

CANADIAN COUNTY WATER AUTHORITY
Audit Report
For the Year Ending March 31, 2019

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, 2019 and 2018, 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, 2019 and 2018, 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 29, 2019, 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 29, 2019

Canadian County Water Authority

Statement of Net Position
As of March 31, 2019 and 2018

ASSETS:	2019	2018
Current Assets:		
Cash & Cash Equivalents	\$ 479,075	\$ 742,906
Investments	1,363,483	992,001
Accounts Receivable (Note 2)	29,750	29,494
Interest Receivable	10,714	9,895
Prepaid Insurance	6,232	5,736
Other Receivable	-	-
Inventory	3,810	3,810
Total Current Assets	\$ 1,893,064	\$ 1,783,842
Noncurrent Assets:		
Construction in Progress	\$ -	\$ 23,080
Capital Assets:		
Land	21,131	21,131
Other Capital Assets, net of depreciation	2,966,777	1,593,683
Total Noncurrent Assets	\$ 2,987,908	\$ 1,637,894
TOTAL ASSETS	\$ 4,880,972	\$ 3,421,736
LIABILITIES AND NET POSITION:		
Current Liabilities:		
Accounts Payable	\$ 19,003	\$ 19,081
Interest Payable	2,178	148
Current Portion of Long-term Liabilities	32,498	8,511
Total Current Liabilities	\$ 53,679	\$ 27,740
Long-Term Liabilities: (Note 10)		
Notes Payable - net of current portion	\$ 1,521,357	\$ 351,572
Net Position:		
Restricted Fund Balance	\$ 31,487	\$ 26,928
Unrestricted Fund Balance	1,208,276	1,121,283
Total Fund Balance	\$ 1,239,763	\$ 1,148,211
Member Investments	1,432,740	1,260,780
Donated Assets (Note 7)	130,873	130,873
Grants	502,560	502,560
TOTAL NET POSITION	\$ 3,305,936	\$ 3,042,424
TOTAL LIABILITIES AND NET POSITIONS	\$ 4,880,972	\$ 3,421,736

See accompanying notes to the financial statements.

Canadian County Water Authority

Comparative Statement of Activities
For the Years Ended March 31, 2019 and 2018

	2019	2018
OPERATING REVENUES:		
Water Sales	\$ 483,988	\$ 448,183
Late Fees	9,404	10,618
Installation & Repairs	29,966	14,496
Total Operating Revenues	\$ 523,358	\$ 473,297
OPERATING EXPENSES:		
Water Purchases	\$ 210,654	\$ 187,879
Depreciation Expense	92,806	74,514
Interest Expense	30,389	18,225
Utilities & Telephone & Website	5,943	5,801
Wages	52,809	36,238
Installation & Repairs	27,509	33,563
Meter Reading Cost	-	11,993
Legal & Professional Fees	15,257	68,281
Mileage Reimbursement	3,033	2,920
Insurance	7,110	2,065
Payroll Tax Expense	4,488	3,347
Office Supplies & Postage	11,959	10,692
Bank & Sweep fees	1,623	1,337
Dues & Samples	7,291	7,973
Annual Meeting Expense	1,349	1,306
Bad Debts Expense	94	-
Miscellaneous Expense	2,481	1,150
Yard Expense	1,340	1,590
Total Operating Expenses	\$ 476,135	\$ 468,874
OPERATING INCOME (LOSS)	\$ 47,223	\$ 4,423
OTHER REVENUES (EXPENSES):		
Investment Revenues	\$ 47,319	\$ 31,629
Other Income	961	912
Gain (Loss) on sale of investments	(3,951)	-
Settlement Reimbursements	-	55,000
Total Other Revenues(Expenses)	\$ 44,329	\$ 87,541
NET INCOME	\$ 91,552	\$ 91,964

See accompanying notes to the financial statements.

Canadian County Water Authority
 Comparative Statement of Changes in Net Assets
 For the Years Ended March 31, 2019 and 2018

	2019	2018
Balance, April 1	\$ 3,042,424	\$ 2,850,898
Net Income (Loss)	91,552	91,964
Prior Period Adjustment (Note 11)	-	-
Member Investments	171,960	99,562
Donated Assets (Note 7)	-	-
Grants	-	-
Total Changes in Net Assets	\$ 263,512	\$ 191,526
Balance, March 31	\$ 3,305,936	\$ 3,042,424

See accompanying notes to the financial statements.

