

**Canadian County  
Water Authority**  
*Audit Report*  
For Year Ending March 31, 2018

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

# ***SCOTT NORTHRIP, CPA***

P.O. Box 642, Hobart, Oklahoma 73651

## **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, 2018 and 2017, 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, 2018 and 2017, 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 25, 2018, 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 25, 2018

# Canadian County Water Authority

Statement of Net Position  
As of March 31, 2018 and 2017

<b>ASSETS:</b>	<b>2018</b>	<b>2017</b>
Current Assets:		
Cash & Cash Equivalents	\$ 742,906	\$ 551,820
Investments	992,001	960,275
Accounts Receivable (Note 2)	29,494	3,871
Interest Receivable	9,895	6,847
Prepaid Insurance	5,736	4,192
Other Receivable	-	-
Inventory	3,810	3,810
<b>Total Current Assets</b>	<b>\$ 1,783,842</b>	<b>\$ 1,530,815</b>
Noncurrent Assets:		
Construction in Progress	\$ 23,080	\$ 23,080
Capital Assets:		
Land	21,131	21,131
Other Capital Assets, net of depreciation	1,593,683	1,668,197
<b>Total Noncurrent Assets</b>	<b>\$ 1,637,894</b>	<b>\$ 1,712,408</b>
<b>TOTAL ASSETS</b>	<b>\$ 3,421,736</b>	<b>\$ 3,243,223</b>
<b>LIABILITIES AND NET POSITION:</b>		
Current Liabilities:		
Accounts Payable	\$ 19,081	\$ 24,015
Interest Payable	148	151
Current Portion of Long-term Liabilities	8,511	8,097
<b>Total Current Liabilities</b>	<b>\$ 27,740</b>	<b>\$ 32,263</b>
Long-Term Liabilities: (Note 10)		
Notes Payable - net of current portion	\$ 351,572	\$ 360,062
Net Position:		
Restricted Fund Balance	\$ 26,928	\$ 26,928
Unrestricted Fund Balance	1,121,283	1,029,319
<b>Total Fund Balance</b>	<b>\$ 1,148,211</b>	<b>\$ 1,056,247</b>
Member Investments	1,260,780	1,161,218
Donated Assets (Note 7)	130,873	130,873
Grants	502,560	502,560
<b>TOTAL NET POSITION</b>	<b>\$ 3,042,424</b>	<b>\$ 2,850,898</b>
<b>TOTAL LIABILITIES AND NET POSITIONS</b>	<b>\$ 3,421,736</b>	<b>\$ 3,243,223</b>

See accompanying notes to the financial statements.

# Canadian County Water Authority

Comparative Statement of Activities  
For the Years Ended March 31, 2018 and 2017

	<b>2018</b>	<b>2017</b>
<b>OPERATING REVENUES:</b>		
Water Sales	\$ 448,183	\$ 411,534
Late Fees	10,618	10,845
Installation & Repairs	14,496	11,345
<b>Total Operating Revenues</b>	<b>\$ 473,297</b>	<b>\$ 433,724</b>
 <b>OPERATING EXPENSES:</b>		
Water Purchases	\$ 187,879	\$ 152,562
Depreciation Expense	74,514	74,361
Interest Expense	18,225	18,618
Utilities & Telephone	5,801	4,360
Bookkeeping	36,238	29,164
Installation & Repairs	33,563	41,903
Meter Reading Cost	11,993	11,609
Legal & Professional Fees	68,281	5,125
Mileage Reimbursement	2,920	4,146
Insurance	2,065	3,538
Payroll Tax Expense	3,347	2,200
Office Supplies & Postage	10,692	4,897
Board Conventions	-	-
Dues & Samples	7,973	8,385
Annual Meeting Expense	1,306	1,231
Bad Debts Expense	-	170
Miscellaneous Expense	2,487	2,536
Yard Expense	1,590	1,715
<b>Total Operating Expenses</b>	<b>\$ 468,874</b>	<b>\$ 366,520</b>
 <b>OPERATING INCOME (LOSS)</b>	<b>\$ 4,423</b>	<b>\$ 67,204</b>
 <b>OTHER REVENUES (EXPENSES):</b>		
Investment Revenues	\$ 31,629	\$ 25,577
Other Income	912	146
Settlement Reimbursements	55,000	-
<b>Total Other Revenues(Expenses)</b>	<b>\$ 87,541</b>	<b>\$ 25,723</b>
 <b>NET INCOME</b>	<b>\$ 91,964</b>	<b>\$ 92,927</b>

See accompanying notes to the financial statements.

**Canadian County Water Authority**  
 Comparative Statement of Changes in Net Assets  
 For the Years Ended March 31, 2018 and 2017

	<b>2018</b>	<b>2017</b>
<b>Balance, April 1</b>	\$ 2,850,898	\$ 2,650,651
Net Income (Loss)	91,964	92,927
Prior Period Adjustment (Note 11)	-	-
Member Investments	99,562	107,320
Donated Assets (Note 7)	-	-
Grants	-	-
<b>Total Changes in Net Assets</b>	<b>\$ 191,526</b>	<b>\$ 200,247</b>
<b>Balance, March 31</b>	<b>\$ 3,042,424</b>	<b>\$ 2,850,898</b>

See accompanying notes to the financial statements.

