

**Canadian County
Water Authority**
Audit Report
For Year Ending March 31, 2020

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

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SCOTT NORTHRIP, CPA

P.O. Box 642, Hobart, Oklahoma 73651

Independent Auditor's Report

To The Board of Directors of
Canadian County Water Authority

Report on the Financial Statements

I have audited the accompanying financial statements of Canadian County Water Authority, (Authority), as of and for the years ended March 31, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair representation of these financial statements in accordance accounting principle generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted the 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 I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence supporting 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 entity'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 entity's internal control. Accordingly, we express no such 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Auditor's Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Canadian County Water Authority, as of March 31, 2020 and 2019, and the respective changes in financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Requirements by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, I have also issued my report dated April 27, 2020, on my consideration of the Authority's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grants. 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 *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Scott Northrip, CPA

Certified Public Accountant

April 27, 2020

Canadian County Water Authority

Statement of Net Position
As of March 31, 2020 and 2019

ASSETS:	<u>2020</u>	<u>2019</u>
Current Assets:		
Cash & Cash Equivalents	\$ 560,194	\$ 479,075
Investments	1,296,532	1,363,483
Accounts Receivable (Note 2)	25,381	29,750
Interest Receivable	9,086	10,714
Prepaid Insurance	6,474	6,232
Other Receivable	-	-
Inventory	3,810	3,810
Total Current Assets	<u>\$ 1,901,477</u>	<u>\$ 1,893,064</u>
Noncurrent Assets:		
Construction in Progress	\$ -	\$ -
Capital Assets: (Note 6)		
Land	21,131	21,131
Other Capital Assets, net of depreciation	2,878,290	2,966,777
Total Noncurrent Assets	<u>\$ 2,899,421</u>	<u>\$ 2,987,908</u>
TOTAL ASSETS	<u>\$ 4,800,898</u>	<u>\$ 4,880,972</u>
LIABILITIES AND NET POSITION:		
Current Liabilities:		
Accounts Payable	\$ 21,170	\$ 19,003
Interest Payable	2,050	2,178
Current Portion of Long-term Liabilities	44,109	32,498
Total Current Liabilities	<u>\$ 67,329</u>	<u>\$ 53,679</u>
Long-Term Liabilities: (Note 9)		
Notes Payable - net of current portion	<u>\$ 1,270,653</u>	<u>\$ 1,521,357</u>
Net Position:		
Restricted Fund Balance	\$ 49,039	\$ 31,487
Unrestricted Fund Balance	1,193,162	1,208,276
Total Fund Balance	<u>\$ 1,242,201</u>	<u>\$ 1,239,763</u>
Member Investments	1,587,282	1,432,740
Donated Assets (Note 12)	130,873	130,873
Grants	502,560	502,560
TOTAL NET POSITION	<u>\$ 3,462,916</u>	<u>\$ 3,305,936</u>
TOTAL LIABILITIES AND NET POSITIONS	<u>\$ 4,800,898</u>	<u>\$ 4,880,972</u>

See accompanying notes to the financial statements.

Canadian County Water Authority

Comparative Statement of Activities
For the Years Ended March 31, 2020 and 2019

	2020	2019
OPERATING REVENUES:		
Water Sales	\$ 495,647	\$ 483,988
Late Fees	7,291	9,404
Installation & Repairs	18,630	29,966
Total Operating Revenues	\$ 521,568	\$ 523,358
OPERATING EXPENSES:		
Water Purchases	\$ 249,434	\$ 210,654
Depreciation Expense	92,597	92,806
Interest Expense	40,909	30,389
Utilities & Telephone & Website	7,598	5,943
Wages	68,146	52,809
Installation & Repairs	45,145	27,509
Engineering Cost	17,946	3,875
Legal & Professional Fees	8,923	11,382
Mileage Reimbursement	4,657	3,033
Insurance	6,498	7,110
Payroll Tax Expense	7,070	4,488
Office Supplies & Postage	10,183	11,959
Bank & Sweep fees	1,913	1,623
Dues & Samples	4,840	7,291
Annual Meeting Expense	1,138	1,349
Bad Debts Expense	74	94
Miscellaneous Expense	1,210	2,481
Yard Expense	2,982	1,340
Total Operating Expenses	\$ 571,263	\$ 476,135
OPERATING INCOME (LOSS)	\$ (49,695)	\$ 47,223
OTHER REVENUES (EXPENSES):		
Investment Revenues	\$ 51,337	\$ 47,319
Other Income	1,747	961
Gain (Loss) on sale of investments	(951)	(3,951)
Settlement Reimbursements	-	-
Total Other Revenues(Expenses)	\$ 52,133	\$ 44,329
NET INCOME	\$ 2,438	\$ 91,552

See accompanying notes to the financial statements.

