

RURAL WATER DISTRICT NO. 3
KINGFISHER COUNTY, OK
ANNUAL FISCAL REPORT
FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2011

Prepared by
Storm and Hauser, P.C.
Certified Public Accountants
Kingfisher, Oklahoma

RURAL WATER DISTRICT NO. 3
KINGFISHER COUNTY, OKLAHOMA
FINANCIAL REPORT FOR PERIOD ENDING
SEPTEMBER 30, 2011

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RURAL WATER DISTRICT NO. 3
KINGFISHER COUNTY, OKLAHOMA
SEPTEMBER 30, 2011

DIRECTORS AND OFFICERS

NAME	TERM EXPIRES
Mike Frey, President	January 2014
Rodney Yost, Vice-President	January 2012
Julie Storm, Secretary-Treasurer	January 2014
Floyd Cross, Member	January 2013
Sam Trent, Member	January 2013
Richard Reynolds, Member	January 2012

INDEPENDENT AUDITOR'S REPORT
ON FINANCIAL STATEMENTS

December 30, 2011

To the Board of Directors
Rural Water District No. 3
Kingfisher County, Oklahoma

We have audited the accompanying statement of net assets of the Rural Water District No. 3 of Kingfisher County, Oklahoma (the "District"), as of September 30, 2011, and the related statements of revenues, expenses and changes in net assets, and cash flows for the year then ended comprising the basic financial statements of the component unit. 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 audit.

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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic 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 our audit provides 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 the Rural Water District No. 3, as of September 30, 2010, and the changes in financial position and cash flows thereof for the year 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 a report dated December 30, 2011, on our consideration of Rural water District #3's internal control over financial reporting and our tests of its compliance with certain laws, regulations, contracts, grant agreements 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be considered in assessing the results of our audit.

Financial Statements

Rural Water District No. 3
Kingfisher County, Oklahoma
Statement of Revenues, Expenses, and Change in Net Assets
For the Fiscal Year Ended September 30, 2011

Operating Revenues:	
Water Sales	\$ 42,468
Late Fees	1,956
Total operating revenues	44,424
Operating Expenses:	
Operations and maintenance	33,882
Depreciation and Amortization	7,048
Total operating expenses	40,930
Operating income (loss)	3,494
Non-Operating Revenues (Expenses):	
Investment income	660
Total non-operating revenues (expenses)	660
Net income (loss) before contributions and transfers	4,154
Capital contributions	-0-
Transfers out	-0-
Change in net assets	4,154
Net Assets, Beginning	184,521
Net Assets, Ending	188,675

Rural Water District No. 3
Kingfisher County, Oklahoma
Statement of Net Assets
September 30, 2011

ASSETS

Current Assets:

Cash and cash equivalents	\$ 97,603
Accounts receivable, net	<u>1,142</u>
Total current assets	98,745

Non-current assets:

Utility deposits	10
Capital assets: amortizable	
Easements	1,250
Less-accumulated amortization	(1,188)
Capital assets: depreciable	
Water distribution system	157,566
Water well and rights	99,396
Less-accumulated depreciation and amortization	<u>(164,925)</u>
Total non-current assets	<u>92,110</u>

Total assets	<u><u>190,855</u></u>
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LIABILITIES

Current liabilities:

Accounts payable	<u>2,180</u>
Total current liabilities	<u>2,180</u>

Non-current liabilities:

Meter deposits	<u>75</u>
Total non-current liabilities	<u>75</u>

Total liabilities	<u><u>2,180</u></u>
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NET ASSETS

Net investment in Fixed Assets	92,100
Unrestricted	96,575

Total liabilities and net assets	<u><u>190,855</u></u>
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Rural Water District No. 3
Kingfisher County, Oklahoma
Statement of Cash Flows
For the Fiscal Years Ended September 30, 2011

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 44,770
Payments to suppliers	(23,720)
Payments to employees	(10,380)
Net cash provided by operating activities	<u>10,670</u>
 CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Memberships	(200)
Net cash (used) by capital and related financing activities	<u>(200)</u>
 CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from sales and maturities of investments	
Interest income	<u>661</u>
Net cash provided by investing activities	<u>661</u>
 Net increase in cash and cash equivalents	 11,131
Balance—beginning of the year	<u>86,472</u>
Balance—end of the year	<u>97,603</u>
 Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	3,494
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation expense	4,892
Amortization expense	2,156
 Change in assets and liabilities:	
Receivables, net	346
Accounts and other payables	(218)
Net cash provided by operating activities	<u>10,670</u>

RURAL WATER DISTRICT NO. 3
KINGFISHER COUNTY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

NOTES TO FINANCIAL STATEMENTS

(1)Organization:

Rural Water District No. 3 was organized under Title 82, Section 1324 of the Oklahoma Statutes. The District is a municipality which is exempt from Federal and State taxes.

