

Canadian County Rural Water District #4

State of Oklahoma

Financial Statements

December 31, 2023

Canadian County Rural Water District #4, State of Oklahoma

Table of Contents

Independent Auditor's Report	1 - 2
Statement of Net Position	3
Statement of Revenues, Expenses, and Changes in Net Position	4
Statement of Changes in Net Position	5
Statement of Cash Flows	6
Notes to Financial Statements	7 – 10
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	11 - 12
Findings and Questioned Cost	13

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
 Canadian County Rural Water District #4, State of Oklahoma

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and the, the business-type activities of the Canadian County Rural Water District #4, State of Oklahoma as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the Canadian County Rural Water District #4, State of Oklahoma's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the business-type activities of the Canadian County Rural Water District #4, State of Oklahoma, as of December 31, 2023, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Canadian County Rural Water District #4, State of Oklahoma and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Canadian County Rural Water District #4, State of Oklahoma's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Canadian County Rural Water District #4, State of Oklahoma's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Canadian County Rural Water District #4, State of Oklahoma's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Management has omitted management's discussion and analysis and budgetary comparison information that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 9, 2024, on our consideration of the Canadian County Rural Water District #4, State of Oklahoma's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of the Canadian County Rural Water District #4, State of Oklahoma's 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 Canadian County Rural Water District #4, State of Oklahoma's internal control over financial reporting and compliance.

Michael Mettrey
Oklahoma City, Oklahoma
September 9, 2024

Canadian County Rural Water District #4
Canadian County, Oklahoma
Statement of Net Position
December 31, 2023

Current Assets	
Cash	\$ 283,601
Accounts Receivable and Other Current Assets	11,506
Total Current Assets	<u>295,107</u>
Investments	
Investments, Unrestricted	-
Investments, Restricted	866,982
Total Investments	<u>866,982</u>
Deposits	50
Total Other Non-Current Assets	<u>50</u>
Capital Assets	
Water Wells	1,812,284
Accumulated Depreciation	(1,161,987)
Buildings	62,959
Accumulated Depreciation	(62,959)
Office equipment	1,856
Accumulated Depreciation	(1,856)
Water Rights	521,230
Net Capital Assets	<u>1,171,526</u>
Total Assets	<u>2,333,666</u>
Deferred Outflows of Resources	
Total Deferred Outflows	<u>-</u>
Current Liabilities	
Current Portion Long Term Debt	27,827
Accounts Payable	16,311
Due to Mike and Mary Wright for water rights	75,000
Accrued payroll taxes	227
Interest payable	2,829
Total Current Liabilities	<u>122,193</u>
Long Term Debt	<u>322,173</u>
Total Liabilities	<u>444,366</u>
Deferred Inflows of Resources	
Total Deferred Inflows of Resources	<u>-</u>
Net Position	
Net Investment in Capital Assets	746,526
Temporarily Restricted	1,142,773
Unrestricted	-
Total Net Position	<u><u>\$ 1,889,299</u></u>

See independent auditor's report and notes

Canadian County Rural Water District #4
Statement of Revenues, Expenses, and Changes in Net Position
for the year ended December 31, 2023

Operating Revenues	
Gross Water Sales	\$ 274,613
Late, Reconnect, & Other Charges	<u>6,937</u>
Total Operating Revenues	<u>281,550</u>
Operating Expenses	
Personnel	5,200
Allowance for credit losses	-
Payroll tax expense	481
Depreciation	33,371
Utilities	21,754
Installations, repair, & maintenance	94,385
Cost of water	51,288
Auto Expense Mileage	-
Meeting room expense	1,100
Bank charges	10
Office supplies	4,070
Returned checks	-
Dues and subscriptions	501
Storage fee	360
Other expenses	7,515
Legal, accounting, and auditing	28,364
Management services	14,400
AMR expense	5,093
Engineer fee	1,350
Insurance	<u>2,818</u>
Total Operating Expenses	<u>272,059</u>
Operating Income (Loss)	<u>9,491</u>
Nonoperating Revenues (Expenses)	
Interest income	24,167
Other income	-
Interest expense	<u>(2,829)</u>
Total Nonoperating Revenues (Expenses)	<u>21,338</u>
Change in Net Position	30,828
Net Position, Beginning	1,826,471
New Member Fees	<u>32,000</u>
Net Position, Ending	<u><u>\$ 1,889,299</u></u>

