

**Canadian County
Water Authority**
Audit Report
For Year Ending March 31, 2017

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Independent Auditor's Report

To The Board of Directors of
Canadian County Water Authority

I have audited the accompanying financial statements of Canadian County Water Authority, (Authority), as of and for the years ended March 31, 2017 and 2016, 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, 2017 and 2016, 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 26, 2017, 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 26, 2017

Canadian County Water Authority

Statement of Net Position
As of March 31, 2017 and 2016

ASSETS:	2017	2016
Current Assets:		
Cash & Cash Equivalents	\$ 551,820	\$ 464,081
Investments	960,275	800,577
Accounts Receivable (Note 2)	3,871	3,889
Interest Receivable	6,847	6,218
Prepaid Insurance	4,192	4,184
Other Receivable	-	-
Inventory	3,810	5,700
Total Current Assets	\$ 1,530,815	\$ 1,284,649
Noncurrent Assets:		
Construction in Progress	\$ 23,080	\$ -
Capital Assets:		
Land	21,131	21,131
Other Capital Assets, net of depreciation	1,668,197	1,737,985
Total Noncurrent Assets	\$ 1,712,408	\$ 1,759,116
TOTAL ASSETS	\$ 3,243,223	\$ 3,043,765
LIABILITIES AND NET POSITION:		
Current Liabilities:		
Accounts Payable	\$ 24,015	\$ 17,118
Interest Payable	151	154
Current Portion of Long-term Liabilities	8,097	7,703
Total Current Liabilities	\$ 32,263	\$ 24,975
Long-Term Liabilities: (Note 10)		
Notes Payable - net of current portion	\$ 360,062	\$ 368,139
Net Position:		
Restricted Fund Balance	\$ 26,928	\$ 26,928
Unrestricted Fund Balance	1,029,319	936,392
Total Fund Balance	\$ 1,056,247	\$ 963,320
Member Investments	1,161,218	1,053,898
Donated Assets (Note 7)	130,873	130,873
Grants	502,560	502,560
TOTAL NET POSITION	\$ 2,850,898	\$ 2,650,651
TOTAL LIABILITIES AND NET POSITIONS	\$ 3,243,223	\$ 3,043,765

See accompanying notes to the financial statements.

Canadian County Water Authority

Comparative Statement of Activities
For the Years Ended March 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
OPERATING REVENUES:		
Water Sales	\$ 411,534	\$ 309,402
Late Fees	10,845	8,619
Installation & Repairs	11,345	2,964
Total Operating Revenues	<u>\$ 433,724</u>	<u>\$ 320,985</u>
OPERATING EXPENSES:		
Water Purchases	\$ 152,562	\$ 138,472
Depreciation Expense	74,361	74,036
Interest Expense	18,618	18,992
Utilities & Telephone	4,360	4,400
Bookkeeping	29,164	26,613
Installation & Repairs	41,903	24,294
Meter Reading Cost	11,609	11,299
Legal & Professional Fees	5,125	5,841
Mileage Reimbursement	4,146	4,513
Insurance	3,538	4,241
Payroll Tax Expense	2,200	2,036
Office Supplies & Postage	4,897	4,615
Board Conventions	-	-
Dues & Samples	8,385	6,379
Annual Meeting Expense	1,231	1,597
Bad Debts Expense	170	-
Miscellaneous Expense	2,536	1,037
Yard Expense	1,715	1,790
Total Operating Expenses	<u>\$ 366,520</u>	<u>\$ 330,155</u>
OPERATING INCOME (LOSS)	<u>\$ 67,204</u>	<u>\$ (9,170)</u>
OTHER REVENUES (EXPENSES):		
Investment Revenues	\$ 25,577	\$ 25,372
Other Income	146	13
Gain on Sale of Assets	-	-
Total Other Revenues(Expenses)	<u>\$ 25,723</u>	<u>\$ 25,385</u>
NET INCOME	<u>\$ 92,927</u>	<u>\$ 16,215</u>

See accompanying notes to the financial statements.

Canadian County Water Authority
 Comparative Statement of Changes in Net Assets
 For the Years Ended March 31, 2017 and 2016

	2017	2016
Balance, April 1	\$ 2,650,651	\$ 2,550,559
Net Income (Loss)	92,927	16,215
Prior Period Adjustment (Note 11)	-	-
Member Investments	107,320	83,877
Donated Assets (Note 7)	-	-
Grants	-	-
Total Changes in Net Assets	\$ 200,247	\$ 100,092
Balance, March 31	\$ 2,850,898	\$ 2,650,651

See accompanying notes to the financial statements.