Canadian County Water Authority
 Comparative Statement of Changes in Net Assets
 For the Years Ended March 31, 2020 and 2019

	2020	2019
Balance, April 1	\$ 3,305,936	\$ 3,042,424
Net Income (Loss)	2,438	91,552
Prior Period Adjustment (Note 11)	-	-
Member Investments	154,542	171,960
Donated Assets (Note 7)	-	-
Grants	-	-
Total Changes in Net Assets	\$ 156,980	\$ 263,512
Balance, March 31	\$ 3,462,916	\$ 3,305,936

See accompanying notes to the financial statements.

Canadian County Water Authority

Comparative Statement of Cash Flows
For the Years Ended March 31, 2020 and 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers	\$ 525,937	\$ 523,102
Payments to suppliers	(360,616)	(296,217)
Payments to employees & meter readers	(75,216)	(57,297)
Net Cash Provided by Operating Activities	\$ 90,105	\$ 169,588
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Purchase of capital assets	\$ (4,110)	\$ (1,442,820)
Donated Assets	-	-
Proceeds from sale of assets	-	-
Proceeds from notes payable	123,687	1,213,313
Principal payments on notes payable	(362,781)	(19,541)
Interest paid on notes payable	(41,038)	(28,358)
Prior period adjustments	-	-
Proceeds from settlements	-	-
Net Cash Used In Capital & Related Financing Activities	\$ (284,242)	\$ (277,406)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment Receipts	\$ 52,967	\$ 46,499
Other Proceeds	1,747	961
Gain (Loss) on the sale of investments	(951)	(3,951)
Proceeds from memberships	154,542	171,960
Net Cash Provided from Investing Activities	\$ 208,305	\$ 215,469
INCREASE (DECREASE) IN CASH AND INVESTMENTS	\$ 14,168	\$ 107,651
Cash and Investment Balance - Beginning	1,842,558	1,734,907
CASH AND INVESTMENT BALANCE - ENDING	\$ 1,856,726	\$ 1,842,558
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:		
Operating Income (Loss)	\$ (49,695)	\$ 47,223
Adjustments to reconcile operating income to net cash provided (used) by Operating Activities:		
Interest Expense	40,909	30,389
Depreciation expense	92,597	92,806
Change in assets and liabilities:		
Accounts Receivable	4,369	(256)
Other Receivables	-	-
Prepaid Insurance	(242)	(496)
Inventory	-	-
Accounts Payable	2,167	(78)
Net Cash Provided from Operating Activities	\$ 90,105	\$ 169,588

See accompanying notes to the financial statements.

Canadian County Water Authority

Notes to the Financial Statements
For the Years Ended March 31, 2020 and 2019

Note 1 - Significant Accounting Policies

Organization:

Canadian County Water Authority, (Authority) is an Oklahoma trust formed under the Oklahoma Title 60 to provide water in a designated area in and around Canadian County, Oklahoma to individuals and businesses that purchase a membership. The Authority served 750 and 719 meters at March 31, 2020 and 2019, respectively.

Basis of Accounting:

The Authority is a proprietary fund type of entity and uses the accrual method of accounting which reports revenues when earned and expenses when incurred. The Authority is not legally required to adopt a budget or report on budget comparisons in this report.

Fixed Assets and Depreciation:

The Authority 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 5 to 40 years.

Income Tax:

The Authority 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 March plus any unpaid balances from the previous months. The Authority 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 March 31, 2020 and 2019 amounted to \$25,381 and \$29,750. 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 Authority didn't have any contingencies as of the date of the audit.

Note 5 - Restricted Assets

The Authority has restricted securities in the amount of \$49,039 and \$31,487 for debt service as required by Rural Development's mortgage as of March 31, 2020 and 2019.

Canadian County Water Authority

Notes to the Financial Statements
For the Years Ended March 31, 2020 and 2019

Note 6 - Changes in Capital Assets

	Balance 4/1/2019	Additions	Disposed	Balance 3/31/2020
Water System Plant Assets	\$ 4,361,294	\$ -	\$ -	\$ 4,361,294
Office Furniture & Fixtures	11,548	-	-	11,548
Equipment	2,803	4,110	-	6,913
Buildings & Improvements	57,195	-	-	57,195
Total Assets	\$ 4,432,840	\$ 4,110	\$ -	\$ 4,436,950
Less: Accumulated Depreciation	1,466,063	92,597	-	1,558,660
Net Fixed Assets	\$ 2,966,777	\$ (88,487)	\$ -	\$ 2,878,290

