

**Canadian County
Water Authority**
Audit Report
For Year Ending March 31, 2014

Scott Northrip, CPA

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SCOTT NORTHRIP, CPA

P.O. Box 642, Hobart, Oklahoma 73651

Independent Auditor's Report

To The Board of Trustees of
Canadian County Water Authority
El Reno, Oklahoma

I have audited the basic financial statements of Canadian County Water Authority (Authority), as of and for the years ended March 31, 2014 and 2013. These financial statements are the responsibility of the Authority's management. 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 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. I believe that the audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Canadian County Water Authority, as of March 31, 2014 and 2013, and the results of its operations and its cash flows and its changes in member's equity for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated April 23, 2014, 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 the internal control over financial reporting or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of the audit.

Scott Northrip, CPA

Certified Public Accountant

April 23, 2014

Canadian County Water Authority

Statement of Net Assets As of March 31, 2014 and 2013

ASSETS:	2014	2013
Current Assets:		
Cash & Cash Equivalents	\$ 517,620	\$ 421,989
Investments	502,593	482,022
Accounts Receivable (Note 2)	(2,556)	(109)
Interest Receivable	5,857	6,797
Prepaid Insurance	3,876	3,876
Other Receivable	-	-
Inventory	6,010	3,584
Total Current Assets	\$ 1,033,400	\$ 918,159
Noncurrent Assets:		
Construction in Progress	\$ -	\$ -
Capital Assets:		
Land	21,131	21,131
Other Capital Assets, net of depreciation	1,872,008	1,945,965
Total Noncurrent Assets	\$ 1,893,139	\$ 1,967,096
TOTAL ASSETS	\$ 2,926,539	\$ 2,885,255
LIABILITIES AND NET ASSETS:		
Current Liabilities:		
Accounts Payable	\$ 23,276	\$ 9,201
Interest Payable	158	163
Current Portion of Long-term Liabilities	6,971	6,631
Total Current Liabilities	\$ 30,405	\$ 15,995
Long-Term Liabilities: (Note 10)		
Notes Payable - net of current portion	\$ 383,133	\$ 390,087
Net Assets:		
Restricted Fund Balance	\$ 26,928	\$ 26,928
Unrestricted Fund Balance	954,262	955,536
Total Fund Balance	\$ 981,190	\$ 982,464
Member Investments	898,378	863,276
Donated Assets (Note 7)	130,873	130,873
Grants	502,560	502,560
TOTAL NET ASSETS	\$ 2,513,001	\$ 2,479,173
TOTAL LIABILITIES AND NET ASSETS	\$ 2,926,539	\$ 2,885,255

See accompanying notes to the financial statements.

Canadian County Water Authority

Comparative Statement of Activities
For the Years Ended March 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
OPERATING REVENUES:		
Water Sales	\$ 272,226	\$ 299,670
Late Fees	7,074	8,243
Installation & Repairs	2,260	18,800
Total Operating Revenues	<u>\$ 281,560</u>	<u>\$ 326,713</u>
OPERATING EXPENSES:		
Water Purchases	\$ 122,439	\$ 122,223
Depreciation Expense	73,957	72,399
Interest Expense	19,685	20,009
Utilities & Telephone	7,607	7,527
Bookkeeping	21,995	19,995
Installation & Repairs	22,713	44,605
Meter Reading Cost	11,010	10,866
Legal & Professional Fees	3,400	6,040
Mileage Reimbursement	3,909	2,624
Insurance	3,070	2,636
Payroll Tax Expense	2,083	1,906
Office Supplies & Postage	5,233	3,786
Board Conventions	635	563
Dues & Licenses	2,177	2,495
Annual Meeting Expense	1,511	1,094
Bad Debts Expense	647	111
Miscellaneous Expense	1,271	1,466
Yard Expense	2,544	2,378
Total Operating Expenses	<u>\$ 305,886</u>	<u>\$ 322,723</u>
OPERATING INCOME (LOSS)	<u>\$ (24,326)</u>	<u>\$ 3,990</u>
OTHER REVENUES (EXPENSES):		
Investment Revenues	\$ 22,880	\$ 25,476
Other Income	172	126
Gain on Sale of Assets		-
Total Other Revenues(Expenses)	<u>\$ 23,052</u>	<u>\$ 25,602</u>
NET INCOME	<u>\$ (1,274)</u>	<u>\$ 29,592</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, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Balance, April 1	<u>\$ 2,479,173</u>	<u>\$ 2,386,481</u>
Net Income (Loss)	(1,274)	29,592
Prior Period Adjustment (Note 11)	-	-
Member Investments	35,102	48,800
Donated Assets (Note 7)	-	14,300
Grants	-	-
	<u> </u>	<u> </u>
Total Changes in Net Assets	<u>\$ 33,828</u>	<u>\$ 92,692</u>
Balance, March 31	<u><u>\$ 2,513,001</u></u>	<u><u>\$ 2,479,173</u></u>

See accompanying notes to the financial statements.