See independent auditor's report and notes

Canadian County Rural Water District #4
Statement of Changes in Net Position
for the year ended December 31, 2023

	Net Investment in Capital Assets	Net Position Temporarily Restricted	Total Net Position
	<u> </u>	<u> </u>	<u> </u>
Balance - beginning	\$ 683,667	\$ 1,142,804	\$ 1,826,471
Change in net position	<u>62,859</u>	<u>(31)</u>	<u>62,828</u>
Balance - ending	<u><u>\$ 746,526</u></u>	<u><u>\$ 1,142,773</u></u>	<u><u>\$ 1,889,299</u></u>

See independent auditor's report and notes

Canadian County Rural Water District #4
Statement of Cash Flows
for the year ended December 31, 2023

Operating Activities

Water sales	\$ 276,711
Late, Reconnect, Transfer, and Other Charges	6,937
Suppliers and Employees	(236,472)
Interest expense	-

Net Cash provided by (used in) Operating Activities	47,176
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Noncapital Financing Activities

New Member Fees	32,000
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Net Cash provided by (used in) Noncapital Financing Activities	32,000
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Capital and Related Financing Activities

Long Term Debt	350,000
Payable to Oklahoma Water Rights Board	75,000
Purchase of capital assets	(521,230)

Net Cash used in Capital and Related Financing Activities	(96,230)
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Investing Activities

Interest income	17,678
(Purchase) of investments	(8,651)
Other income	-

Net Cash from Investing Activities	9,026
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Net Change in Cash and Cash Equivalents

(8,028)

Cash and Cash Equivalents, Beginning	291,629
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Cash and Cash Equivalents, Ending	\$ 283,601
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**Reconciliation of Cash Flows from Operating Activities
to Operating Income (Loss)**

Operating Activity Reconciliation

Operating income (loss)	\$ 6,662
Adjustments to reconcile operating income (loss)	
to net cash provided by (used in) operating activities	
Depreciation expense	33,371
Amortization expense	-
Interest expense	-
Changes in assets and liabilities	
Accounts receivable	2,098
Prepaid expenses	(252)
Accounts payable	2,516
Accrued payroll taxes	(48)
Accrued interest expense	2,829

Net Cash provided by (used in) Operating Activities	\$ 47,176
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Supplemental Information

Cash paid for interest	\$ -
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See independent auditor's report and notes

Canadian County Rural Water District No. 4
Canadian County, Oklahoma
Notes to Financial Statements

1. Organization and Nature of Operations and Summary of Significant Accounting Policies

Canadian County Rural Water District #4, Canadian County, Oklahoma (District) is organized under Title 60 of the Oklahoma Statutes. It operates under a Board of Directors elected by the landowners within the District. The purpose of the District is to provide water to the residents of its service area. The District currently provides rural water service. It does not provide waste management service. The District is recognized as a tax exempt organization under Section 501(c)(12) of the Internal Revenue Code and is exempt from Federal and State income tax.

The financial statements are prepared on the accrual basis of accounting, which recognizes revenue when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Revenue earned but not received is shown as receivable. Expenses incurred but not paid is shown as a payable.

Operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the District. Exchange transactions are those in which each party receives and gives up essentially equal values. Operating expenses include the cost of sales/services, administration, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Non-exchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include grants and donations. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The District's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Investments are stated at fair value within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Cash and certificates of deposit are authorized investments. Cash and certificates of deposit are reported at carrying amounts, which reasonably approximates fair value. Types of investments are determined by the board of directors.

Accounts receivables are shown net of an allowance for credit losses.

Canadian County Rural Water District No. 4
Canadian County, Oklahoma
Notes to Financial Statements

Property, plant, and equipment are recorded at cost and depreciated. Depreciation is computed straight line over the estimated useful lives. Assets' lives are estimated to be between ten and forty years. Loan application costs are being amortized over a period of 28.8 years. If the cost of an improvement is material, it is capitalized. The District has no written policy for capitalization.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets, if any, is included as part of the capitalized value of the assets constructed.

The statement of financial position will sometimes be reported in a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources until then.

The statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources until that time.

