



# **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, 2013 and 2012. 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, 2013 and 2012, 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 24, 2013, 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 24, 2013

# Canadian County Water Authority

Statement of Net Assets  
As of March 31, 2013 and 2012

<b>ASSETS:</b>	<b>2013</b>	<b>2012</b>
<b>Current Assets:</b>		
Cash & Cash Equivalents	\$ 421,989	\$ 416,791
Investments	482,022	460,220
Accounts Receivable (Note 2)	(109)	1,377
Interest Receivable	6,797	7,365
Prepaid Insurance	3,876	4,037
Other Receivable	-	-
Inventory	3,584	3,730
<b>Total Current Assets</b>	<b>\$ 918,159</b>	<b>\$ 893,520</b>
<b>Noncurrent Assets:</b>		
Construction in Progress	\$ -	\$ -
<b>Capital Assets:</b>		
Land	21,131	21,131
Other Capital Assets, net of depreciation	1,945,965	1,886,122
<b>Total Noncurrent Assets</b>	<b>\$ 1,967,096</b>	<b>\$ 1,907,253</b>
<b>TOTAL ASSETS</b>	<b>\$ 2,885,255</b>	<b>\$ 2,800,773</b>
<b>LIABILITIES AND NET ASSETS:</b>		
<b>Current Liabilities:</b>		
Accounts Payable	\$ 9,201	\$ 11,116
Interest Payable	163	165
Current Portion of Long-term Liabilities	6,631	6,308
<b>Total Current Liabilities</b>	<b>\$ 15,995</b>	<b>\$ 17,589</b>
<b>Long-Term Liabilities: (Note 10)</b>		
Notes Payable - net of current portion	<b>\$ 390,087</b>	<b>\$ 396,703</b>
<b>Net Assets:</b>		
Restricted Fund Balance	\$ 26,928	\$ 26,928
Unrestricted Fund Balance	955,536	925,944
<b>Total Fund Balance</b>	<b>\$ 982,464</b>	<b>\$ 952,872</b>
Member Investments	863,276	814,476
Donated Assets (Note 7)	130,873	116,573
Grants	502,560	502,560
<b>TOTAL NET ASSETS</b>	<b>\$ 2,479,173</b>	<b>\$ 2,386,481</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 2,885,255</b>	<b>\$ 2,800,773</b>

See accompanying notes to the financial statements.

# Canadian County Water Authority

Comparative Statement of Activities  
For the Years Ended March 31, 2013 and 2012

	<b>2013</b>	<b>2012</b>
<b>OPERATING REVENUES:</b>		
Water Sales	\$ 299,670	\$ 318,936
Late Fees	8,243	8,440
Installation & Repairs	18,800	7,475
<b>Total Operating Revenues</b>	<b>\$ 326,713</b>	<b>\$ 334,851</b>
<b>OPERATING EXPENSES:</b>		
Water Purchases	\$ 122,223	\$ 125,463
Depreciation Expense	72,399	65,038
Interest Expense	20,009	20,314
Utilities & Telephone	7,527	7,500
Bookkeeping	19,995	18,690
Installation & Repairs	44,605	25,853
Meter Reading Cost	10,866	10,772
Legal & Professional Fees	6,040	3,310
Mileage Reimbursement	2,624	3,816
Insurance	2,636	2,693
Payroll Tax Expense	1,906	1,417
Office Supplies & Postage	3,786	4,496
Board Conventions	563	60
Dues & Licenses	2,495	1,650
Annual Meeting Expense	1,094	1,055
Bad Debts Expense	111	3,094
Miscellaneous Expense	1,466	1,497
Yard Expense	2,378	2,340
<b>Total Operating Expenses</b>	<b>\$ 322,723</b>	<b>\$ 299,058</b>
<b>OPERATING INCOME (LOSS)</b>	<b>\$ 3,990</b>	<b>\$ 35,793</b>
<b>OTHER REVENUES (EXPENSES):</b>		
Investment Revenues	\$ 25,476	\$ 29,180
Other Income	126	167
Gain on Sale of Assets	-	-
<b>Total Other Revenues(Expenses)</b>	<b>\$ 25,602</b>	<b>\$ 29,347</b>
<b>NET INCOME</b>	<b>\$ 29,592</b>	<b>\$ 65,140</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, 2013 and 2012

	2013	2012
<b>Balance, April 1</b>	\$ 2,386,481	\$ 2,283,573
Net Income (Loss)	29,592	65,140
Prior Period Adjustment (Note 11)	-	-
Member Investments	48,800	37,768
Donated Assets (Note 7)	14,300	-
Grants	-	-
<b>Total Changes in Net Assets</b>	<b>\$ 92,692</b>	<b>\$ 102,908</b>
<b>Balance, March 31</b>	<b>\$ 2,479,173</b>	<b>\$ 2,386,481</b>

See accompanying notes to the financial statements.

