

**Canadian County
Water Authority**
Audit Report
For Year Ending March 31, 2015

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 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, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the District'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.

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, 2015 and 2014, 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 22, 2015, 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 22, 2015

Canadian County Water Authority

Statement of Net Position
As of March 31, 2015 and 2014

ASSETS:	<u>2015</u>	<u>2014</u>
Current Assets:		
Cash & Cash Equivalents	\$ 561,149	\$ 517,620
Investments	560,023	502,593
Accounts Receivable (Note 2)	(1,289)	(2,556)
Interest Receivable	5,259	5,857
Prepaid Insurance	3,897	3,876
Other Receivable	-	-
Inventory	7,680	6,010
Total Current Assets	<u>\$ 1,136,719</u>	<u>\$ 1,033,400</u>
Noncurrent Assets:		
Construction in Progress	\$ -	\$ -
Capital Assets:		
Land	21,131	21,131
Other Capital Assets, net of depreciation	1,798,146	1,872,008
Total Noncurrent Assets	<u>\$ 1,819,277</u>	<u>\$ 1,893,139</u>
TOTAL ASSETS	<u><u>\$ 2,955,996</u></u>	<u><u>\$ 2,926,539</u></u>
LIABILITIES AND NET POSITION:		
Current Liabilities:		
Accounts Payable	\$ 22,129	\$ 23,276
Interest Payable	157	158
Current Portion of Long-term Liabilities	7,328	6,971
Total Current Liabilities	<u>\$ 29,614</u>	<u>\$ 30,405</u>
Long-Term Liabilities: (Note 10)		
Notes Payable - net of current portion	<u>\$ 375,823</u>	<u>\$ 383,133</u>
Net Position:		
Restricted Fund Balance	\$ 26,928	\$ 26,928
Unrestricted Fund Balance	920,177	954,262
Total Fund Balance	<u>\$ 947,105</u>	<u>\$ 981,190</u>
Member Investments	970,021	898,378
Donated Assets (Note 7)	130,873	130,873
Grants	502,560	502,560
TOTAL NET ASSETS	<u>\$ 2,550,559</u>	<u>\$ 2,513,001</u>
TOTAL LIABILITIES AND NET POSITIONS	<u><u>\$ 2,955,996</u></u>	<u><u>\$ 2,926,539</u></u>

See accompanying notes to the financial statements.

Canadian County Water Authority

Comparative Statement of Activities
For the Years Ended March 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
OPERATING REVENUES:		
Water Sales	\$ 282,264	\$ 272,226
Late Fees	7,785	7,074
Installation & Repairs	4,068	2,260
Total Operating Revenues	<u>\$ 294,117</u>	<u>\$ 281,560</u>
OPERATING EXPENSES:		
Water Purchases	\$ 145,787	\$ 122,439
Depreciation Expense	73,862	73,957
Interest Expense	19,350	19,685
Utilities & Telephone	6,862	7,607
Bookkeeping	24,194	21,995
Installation & Repairs	31,815	22,713
Meter Reading Cost	11,149	11,010
Legal & Professional Fees	13,244	3,400
Mileage Reimbursement	4,462	3,909
Insurance	5,149	3,070
Payroll Tax Expense	2,265	2,083
Office Supplies & Postage	4,973	5,233
Board Conventions	50	635
Dues & Licenses	4,437	2,177
Annual Meeting Expense	1,500	1,511
Bad Debts Expense	273	647
Miscellaneous Expense	1,780	1,271
Yard Expense	2,030	2,544
Total Operating Expenses	<u>\$ 353,182</u>	<u>\$ 305,886</u>
OPERATING INCOME (LOSS)	<u>\$ (59,065)</u>	<u>\$ (24,326)</u>
OTHER REVENUES (EXPENSES):		
Investment Revenues	\$ 23,086	\$ 22,880
Other Income	15	172
Gain on Sale of Assets	1,879	-
Total Other Revenues(Expenses)	<u>\$ 24,980</u>	<u>\$ 23,052</u>
NET INCOME	<u><u>\$ (34,085)</u></u>	<u><u>\$ (1,274)</u></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, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Balance, April 1	<u>\$ 2,513,001</u>	<u>\$ 2,479,173</u>
Net Income (Loss)	(34,085)	(1,274)
Prior Period Adjustment (Note 11)	-	-
Member Investments	71,643	35,102
Donated Assets (Note 7)	-	-
Grants	<u>-</u>	<u>-</u>
Total Changes in Net Assets	<u>\$ 37,558</u>	<u>\$ 33,828</u>
Balance, March 31	<u><u>\$ 2,550,559</u></u>	<u><u>\$ 2,513,001</u></u>

See accompanying notes to the financial statements.

