

COMANCHE COUNTY RURAL WATER DISTRICT NO. 1

ANNUAL FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

COMANCHE COUNTY RURAL WATER DISTRICT NO. 1,
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YEAR ENDED DECEMBER 31, 2015

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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 statement of assets, liabilities, and net position of Comanche County Rural Water District No. 1 as of December 31, 2015 and the related statements of revenues, expenses and changes in net position for the year then ended, and the related notes to the financial statements.

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 audit. We conducted our audit 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 opinion.

Opinion

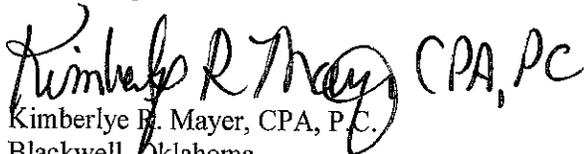
In our opinion, the financial statements referred to above, present fairly, in all material respects, the modified cash basis financial position of Comanche County Rural Water District No. 1, as of December 31, 2015; the changes in modified cash basis financial position; and cash flows thereof, for the 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.

Other Reporting Required By Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated March 29, 2016 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.

 CPA, PC
Kimberlye B. Mayer, CPA, P.C.
Blackwell, Oklahoma
March 29, 2016

INDEPENDENT AUDITOR'S 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, 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 of Comanche County Rural Water District No. 1, which comprise the statement of assets, liabilities and net position as of December 31, 2015, and the related statements of revenues, expenses and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 29, 2016. The financial statements were 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.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Comanche County Rural Water District No. 1's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the Comanche County Rural Water District No. 1'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 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. 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.

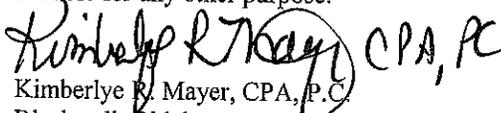
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, 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*.

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 District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.


Kimberlye R. Mayer, CPA, P.C.
Blackwell, Oklahoma
March 29, 2016

FINANCIAL STATEMENTS

AND

NOTES

COMANCHE COUNTY RURAL WATER DISTRICT NO. 1
STATEMENT OF ASSETS, LIABILITIES AND NET POSITION
MODIFIED CASH BASIS
DECEMBER 31, 2015

ASSETS

Current Assets:	
Cash and cash equivalents	\$ 306,962
Certificates of deposit	340,392
Inventory	32,864
Computer deposit	1,200
Total Current Assets	681,418
Reserve certificate	4,000
Capital assets (net of accumulated depreciation) (Note 2)	3,129,983
Work in progress	23,879
Total Assets	\$ 3,839,280

LIABILITIES AND NET POSITION

Liabilities:	\$
Net Position:	
Net investment in capital assets	3,153,862
Unrestricted	685,418
Total Net Postion	3,839,280
Total Liabilities and Net Position	\$ 3,839,280

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 POSITION
MODIFIED CASH BASIS
YEAR ENDED DECEMBER 31, 2015

Operating Revenues:	
Water sales	\$ 955,217
Service fees	14,596
Late penalties	13,739
Other income	8,425
Total Operating Revenues	<u>991,977</u>
Operating Expenses:	
Payroll	167,879
Payroll taxes	13,944
Employee benefits	49,550
Repairs and maintenance	56,323
Pumping fees	13,988
Fuel and auto expenses	10,219
Insurance and bonds	25,577
Professional fees	23,257
Meetings and travel	6,491
Office, postage and billing fees	19,503
Water purchases	400,299
Surcharge expense	51,657
Telephone and pagers	5,172
Utilities	34,253
Water tests and fees	4,535
Licenses, permits and fees	2,353
Depreciation	133,296
Other expenses	2,944
Total Operating Expenses	<u>1,021,240</u>
Operating Income (Loss)	(29,263)
Nonoperating Revenue (Expenses):	
ODOT relocation income	32,800
FEMA	52,998
Interest income	1,058
Membership and tap fees	42,000
Total Nonoperating Revenues	<u>128,856</u>
Change in Net Position	99,593
Net Position, beginning of year	3,739,687
Net Position, end of year	<u><u>\$ 3,839,280</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, 2015

Cash Flows From Operating Activities:	
Cash received from customers	\$ 991,977
Cash payments to suppliers for goods and services	(719,546)
Cash payments to employees	(167,879)
Net cash provided (used) by operating activities	<u>104,552</u>
Cash flows from non-capital financing activities:	
Cash flows from capital and related financing activities:	
Relocation income	32,800
FEMA	52,998
(Increase) decrease in capital assets	(60,062)
System development fees and membership fees	42,000
Net cash provided (used) by financing activities	<u>67,736</u>
Cash flows from investing activities:	
Interest income	1,058
(Increase) decrease in CD's	(877)
Net cash provided (used) by investing activities	<u>181</u>
Net increase (decrease) in cash and cash equivalents	172,469
Beginning cash and cash equivalents	134,493
Ending cash and cash equivalents	<u>\$ 306,962</u>
Reconciliation of income (loss) from operations to net cash provided (used) by operating activities:	
Operating income or loss	\$ (29,263)
Adjustments to reconcile income (loss) from operations to net cash provided (used) by operating activities:	
Depreciation	133,296
(Increase) decrease in inventory	519
(Increase) decrease in deposits	
Net cash provided (used) by operating activities	<u>\$ 104,552</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, 2015

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, 2015

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, 2015 was \$133,296. The balances for depreciable assets by major category as of December 31, 2015 are as follows:

	12/31/14	Deletions	Additions	12/31/14
Land	\$ 9,000	\$	\$	\$ 9,000
Waterline system	5,199,059		23,446	5,222,505
Machinery and equipment	111,157			111,157
Vehicles	107,532			107,532
Buildings and improvements	184,839		12,737	197,576
Furniture and fixtures	7,751			7,751
Accumulated depreciation	(2,392,242)		(133,296)	(2,525,538)
Total	<u>\$ 3,227,096</u>	<u>\$</u>	<u>\$ (97,113)</u>	<u>\$ 3,129,983</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 \$13,370 for the year ended December 31, 2015.

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, 2015.

COMANCHE COUNTY RURAL WATER DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2015

NOTE 5 – FAIR VALUE OF FINANCIAL INSTRUMENTS:

The definition of fair value for financial reporting, establishes a framework for measuring fair value, and requires additional disclosure about the use of fair value measurements in an effort to make the measurement of fair value more consistent and comparable.

Level 1: Quoted prices in active markets for identical securities.

Level 2: Other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment spread and credit risk).

Level 3: Significant unobservable inputs (including the District's own assumptions in determining the fair value of investments).

The District's financial instruments include cash and cash equivalents and inventory. The District's estimate of the fair value of all financial instruments does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying statement of net position. The carrying amount of these financial instruments approximates fair value because of the short maturity of these instruments.

NOTE 6 – 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 7 – CONTINGENCIES:

As of December 31, 2015 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 8 – EVALUATION OF SUBSEQUENT EVENTS:

The District has evaluated subsequent events through March 29, 2016, the date which the financial statements were available to be issued.