Restricted net position is reported when externally imposed constraints are placed on the use of the resources by grantors, contributors, or laws or regulations of other governments. Net investment in capital assets is equal to net property, plant, equipment less liabilities related to capital assets. Temporarily restricted net position is restricted by the board of directors and will be used first for expenditures.

2. Investments

The following details the recurring investment fair value categorized within the fair value hierarchy established by generally accepted accounting principles.

	Level 1	Level 2	Level 3	Total
MidFirst Bank, CD	\$ 129,155			\$ 129,155
Community National, CD	67,496			67,496
BancFirst, CD	109,544			109,544
ORWA reserve certificate	-			-
Wells Fargo, Investment Account, CD	236,610			236,610
BancFirst, CD	118,577			118,577
New York Life Annuity	205,600			205,600
	<u>\$ 866,982</u>			<u>\$ 866,982</u>

Canadian County Rural Water District No. 4
Canadian County, Oklahoma
Notes to Financial Statements

The District's cash and investment accounts are insured by the Federal Depositors Insurance Corporation to \$250,000.

3. Capital Assets

Water rights were purchased from Mike and Mary Wright. The liability due to the sellers is a payable of \$75,000 for the down payment and a long-term debt of \$350,000 for the balance. The \$75,000 was paid January 25, 2024.

	Beginning			Ending
	Balance	Increases	Decreases	Balance
Equipment	\$ 62,959	\$ -	\$ -	\$ 62,959
Office equipment	1,856		-	1,856
Water line and facilities	1,812,284	-	-	1,812,284
Water rights	-	521,230	-	521,230
	<u>1,877,099</u>	<u>521,230</u>	<u>-</u>	<u>2,398,329</u>
Accumulated depreciation				
Equipment	(62,750)	(210)		(62,960)
Office equipment	(1,856)	-		(1,856)
Water line and facilities	(1,128,826)	(33,161)		(1,161,987)
	<u>(1,193,432)</u>	<u>(33,371)</u>	<u>-</u>	<u>(1,226,803)</u>
Net capital assets	<u>\$ 683,667</u>	<u>\$ 487,859</u>	<u>\$ -</u>	<u>\$ 1,171,526</u>

4. Subsequent Events

Management has evaluated subsequent events through September 9, 2024, which is the date the financial statements were available to be issued and has determined that no additional information needs to be added to the financial statements.

Canadian County Rural Water District No. 4
Canadian County, Oklahoma
Notes to Financial Statements

5. Debt

The District purchased water rights financed by the sellers. The promissory note for \$350,000.00 is dated November 2, 2023, with interest at 5.00%. The first payment of principal and interest is due November 1, 2024, in the amount of \$45,326.60, with identical payments due on or before the first day of November of each of the following Nine (9) years thereafter.

Year	Principal	Interest
2024	\$ 27,826.60	\$ 14,671.23
2025	29,217.93	16,108.67
2026	30,678.83	14,647.77
2027	32,212.77	13,113.83
2028	33,823.41	11,503.19
2029-2033	196,240.46	30,392.54
	<u>\$350,000.00</u>	<u>\$ 100,437.23</u>

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Oklahoma City, OK 73112

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors
Canadian County Rural Water District #4, State of Oklahoma
P. O. Box 386
El Reno, OK 73036-0386

We have audited, in accordance with the 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 financial statements of the governmental activities and the business-type activities of Canadian County Rural Water District #4, State of Oklahoma, as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise Canadian County Rural Water District #4, State of Oklahoma's basic financial statements, and have issued our report thereon dated September 9, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Canadian County Rural Water District #4, State of Oklahoma's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Canadian County Rural Water District #4, State of Oklahoma's internal control. Accordingly, we do not express an opinion on the effectiveness of Canadian County Rural Water District #4, State of Oklahoma'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.

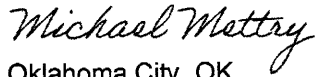
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Canadian County Rural Water District #4, State of Oklahoma's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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.

A handwritten signature in cursive script that reads "Michael Mettry".

Oklahoma City, OK
September 9, 2024

Canadian County Rural Water District #4
State of Oklahoma
Findings and Questioned Cost
December 31, 2023

FINDINGS AND QUESTIONED COST

There were no findings or questioned cost.