Canadian County Water Authority

Comparative Statement of Cash Flows For the Years Ended March 31, 2019 and 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers	\$ 523,102	\$ 447,674
Payments to suppliers	(296,217)	(331,035)
Payments to employees & meter readers	(57,297)	(51,578)
Net Cash Provided by Operating Activities	\$ 169,588	\$ 65,061
 CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Purchase of capital assets	\$ (1,442,820)	\$ -
Donated Assets	-	-
Proceeds from sale of assets	-	-
Proceeds from notes payable	1,213,313	-
Principal payments on notes payable	(19,541)	(8,076)
Interest paid on notes payable	(28,358)	(18,228)
Prior period adjustments	-	-
Proceeds from settlements	-	55,000
Net Cash Used In Capital & Related Financing Activities	\$ (277,406)	\$ 28,696
 CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment Receipts	\$ 46,499	\$ 28,581
Other Proceeds	961	912
Gain (Loss) on the sale of investments	(3,951)	-
Proceeds from memberships	171,960	99,562
Net Cash Provided from Investing Activities	\$ 215,469	\$ 129,055
 INCREASE (DECREASE) IN CASH AND INVESTMENTS	\$ 107,651	\$ 222,812
 Cash and Investment Balance - Beginning	1,734,907	1,512,095
 CASH AND INVESTMENT BALANCE - ENDING	\$ 1,842,558	\$ 1,734,907
 Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:		
Operating Income (Loss)	\$ 47,223	\$ 4,423
Adjustments to reconcile operating income to net cash provided (used) by Operating Activities:		
Interest Expense	30,389	18,225
Depreciation expense	92,806	74,514
Change in assets and liabilities:		
Accounts Receivable	(256)	(25,623)
Other Receivables	-	-
Prepaid Insurance	(496)	(1,544)
Inventory	-	-
Accounts Payable	(78)	(4,934)
Net Cash Provided from Operating Activities	\$ 169,588	\$ 65,061

See accompanying notes to the financial statements.

Canadian County Water Authority

Notes to the Financial Statements

For the Years Ended March 31, 2019 and 2018

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 719 and 697 meters at March 31, 2019 and 2018, 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, 2019 and 2018 amounted to \$29,750 and \$29,494. 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 \$31,487 and \$26,304 for debt service as required by Rural Development's mortgage as of March 31, 2019 and 2018.

Canadian County Water Authority

Notes to the Financial Statements

For the Years Ended March 31, 2019 and 2018

Note 6 - Changes in Capital Assets

	Balance 4/1/2018	Additions	Disposed	Balance 3/31/2019
Water System Plant Assets	\$ 2,895,394	\$ 1,465,900	\$ -	\$ 4,361,294
Office Furniture & Fixtures	11,548	-	-	11,548
Equipment	2,803	-	-	2,803
Buildings & Improvements	57,195	-	-	57,195
Total Assets	\$ 2,966,940	\$ 1,465,900	\$ -	\$ 4,432,840
Less: Accumulated Depreciation	1,373,257	92,806	-	1,466,063
Net Fixed Assets	\$ 1,593,683	\$ 1,373,094	\$ -	\$ 2,966,777

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, 2019 and 2018 were \$0 and \$0, respectively.

Note 8 - Components of Cash and Investments

	Date of Maturity	Interest Rate	Balance
Petty Cash	-	0.00%	\$ 68
Checking - Bancfirst	-	0.67%	397,858
Money Market - Midfirst Bank	-	0.55%	69,894
Money Market - Edward Jones	-	1.76%	11,255
Certificate of Deposit - Morgan Stanley Bank	11/16/2020	3.10%	150,000
Certificate of Deposit - Wells Fargo Bank	12/30/2019	2.75%	45,000
Certificate of Deposit - Compass Bank	11/29/2019	2.70%	62,000
Certificate of Deposit - Wells Fargo Bank	7/29/2019	2.35%	204,000
Certificate of Deposit - Bank of NY	6/4/2019	2.45%	50,000
Certificate of Deposit - Bank of America	6/5/2020	2.85%	50,000
Certificate of Deposit - First National Omaha	9/5/2019	2.60%	50,000
Certificate - ORWAAG	-	4.67%	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-Holland MI Tax G/O	8/1/1934	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			\$ 1,842,558

The securities and bonds had a market value at March 31, 2019 of \$718,023 which results in an unrecognized gain of \$10,539.

Canadian County Water Authority

Notes to the Financial Statements

For the Years Ended March 31, 2019 and 2018

Note 9 - Retirement

The Authority provides no retirement plan for its employees.

Note 10 - 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 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 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.

Note Number	Date of Note	Annual Payment	Balance 3/31/2019	Balance 3/31/2018	Interest Rate
91-01	8/29/2001	26,304	351,594	360,083	5%
91-02	10/5/2018	51,828	1,202,261	-	2.375%
		\$ 78,132	\$ 1,553,855	\$ 360,083	
Less: Current Portion			32,498	8,511	
Net Balance			\$ 1,521,357	\$ 351,572	

Current Portion:		Note 1	Note 2
Year Ending	3/31/2020	8,947	23,551
Year Ending	3/31/2021	9,404	24,117
Year Ending	3/31/2022	9,885	24,696
Year Ending	3/31/2023	10,391	25,290
Year Ending	3/31/2024	10,391	25,897

Note 11 - Prior Period Adjustments

There were no prior period adjustments in the financial statements for the year ending March 31, 2019 or 2018.

Note 12 - Evaluation of Subsequent Events

The subsequent events of the District have been evaluated through April 29, 2019, 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, 2019 and 2018, and have issued my report thereon dated April 29, 2019.

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 29, 2019