Canadian County Water Authority

Comparative Statement of Cash Flows
For the Years Ended March 31, 2014 and 2013

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers	\$ 284,006	\$ 328,199
Payments to suppliers	(165,507)	(199,156)
Payments to employees & meter readers	(35,088)	(32,767)
Net Cash Provided by Operating Activities	\$ 83,411	\$ 96,276
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Purchase of capital assets	\$ -	\$ (132,242)
Donated Assets	-	14,300
Payments for Construction in Progress	-	-
Proceeds from Grants	-	-
Principal payments on notes payable	(6,615)	(6,293)
Interest paid on notes payable	(19,689)	(20,011)
Prior period adjustments	-	-
Proceeds from sale of assets	-	-
Net Cash Used In Capital & Related Financing Activities	\$ (26,304)	\$ (144,246)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment Receipts	\$ 23,821	\$ 26,044
Other Proceeds	172	126
Proceeds from memberships	35,102	48,800
Net Cash Provided from Investing Activities	\$ 59,095	\$ 74,970
INCREASE (DECREASE) IN CASH AND INVESTMENTS	\$ 116,202	\$ 27,000
Cash and Investment Balance - Beginning	904,011	877,011
CASH AND INVESTMENT BALANCE - ENDING	\$ 1,020,213	\$ 904,011
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:		
Operating Income (Loss)	\$ (24,326)	\$ 3,990
Adjustments to reconcile operating income to net cash provided (used) by Operating Activities:		
Interest Expense	19,685	20,009
Depreciation expense	73,957	72,399
Change in assets and liabilities:		
Accounts Receivable	2,446	1,486
Other Receivables	-	-
Prepaid Insurance	-	161
Inventory	(2,426)	146
Accounts Payable	14,075	(1,915)
Net Cash Provided from Operating Activities	\$ 83,411	\$ 96,276

See accompanying notes to the financial statements.

Canadian County Water Authority

Notes to the Financial Statements
For the Years Ended March 31, 2014 and 2013

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 628 and 622 meters at March 31, 2014 and 2013, 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, 2014 and 2013 amounted to \$(2,556) and \$(109). 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, 2014 and 2013.

Canadian County Water Authority

Notes to the Financial Statements
For the Years Ended March 31, 2014 and 2013

Note 6 - Changes in Capital Assets

	Balance 4/1/2013	Additions	Disposed	Balance 3/31/2014
Water System Plant Assets	\$ 2,881,519	\$ -	\$ -	\$ 2,881,519
Office Furniture & Fixtures	11,548	-	-	11,548
Equipment	2,803	-	-	2,803
Buildings & Improvements	52,622	-	-	52,622
Total Assets	\$ 2,948,492	\$ -	\$ -	\$ 2,948,492
Less: Accumulated Depreciation	1,002,527	73,957	-	1,076,484
Net Fixed Assets	\$ 1,945,965	\$ (73,957)	\$ -	\$ 1,872,008

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, 2014 and 2013 were \$0 and \$14,300, respectively.

Note 8 - Components of Cash and Investments

	Date of Maturity	Interest Rate	Balance
Petty Cash	-	0.00%	\$ 37
Checking - Bank of Union	-	0.55%	383,269
Checking - Bank of Union	-	0.55%	134,314
Money Market - Edward Jones	-	0.01%	65,966
Certificate - ORWAAG	-	2.15%	45,000
Securities-Dallas FTW Intl Arpt	11/1/2022	5.25%	52,502
Securities-Dallas TX Civic Ctr	8/15/2038	5.25%	40,260
Securities-OK Cnty Home Fin	10/1/2038	5.40%	19,805
Securities-Fed Home Loan Banks	4/15/2024	4.45%	45,619
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
Total Cash and Investments			<u>\$ 1,020,213</u>

The securities had a market value at March 31, 2014 of \$403,184 which results in an unrecognized gain of \$11,557.

Canadian County Water Authority

Notes to the Financial Statements

For the Years Ended March 31, 2014 and 2013

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 3/31/2014	Balance 3/31/2013
91-01	8/29/2001	26,304	390,104	396,718
		<u>\$ 26,304</u>	<u>\$ 390,104</u>	<u>\$ 396,718</u>
Less: Current Portion			6,971	6,631
Net Balance			<u>\$ 383,133</u>	<u>\$ 390,087</u>

Current Portion:

Year Ending	3/31/2016	7,328
Year Ending	3/31/2017	7,703
Year Ending	3/31/2018	8,097
Year Ending	3/31/2019	8,511

Note 11 - Prior Period Adjustments

There were no prior period adjustments in the financial statements for the year ending March 31, 2014 or 2013.

SCOTT NORTHRIP, CPA

P.O. Box 642, Hobart, Oklahoma 73651

REPORT INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE BASED ON THE AUDIT OF FINANCIAL STATEMENTS IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Trustees of
Canadian County Water Authority
El Reno, Oklahoma

I have audited the basic financial statements of Canadian County Water Authority (Authority), as of and for the years ending March 31, 2014 and 2013, and have issued my report thereon dated April 23, 2014. 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.

Internal Control

In planning and performing the audit, I considered the Authority's internal control over financial reporting in order to determine the auditing procedures 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 over financial reporting.

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.

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above.

However, I noted during our testing that the Authority has a limited number of employees to adequately segregate duties. Due to the Authority's limited resources, it isn't feasible to hire additional employees to improve the internal control over financial reporting. The results of the limitation are the possibility that errors and fraud could occur and not be detected within a timely basis.

Report on Compliance and Internal Controls-Continued

Compliance

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, I performed test of the Authority's compliance with certain 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 the audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that require to be reported under *Government Auditing Standards*.

This report is intended for the information of the Board of Trustees, Rural Development and the State of Oklahoma. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

Scott Northrip, CPA

Certified Public Accountant

April 23, 2014