# Canadian County Water Authority

Comparative Statement of Cash Flows  
For the Years Ended March 31, 2018 and 2017

	2018	2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Receipts from customers	\$ 447,674	\$ 433,742
Payments to suppliers	(331,035)	(221,789)
Payments to employees & meter readers	(51,578)	(42,973)
<b>Net Cash Provided by Operating Activities</b>	<b>\$ 65,061</b>	<b>\$ 168,980</b>
 <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Purchase of capital assets	\$ -	\$ (4,573)
Donated Assets	-	-
Payments for Construction in Progress	-	(23,080)
Proceeds from Grants	-	-
Principal payments on notes payable	(8,076)	(7,683)
Interest paid on notes payable	(18,228)	(18,621)
Prior period adjustments	-	-
Proceeds from settlements	55,000	-
<b>Net Cash Used In Capital &amp; Related Financing Activities</b>	<b>\$ 28,696</b>	<b>\$ (53,957)</b>
 <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Investment Receipts	\$ 28,581	\$ 24,948
Other Proceeds	912	146
Proceeds from memberships	99,562	107,320
<b>Net Cash Provided from Investing Activities</b>	<b>\$ 129,055</b>	<b>\$ 132,414</b>
 <b>INCREASE (DECREASE) IN CASH AND INVESTMENTS</b>	<b>\$ 222,812</b>	<b>\$ 247,437</b>
 Cash and Investment Balance - Beginning	1,512,095	1,264,658
<b>CASH AND INVESTMENT BALANCE - ENDING</b>	<b>\$ 1,734,907</b>	<b>\$ 1,512,095</b>
 <b>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:</b>		
Operating Income (Loss)	\$ 4,423	\$ 67,204
Adjustments to reconcile operating income to net cash provided (used) by Operating Activities:		
Interest Expense	18,225	18,618
Depreciation expense	74,514	74,361
Change in assets and liabilities:		
Accounts Receivable	(25,623)	18
Other Receivables	-	-
Prepaid Insurance	(1,544)	(8)
Inventory	-	1,890
Accounts Payable	(4,934)	6,897
<b>Net Cash Provided from Operating Activities</b>	<b>\$ 65,061</b>	<b>\$ 168,980</b>

See accompanying notes to the financial statements.

# Canadian County Water Authority

Notes to the Financial Statements  
For the Years Ended March 31, 2018 and 2017

## **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 697 and 671 meters at March 31, 2018 and 2017, 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, 2018 and 2017 amounted to \$29,494 and \$3,871. 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 2017.



# Canadian County Water Authority

Notes to the Financial Statements  
For the Years Ended March 31, 2018 and 2017

## **Note 6 - Changes in Capital Assets**

	Balance 4/1/2017	Additions	Disposed	Balance 3/31/2018
Water System Plant Assets	\$ 2,895,394	\$ -	\$ -	\$ 2,895,394
Office Furniture & Fixtures	11,548	-	-	11,548
Equipment	2,803	-	-	2,803
Buildings & Improvements	57,195	-	-	57,195
<b>Total Assets</b>	<b>\$ 2,966,940</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 2,966,940</b>
Less: Accumulated Depreciation	1,298,743	74,514	-	1,373,257
<b>Net Fixed Assets</b>	<b>\$ 1,668,197</b>	<b>\$ (74,514)</b>	<b>\$ -</b>	<b>\$ 1,593,683</b>

## **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, 2018 and 2017 were \$0 and \$0, respectively.

## **Note 8 - Components of Cash and Investments**

	Date of Maturity	Interest Rate	Balance
Petty Cash	-	0.00%	\$ 85
Checking - Bancfirst	-	0.17%	650,237
Money Market - Midfirst Bank	-	0.25%	70,861
Money Market - Edward Jones	-	0.10%	21,723
Certificate of Deposit - Midfirst Bank	11/6/2018	1.25%	253,402
Certificate of Deposit - Midfirst Bank	5/31/2018	1.25%	204,000
Certificate - ORWAAG	-	2.67%	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
<b>Total Cash and Investments</b>			<b>\$ 1,734,907</b>

The securities and bonds had a market value at March 31, 2018 of \$494,182 which results in an unrecognized loss of \$4,583.

# Canadian County Water Authority

Notes to the Financial Statements  
For the Years Ended March 31, 2018 and 2017

## **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 3/31/2018	Balance 3/31/2017
91-01	8/29/2001	26,304	360,083	368,159
		\$ 26,304	\$ 360,083	\$ 368,159
Less: Current Portion			8,511	8,097
Net Balance			<u>\$ 351,572</u>	<u>\$ 360,062</u>

Current Portion:

Year Ending	3/31/2020	8,947
Year Ending	3/31/2021	9,404
Year Ending	3/31/2022	9,885
Year Ending	3/31/2023	10,391

## **Note 11 - Prior Period Adjustments**

There were no prior period adjustments in the financial statements for the year ending March 31, 2018 or 2017.

## **Note 12 - Evaluation of Subsequent Events**

The subsequent events of the District have been evaluated through April 25, 2018, 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, 2018 and 2017, and have issued my report thereon dated April 25, 2018.

### **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 25, 2018