

**Canadian County  
Water Authority**

*Audit Report*  
For Year Ending March 31, 2023

Scott Northrip, CPA  
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P.V.  
P.W.  
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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

### ***Report on the Audit of the Financial Statements***

#### **Opinion**

I have audited the accompanying financial statements of Canadian County Water Authority, (Authority), as of and for the years ended March 31, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements.

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, 2023 and 2022, 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.

#### **Basis for Opinion**

I conducted the audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. I am required to be independent of the Canadian County Water Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to my audits. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for the audit opinion.

#### **Responsibilities of Management 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, 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 Authority's ability to continue as a going concern for a reasonable period of time.

## **Auditor's Responsibility for the Audit of the Financial Statements**

My 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 my opinion. 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 GAAS 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, intention omissions, misrepresentations, or the override of internal control. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of these financial statements.

In performing an audit in accordance with GAAS, we: 1) exercise professional judgment and maintain professional skepticism through the audit, 2) 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 including examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements, 3) 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 Authority's internal control. Accordingly, no such opinion is expressed, 4) 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, 5) conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

## **Other Reporting Requirements by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, I have also issued my report dated April 20, 2023, 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 20, 2023

# Canadian County Water Authority

Statement of Net Position  
As of March 31, 2023 and 2022

<b>ASSETS:</b>	<b>2023</b>	<b>2022</b>
<b>Current Assets:</b>		
Cash & Cash Equivalents	\$ 656,844	\$ 746,039
Investments	1,318,168	1,281,124
Accounts Receivable (Note 2)	55,732	40,425
Interest Receivable	7,800	6,019
Prepaid Insurance	9,474	7,419
Other Receivable	-	-
Inventory	13,212	3,810
<b>Total Current Assets</b>	<b>\$ 2,061,230</b>	<b>\$ 2,084,836</b>
<b>Noncurrent Assets:</b>		
Construction in Progress	\$ -	\$ -
<b>Capital Assets: (Note 6)</b>		
Land	21,131	21,131
Other Capital Assets, net of depreciation	3,805,566	3,319,733
<b>Total Noncurrent Assets</b>	<b>\$ 3,826,697</b>	<b>\$ 3,340,864</b>
<b>TOTAL ASSETS</b>	<b>\$ 5,887,927</b>	<b>\$ 5,425,700</b>
<b>LIABILITIES AND NET POSITION:</b>		
<b>Current Liabilities:</b>		
Accounts Payable	\$ 24,848	\$ 46,966
Interest Payable	1,869	1,912
Current Portion of Long-term Liabilities	25,897	25,290
<b>Total Current Liabilities</b>	<b>\$ 52,614</b>	<b>\$ 74,168</b>
<b>Long-Term Liabilities: (Note 9)</b>		
Notes Payable - net of current portion	\$ 1,078,861	\$ 1,104,729
<b>Net Position:</b>		
Restricted Fund Balance	\$ 51,828	\$ 51,828
Unrestricted Fund Balance	1,401,567	1,301,592
<b>Total Fund Balance</b>	<b>\$ 1,453,395</b>	<b>\$ 1,353,420</b>
Member Investments	1,994,736	1,867,930
Donated Assets (Note 12)	805,761	522,893
Grants	502,560	502,560
<b>TOTAL NET POSITION</b>	<b>\$ 4,756,452</b>	<b>\$ 4,246,803</b>
<b>TOTAL LIABILITIES AND NET POSITIONS</b>	<b>\$ 5,887,927</b>	<b>\$ 5,425,700</b>

See accompanying notes to the financial statements.

# Canadian County Water Authority

Comparative Statement of Activities  
For the Years Ended March 31, 2023 and 2022

	<b>2023</b>	<b>2022</b>
<b>OPERATING REVENUES:</b>		
Water Sales	\$ 682,209	\$ 553,032
Late Fees	10,190	8,519
Installation & Repairs	14,532	13,063
<b>Total Operating Revenues</b>	<b>\$ 706,931</b>	<b>\$ 574,614</b>
<b>OPERATING EXPENSES:</b>		
Water Purchases	\$ 300,516	\$ 257,638
Depreciation Expense	119,718	86,784
Interest Expense	26,525	27,118
Utilities & Telephone & Website	12,387	8,500
Wages	98,318	76,940
Installation & Repairs	47,625	11,327
Engineering Cost	2,440	3,195
Legal & Professional Fees	8,309	11,224
Mileage Reimbursement	5,680	4,451
Insurance	6,618	5,679
Payroll Tax Expense	7,521	6,576
Office Supplies & Postage	10,129	8,511
Bank & Sweep fees	6,158	5,685
Dues & Samples	4,277	4,335
Annual Meeting Expense	1,562	382
Bad Debts Expense	-	-
Miscellaneous Expense	2,026	2,064
Yard Expense	3,201	1,851
<b>Total Operating Expenses</b>	<b>\$ 663,010</b>	<b>\$ 522,260</b>
<b>OPERATING INCOME (LOSS)</b>	<b>\$ 43,921</b>	<b>\$ 52,354</b>
<b>OTHER REVENUES (EXPENSES):</b>		
Investment Revenues	\$ 43,592	\$ 26,037
Other Income	1,708	1,682
Gain (Loss) on sale of investments	5,355	(260)
Rent Income	5,400	-
<b>Total Other Revenues(Expenses)</b>	<b>\$ 56,055</b>	<b>\$ 27,459</b>
<b>NET INCOME</b>	<b>\$ 99,976</b>	<b>\$ 79,813</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, 2023 and 2022

	<b>2023</b>	<b>2022</b>
<b>Balance, April 1</b>	<b>\$ 4,246,803</b>	<b>\$ 3,651,604</b>
Net Income (Loss)	99,976	79,813
Prior Period Adjustment (Note 11)	-	-
Member Investments	126,806	123,366
Donated Assets (Note 7)	282,867	392,020
Grants	-	-
	<b>\$ 509,649</b>	<b>\$ 595,199</b>
<b>Total Changes in Net Assets</b>	<b>\$ 509,649</b>	<b>\$ 595,199</b>
<b>Balance, March 31</b>	<b>\$ 4,756,452</b>	<b>\$ 4,246,803</b>

See accompanying notes to the financial statements.