# Canadian County Water Authority

Comparative Statement of Cash Flows  
For the Years Ended March 31, 2013 and 2012

	2013	2012
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Receipts from customers	\$ 328,199	\$ 336,409
Payments to suppliers	(199,156)	(181,128)
Payments to employees & meter readers	(32,767)	(30,879)
<b>Net Cash Provided by Operating Activities</b>	<b>\$ 96,276</b>	<b>\$ 124,402</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Purchase of capital assets	\$ (132,242)	\$ (252,717)
Donated Assets	14,300	-
Payments for Construction in Progress	-	-
Proceeds from Grants	-	-
Principal payments on notes payable	(6,293)	(5,986)
Interest paid on notes payable	(20,011)	(20,318)
Prior period adjustments	-	-
Proceeds from sale of assets	-	-
<b>Net Cash Used In Capital &amp; Related Financing Activities</b>	<b>\$ (144,246)</b>	<b>\$ (279,021)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Investment Receipts	\$ 26,044	\$ 28,882
Other Proceeds	126	167
Proceeds from memberships	48,800	37,768
<b>Net Cash Provided from Investing Activities</b>	<b>\$ 74,970</b>	<b>\$ 66,817</b>
<b>INCREASE (DECREASE) IN CASH AND INVESTMENTS</b>	<b>\$ 27,000</b>	<b>\$ (87,802)</b>
Cash and Investment Balance - Beginning	877,011	964,813
<b>CASH AND INVESTMENT BALANCE - ENDING</b>	<b>\$ 904,011</b>	<b>\$ 877,011</b>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:</b>		
Operating Income (Loss)	\$ 3,990	\$ 35,793
Adjustments to reconcile operating income to net cash provided (used) by Operating Activities:		
Interest Expense	20,009	20,314
Depreciation expense	72,399	65,038
Change in assets and liabilities:		
Accounts Receivable	1,486	1,558
Other Receivables	-	-
Prepaid Insurance	161	(29)
Inventory	146	438
Accounts Payable	(1,915)	1,290
<b>Net Cash Provided from Operating Activities</b>	<b>\$ 96,276</b>	<b>\$ 124,402</b>

See accompanying notes to the financial statements.

# Canadian County Water Authority

## Notes to the Financial Statements

For the Years Ended March 31, 2013 and 2012

### **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 622 and 608 meters at March 31, 2013 and 2012, 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, 2013 and 2012 amounted to \$(109) and \$1,377. 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 certificates of deposit in the amount of \$26,304 for debt service as required by Rural Development's mortgage as of March 31, 2013 and 2012.

# Canadian County Water Authority

## Notes to the Financial Statements

For the Years Ended March 31, 2013 and 2012

### Note 6 - Changes in Capital Assets

	Balance 4/1/2012	Additions	Disposed	Balance 3/31/2013
Water System Plant Assets	\$ 2,749,277	\$ 132,242	\$ -	\$ 2,881,519
Office Furniture & Fixtures	11,548	-	-	11,548
Equipment	2,803	-	-	2,803
Buildings & Improvements	52,622	-	-	52,622
<b>Total Assets</b>	<b>\$ 2,816,250</b>	<b>\$ 132,242</b>	<b>\$ -</b>	<b>\$ 2,948,492</b>
Less: Accumulated Depreciation	930,128	72,399	-	1,002,527
<b>Net Fixed Assets</b>	<b>\$ 1,886,122</b>	<b>\$ 59,843</b>	<b>\$ -</b>	<b>\$ 1,945,965</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, 2013 and 2012 were \$14,300 and \$0, respectively.

### Note 8 - Components of Cash and Investments

	Date of Maturity	Interest Rate	Balance
Petty Cash	-	0.00%	\$ 33
Checking - Bank of Union	-	0.55%	288,296
Checking - Bank of Union	-	0.55%	133,660
Money Market - Edward Jones	-	0.01%	44,346
CD - GE Money Bank	10/30/2013	5.00%	45,000
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
<b>Total Cash and Investments</b>			<b>\$ 904,011</b>

The securities had a market value at March 31, 2013 of \$374,362 which results in an unrecognized gain of \$26,686.

# Canadian County Water Authority

## Notes to the Financial Statements

For the Years Ended March 31, 2013 and 2012

### **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 3/31/2013	Balance 3/31/2012
91-01	8/29/2001	26,304	396,718	403,011
		\$ 26,304	\$ 396,718	\$ 403,011
Less: Current Portion			6,631	6,308
Net Balance			<u>\$ 390,087</u>	<u>\$ 396,703</u>

Current Portion:

Year Ending	3/31/2015	6,971
Year Ending	3/31/2016	7,328
Year Ending	3/31/2017	7,703
Year Ending	3/31/2018	8,097

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

There were no prior period adjustments in the financial statements for the year ending March 31, 2013 or 2012.

# ***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, 2013 and 2012, and have issued my report thereon dated April 24, 2013. 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 24, 2013