Canadian County Water Authority

Comparative Statement of Cash Flows For the Years Ended March 31, 2017 and 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers	\$ 433,742	\$ 315,807
Payments to suppliers	(221,789)	(200,497)
Payments to employees & meter readers	(42,973)	(39,948)
Net Cash Provided by Operating Activities	\$ 168,980	\$ 75,362
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Purchase of capital assets	\$ (4,573)	\$ (13,875)
Donated Assets	-	-
Payments for Construction in Progress	(23,080)	-
Proceeds from Grants	-	-
Principal payments on notes payable	(7,683)	(7,309)
Interest paid on notes payable	(18,621)	(18,995)
Prior period adjustments	-	-
Proceeds from sale of assets	-	-
Net Cash Used In Capital & Related Financing Activities	\$ (53,957)	\$ (40,179)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment Receipts	\$ 24,948	\$ 24,413
Other Proceeds	146	13
Proceeds from memberships	107,320	83,877
Net Cash Provided from Investing Activities	\$ 132,414	\$ 108,303
INCREASE (DECREASE) IN CASH AND INVESTMENTS	\$ 247,437	\$ 143,486
Cash and Investment Balance - Beginning	1,264,658	1,121,172
CASH AND INVESTMENT BALANCE - ENDING	\$ 1,512,095	\$ 1,264,658
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:		
Operating Income (Loss)	\$ 67,204	\$ (9,170)
Adjustments to reconcile operating income to net cash provided (used) by Operating Activities:		
Interest Expense	18,618	18,992
Depreciation expense	74,361	74,036
Change in assets and liabilities:		
Accounts Receivable	18	(5,178)
Other Receivables	-	-
Prepaid Insurance	(8)	(287)
Inventory	1,890	1,980
Accounts Payable	6,897	(5,011)
Net Cash Provided from Operating Activities	\$ 168,980	\$ 75,362

See accompanying notes to the financial statements.

Canadian County Water Authority

Notes to the Financial Statements
For the Years Ended March 31, 2017 and 2016

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 671 and 658 meters at March 31, 2017 and 2016, 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, 2017 and 2016 amounted to \$3,871 and \$3,889. 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 \$26,304 for debt service as required by Rural Development's mortgage as of March 31, 2017 and 2016.

Canadian County Water Authority

Notes to the Financial Statements
For the Years Ended March 31, 2017 and 2016

Note 6 - Changes in Capital Assets

	Balance 4/1/2016	Additions	Disposed	Balance 3/31/2017
Water System Plant Assets	\$ 2,895,394	\$ -	\$ -	\$ 2,895,394
Office Furniture & Fixtures	11,548	-	-	11,548
Equipment	2,803	-	-	2,803
Buildings & Improvements	52,622	4,573	-	57,195
Total Assets	\$ 2,962,367	\$ 4,573	\$ -	\$ 2,966,940
Less: Accumulated Depreciation	1,224,382	74,361	-	1,298,743
Net Fixed Assets	\$ 1,737,985	\$ (69,788)	\$ -	\$ 1,668,197

Note 7 - 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, 2017 and 2016 were \$0 and \$0, respectively.

Note 8 - Components of Cash and Investments

	Date of Maturity	Interest Rate	Balance
Petty Cash	-	0.00%	\$ 73
Checking - Bancfirst	-	0.17%	444,740
Money Market - Midfirst Bank	-	0.25%	76,891
Money Market - Edward Jones	-	0.02%	30,116
Certificate of Deposit - Midfirst Bank	8/2/2017	0.70%	252,676
Certificate of Deposit - Midfirst Bank	5/12/2017	0.65%	173,000
Certificate - ORWAAG	-	2.35%	45,000
Securities-Dallas TX Civic Ctr	8/15/2038	5.25%	40,260
Securities-OK Cnty Home Fin	10/1/2038	5.40%	4,951
Securities-Hawkins Cnt TN Sch	6/1/2019	6.00%	51,000
Securities-AZ Board of Regents	8/1/1935	6.22%	35,880
Securities-OK Dev Fin Auth	6/1/1935	6.05%	51,605
Securities-MT Diablo CA Sch Dist	2/1/2021	4.82%	51,005
Securities-Irondale AI G/O	7/1/2018	5.72%	43,951
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
Total Cash and Investments			<u>\$ 1,512,095</u>

The securities and bonds had a market value at March 31, 2017 of \$506,220 which results in an unrecognized gain of \$16,621.

Canadian County Water Authority

Notes to the Financial Statements
For the Years Ended March 31, 2017 and 2016

Note 9 - Retirement

The Authority provides no retirement plan for its employees.

Note 10 - Long Term Liabilities

The Authority has a 40 year note with Rural Development, an agency of the United States Department of Agriculture. The loans is a 5% fixed interest note. The note is 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 makes monthly payments on the note.

Note Number	Date of Note	Annual Payment	Balance 3/31/2017	Balance 3/31/2016
91-01	8/29/2001	26,304	368,159	375,842
		<u>\$ 26,304</u>	<u>\$ 368,159</u>	<u>\$ 375,842</u>
Less: Current Portion			8,097	7,703
Net Balance			<u>\$ 360,062</u>	<u>\$ 368,139</u>

Current Portion:

Year Ending	3/31/2019	8,511
Year Ending	3/31/2020	8,947
Year Ending	3/31/2021	9,404
Year Ending	3/31/2022	9,885

Note 11 - Prior Period Adjustments

There were no prior period adjustments in the financial statements for the year ending March 31, 2017 or 2016.

Note 12 - Evaluation of Subsequent Events

The subsequent events of the District have been evaluated through April 26, 2017, the date of the financial statements.

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, 2017 and 2016, and have issued my report thereon dated April 26, 2017.

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

Certified Public Accountant

April 26, 2017