Canadian County Water Authority

Comparative Statement of Cash Flows For the Years Ended March 31, 2015 and 2014

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers	\$ 292,850	\$ 284,006
Payments to suppliers	(225,200)	(165,507)
Payments to employees & meter readers	(37,608)	(35,088)
Net Cash Provided by Operating Activities	\$ 30,042	\$ 83,411
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Purchase of capital assets	\$ -	\$ -
Donated Assets	-	-
Payments for Construction in Progress	-	-
Proceeds from Grants	-	-
Principal payments on notes payable	(6,953)	(6,615)
Interest paid on notes payable	(19,351)	(19,689)
Prior period adjustments	-	-
Proceeds from sale of assets	-	-
Net Cash Used In Capital & Related Financing Activities	\$ (26,304)	\$ (26,304)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment Receipts	\$ 23,684	\$ 23,821
Other Proceeds	1,894	172
Proceeds from memberships	71,643	35,102
Net Cash Provided from Investing Activities	\$ 97,221	\$ 59,095
INCREASE (DECREASE) IN CASH AND INVESTMENTS	\$ 100,959	\$ 116,202
Cash and Investment Balance - Beginning	1,020,213	904,011
CASH AND INVESTMENT BALANCE - ENDING	\$ 1,121,172	\$ 1,020,213
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:		
Operating Income (Loss)	\$ (59,065)	\$ 3,990
Adjustments to reconcile operating income to net cash provided (used) by Operating Activities:		
Interest Expense	19,350	20,009
Depreciation expense	73,862	72,399
Change in assets and liabilities:		
Accounts Receivable	(1,267)	1,486
Other Receivables	-	-
Prepaid Insurance	(21)	161
Inventory	(1,670)	146
Accounts Payable	(1,147)	(1,915)
Net Cash Provided from Operating Activities	\$ 30,042	\$ 96,276

See accompanying notes to the financial statements.

Canadian County Water Authority

Notes to the Financial Statements

For the Years Ended March 31, 2015 and 2014

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 642 and 628 meters at March 31, 2015 and 2014, 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, 2015 and 2014 amounted to \$(1,289) and \$(2,556). 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, 2015 and 2014.

Canadian County Water Authority

Notes to the Financial Statements
For the Years Ended March 31, 2015 and 2014

Note 6 - Changes in Capital Assets

	Balance 4/1/2014	Additions	Disposed	Balance 3/31/2015
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	1,076,484	73,862	-	1,150,346
Net Fixed Assets	\$ 1,872,008	\$ (73,862)	\$ -	\$ 1,798,146

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, 2015 and 2014 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	-	0.01%	426,678
Checking - Bancfirst	-	0.01%	134,386
Money Market - Edward Jones	-	0.01%	10,570
Certificate - ORWAAG	-	2.25%	45,000
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-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>\$ 1,121,172</u>

The securities and bonds had a market value at March 31, 2015 of \$532,296 which results in an unrecognized gain of \$27,844.

Canadian County Water Authority

Notes to the Financial Statements

For the Years Ended March 31, 2015 and 2014

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 3/31/2015	Balance 3/31/2014
91-01	8/29/2001	26,304	383,151	390,104
		\$ 26,304	\$ 383,151	\$ 390,104
Less: Current Portion			7,328	6,971
Net Balance			<u>\$ 375,823</u>	<u>\$ 383,133</u>

Current Portion:

Year Ending	3/31/2017	7,703
Year Ending	3/31/2018	8,097
Year Ending	3/31/2019	8,511
Year Ending	3/31/2020	8,947

Note 11 - Prior Period Adjustments

There were no prior period adjustments in the financial statements for the year ending March 31, 2015 or 2014.

Note 12 - Evaluation of Subsequent Events

The subsequent events of the District have been evaluated through April 22, 2015, 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, 2015 and 2014, and have issued my report thereon dated April 22, 2015.

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 22, 2015