services	(691,404)
Cash payments to employees	(157,736)
Net cash provided (used) by operating activities	<u>252,546</u>
Cash flows from non-capital financing activities:	
Cash flows from capital and related financing activities:	
Grant income	
(Increase) decrease in capital assets	(368,016)
System development fees and membership fees	26,000
Net cash provided (used) by financing activities	<u>(342,016)</u>
Cash flows from investing activities:	
Interest income	3,094
(Increase) decrease in CD's	(2,009)
Net cash provided (used) by investing activities	<u>1,085</u>
Net increase (decrease) in cash and cash equivalents	(88,385)
Beginning cash and cash equivalents	440,160
Ending cash and cash equivalents	<u>\$ 351,775</u>
Reconciliation of income (loss) from operations to net cash provided (used) by operating activities:	
Operating income or loss	\$ 167,180
Adjustments to reconcile income (loss) from operations to net cash provided (used) by operating activities:	
Depreciation	84,684
(Increase) decrease in inventory	682
Net cash provided (used) by operating activities	<u>\$ 252,546</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, 2012

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, 2012

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, 2012 was \$84,684. The balances for depreciable assets by major category as of December 31, 2012 are as follows:

	12/31/11	Deletions	Additions	12/31/12
Land	\$ 6,000	\$	\$	\$ 6,000
Waterline system	3,976,448			3,976,448
Machinery and equipment	101,860		7,240	109,100
Vehicles	63,986	(18,893)	29,025	74,118
Buildings and improvements	161,589			161,589
Furniture and fixtures	39,619		700	40,319
Accumulated depreciation	(2,201,929)	18,893	(84,684)	(2,267,720)
Total	<u>\$ 2,147,573</u>	<u>\$</u>	<u>\$ (47,719)</u>	<u>\$ 2,099,854</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 \$10,609 for the year ended December 31, 2012.

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, 2012.

COMANCHE COUNTY RURAL WATER DISTRICT NO. 1  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2012

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, 2012 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 March 14, 2013, the date which the financial statements were available to be issued.