(2)Summary of Significant Accounting Policies:

A: Fund Accounting

Rural Water District No. 3, Kingfisher County, Oklahoma, is a municipality as described in Note 1 above and accounts for its operations as an Enterprise Fund.

Enterprise Funds are used to account for operations (1) that are financed and operated in a manner similar to private business enterprises—where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or (2) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

B: Basis of Accounting

The accrual basis of accounting is utilized by the Enterprise Fund. Revenues are recognized when they are earned and expenses are recognized when they are incurred.

C: Fixed Assets:

The fixed assets are recorded on the books at cost. The water distribution system is depreciated by the straight line method over its useful life of 40 years. The easements and water rights are amortized over their useful life of 40 years.

RURAL WATER DISTRICT NO. 3
KINGFISHER COUNTY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

NOTES TO FINANCIAL STATEMENTS—CONTINUED

(3)Cash and Investments

The Water District's cash deposits on September 30, 2011 were entirely insured at the financial institutions. The District had Certificates of Deposit on September 30, which are reflected in the financial statements as cash equivalents.

(4)Debt

At September 30, 2011, the District had no outstanding debt.

(4)Subsequent Events

The District purchased Water rights for a total of 85,000 including attorney fees in October, 2010.

RURAL WATER DISTRICT NO. 3
KINGFISHER COUNTY, OKLAHOMA
GENERAL AUDIT EXCEPTIONS AND RECOMMENDATIONS
SEPTEMBER 30, 2011

There were no exceptions noted in the current year.

RURAL WATER DISTRICT NO. 3
KINGFISHER COUNTY, OKLAHOMA
PRIOR YEARS
GENERAL AUDIT EXCEPTIONS, RECOMMENDATIONS, AND DISPOSITIONS
SEPTEMBER 30, 2011

There were no exceptions noted in the prior year.

Supplementary Information

FINANCIAL STATEMENTS

To the Board of Directors
Rural Water District No. 3
Kingfisher County, Oklahoma

We have audited the statement of net assets of the Rural Water District No. 3, Kingfisher County, Oklahoma (the "District"), as of September 30, 2011, and the related statements of revenue, expenses and changes in net assets, and cash flows for the years there ended, and have issued our report thereon dated December 30, 2011. 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 *Governmental Auditing Standards*, issued by the Comptroller General of the United States

Internal Control over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion 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 control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statement that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or combination of control deficiencies, that results in a more than a remote likelihood that a misstatement of the financial statements will not be prevented or detected by the District's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Rural Water District No. 3, Kingfisher County, Oklahoma's financial statements are free of material misstatement, we performed tests of the District's compliance with certain provision 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.

As a result of conducting the tests as indicated above, we noted no material instances of noncompliance or other matters that are required to be reported under *Governmental Auditing Standards*.

This report is intended solely for the information of the Board of Directors, federal awarding agencies, and the Oklahoma State Auditor and the Inspector and is not intended to be and should not be used by anyone other than those specific parties.

Storm & Hauser, P.C.

Storm & Hauser, P.C.
Certified Public Accountants

RURAL WATER DISTRICT NO. 3
 KINGFISHER COUNTY, OKLAHOMA
 SUPPLEMENTAL INFORMATION
 SEPTEMBER 30, 2011

SCHEDULE OF INSURANCE IN FORCE:

Company	Coverage	Policy Period
OWRA Assurance Group Policy # 10364	Property Coverage Pump House \$ 7,907 Well House 4,682 Water Tower-South 54,736 Water Tower 39,119 Gen Liab. and E&O 25,000 property Gen Liab. and E&O 125,000 all other	6-01-2003 to 6-01-2012
OWRA Assurance Group Policy # 10364	Fidelity Bond \$10,000	6-01-2003 to 6-01-12