Note 7 - Components of Cash and Investments

	Date of Maturity	Interest Rate	Balance
Petty Cash	-	0.00%	\$ 42
Checking & Sweep Acct - Bancfirst	-	0.37%	279,518
Money Market - Midfirst Bank	-	0.20%	65,260
Money Market - Edward Jones	-	0.66%	215,374
Certificate of Deposit - Morgan Stanley Bank	11/16/2020	3.10%	150,000
Certificate of Deposit - Midfirst Bank	10/4/2020	1.78%	200,000
Certificate of Deposit - Morgan Stanley Bank	2/19/2021	1.70%	95,000
Certificate of Deposit - Wells Fargo Bank	3/22/2021	1.65%	105,000
Certificate of Deposit - Bank of America	6/5/2020	2.85%	50,000
Certificate - ORWAAG	-	4.67%	45,000
Securities-Dallas TX Civic Ctr	8/15/2038	5.25%	40,260
Securities-AZ Board of Regents	8/1/1035 ²⁰³⁵	6.22%	35,880
Securities-OK Dev Fin Auth	6/1/1035 ²⁰³⁵	6.05%	51,605
Securities-MT Diablo CA Sch Dist	2/1/2021	4.82%	51,005
Securities-Holland MI Tax G/O	8/1/1034 ²⁰³⁴	4.24%	102,543
Securities-NY NY City Mun Wtr Fin		6.28%	59,596
Bonds-AT&T Inc.	12/1/2022	2.62%	58,033
Bonds-General Electric Capital	1/9/2023	3.10%	57,508
Bonds-Amazon Com Inc	11/29/2022	2.50%	95,406
Bonds-Wells Fargo Sr MTN		3.55%	39,811
Bonds-Anheuser-Busch Inbel		4.00%	59,885
Total Cash and Investments			\$ 1,856,726

The securities and bonds had a market value at March 31, 2020 of \$666,367 which results in an unrecognized gain of \$14,834.

Canadian County Water Authority

Notes to the Financial Statements
For the Years Ended March 31, 2020 and 2019

Note 8 - Retirement

The Authority provides no retirement plan for its employees.

Note 9 - Long Term Liabilities

The Authority has two 40 year notes with Rural Development, an agency of the United States Department of Agriculture. The loans are fixed interest notes. The notes are secured by the assets of the Authority. Rural Development requires the Authority to reserve enough funds to pay an amount equal to a year's total payments. The Authority make monthly payments. The Authority capitalized \$3,836.84 of interest cost on the construction of water lines during the year ending March 31, 2019. The Authority made additional principal payments during the year 3-31-20 of \$202,000 on Note 1 and \$123,687 on Note 2. The Authority received advances of \$123,687 on note 2 during the year.

Note Number	Date of Note	Annual Payment	Balance 3/31/2020	Balance 3/31/2019	Interest Rate
91-01	8/29/2001	26,304	135,985	351,594	5%
91-02	10/5/2018	51,828	1,178,777	1,202,261	2.375%
		\$ 78,132	\$ 1,314,762	\$ 1,553,855	
			44,109	8,511	
			\$ 1,270,653	\$ 1,545,344	

Current Portion:		Note 1	Note 2
Year Ending	3/31/2021	19,992	24,117
Year Ending	3/31/2022	21,017	24,696
Year Ending	3/31/2023	22,094	25,290
Year Ending	3/31/2024	23,226	25,897
Year Ending	3/31/2025	24,417	26,518

Note 10 - Prior Period Adjustments

There were no prior period adjustments in the financial statements for the year ending March 31, 2020 or 2019.

Note 11 - Evaluation of Subsequent Events

The subsequent events of the District have been evaluated through April 27, 2020, the date of the financial statements.

Note 12 - 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 Authority for the years ending March 31, 2020 and 2019 were \$0 and \$0, respectively.

SCOTT NORTHRIP, CPA

P.O. Box 642, Hobart, Oklahoma 73651

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND INTERNAL CONTROL OVER FINANCIAL REPORTING PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors of
Canadian County Water Authority

I 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 basic financial statements of Canadian County Water Authority (Authority), as of and for the years ending March 31, 2020 and 2019, and have issued my report thereon dated April 27, 2020.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, I performed test 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, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Internal Control over Financial Reporting

In planning and performing my audit of the financial statements, I considered the Authority's internal control over financial reporting (internal control) to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority'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 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. 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.

Report on Compliance and Internal Controls-Continued

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.

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

Scott Northrip, CPA

Certified Public Accountant

April 27, 2020