# Canadian County Water Authority

Comparative Statement of Cash Flows  
For the Years Ended March 31, 2023 and 2022

	<b>2023</b>	<b>2022</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Receipts from customers	\$ 691,624	\$ 569,054
Payments to suppliers	(444,503)	(303,604)
Payments to employees & meter readers	(105,839)	(83,516)
<b>Net Cash Provided by Operating Activities</b>	<b>\$ 141,282</b>	<b>\$ 181,934</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Purchase of capital assets	\$ (605,551)	\$ (392,020)
Donated Assets	282,867	392,020
Proceeds from sale of assets	-	-
Proceeds from notes payable	-	-
Principal payments on notes payable	(25,260)	(24,668)
Interest paid on notes payable	(26,568)	(27,160)
Prior period adjustments	-	-
Proceeds from notes	-	-
<b>Net Cash Used In Capital &amp; Related Financing Activities</b>	<b>\$ (374,512)</b>	<b>\$ (51,828)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Investment Receipts	\$ 41,810	\$ 27,062
Other Proceeds	7,108	1,682
Gain (Loss) on the sale of investments	5,355	(260)
Proceeds from memberships	126,806	123,366
<b>Net Cash Provided from Investing Activities</b>	<b>\$ 181,079</b>	<b>\$ 151,850</b>
<b>INCREASE (DECREASE) IN CASH AND INVESTMENTS</b>	<b>\$ (52,151)</b>	<b>\$ 281,956</b>
Cash and Investment Balance - Beginning	2,027,163	1,745,207
<b>CASH AND INVESTMENT BALANCE - ENDING</b>	<b>\$ 1,975,012</b>	<b>\$ 2,027,163</b>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:</b>		
Operating Income (Loss)	\$ 43,921	\$ 52,354
Adjustments to reconcile operating income to net cash provided (used) by Operating Activities:		
Interest Expense	26,525	27,118
Depreciation expense	119,718	86,784
Change in assets and liabilities:		
Accounts Receivable	(15,307)	(5,560)
Other Receivables	-	-
Prepaid Insurance	(2,055)	(945)
Inventory	(9,402)	-
Accounts Payable	(22,118)	22,183
<b>Net Cash Provided from Operating Activities</b>	<b>\$ 141,282</b>	<b>\$ 181,934</b>

See accompanying notes to the financial statements.

# Canadian County Water Authority

Notes to the Financial Statements  
For the Years Ended March 31, 2023 and 2022

## **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 816 and 793 meters at March 31, 2023 and 2022, 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, 2023 and 2022 amounted to \$55,732 and \$40,425. 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 \$51,828 and \$51,828 for debt service as required by Rural Development's mortgage as of March 31, 2023 and 2022.



# Canadian County Water Authority

Notes to the Financial Statements  
For the Years Ended March 31, 2023 and 2022

## Note 6 - Changes in Capital Assets

	Balance 4/1/2022	Additions	Disposed	Balance 3/31/2023
Water System Plant Assets	\$ 4,971,683	\$ 282,867	\$ -	\$ 5,254,550
Office Furniture & Fixtures	11,548	6,614	-	18,162
Equipment	6,913	-	-	6,913
Buildings & Improvements	57,195	316,070	-	373,265
<b>Total Assets</b>	<b>\$ 5,047,339</b>	<b>\$ 605,551</b>	<b>\$ -</b>	<b>\$ 5,652,890</b>
Less: Accumulated Depreciation	1,727,606	119,718	-	1,847,324
<b>Net Fixed Assets</b>	<b>\$ 3,319,733</b>	<b>\$ 485,833</b>	<b>\$ -</b>	<b>\$ 3,805,566</b>

## Note 7 - Components of Cash and Investments

	Date of Maturity	Interest Rate	Balance
Petty Cash	-	0.00%	\$ 73
Checking & Sweep Acct - Bancfirst	-	4.40%	423,161
Money Market - Midfirst Bank	-	0.25%	233,610
Money Market - Edward Jones	-	3.87%	110,372
Certificate of Deposit - Citizen Bank	9/14/2023	3.25%	200,000
Certificate of Deposit - Manufacturers & Traders	1/8/2024	4.75%	95,000
Certificate - ORWAAG	-	2.08%	45,000
Mutual Funds-American Balanced CI			410,132
Corp Bonds-Wells Fargo & Co Med	4/2/1930	4.10%	50,475
Mutual Funds-American Intermediate Bond			100,205
Muni Bonds-Dallas Ft Worth Tx Intl	11/1/1933	5.25%	54,745
Muni Bonds-Holland MI Tax G/O	8/1/1934	4.24%	102,543
Corp Bonds-JP Morgan Chase	12/9/2027	2.00%	50,000
Corp Bonds-Wells Fargo Sr MTN	9/29/2025	3.55%	39,811
Corp Bonds-Anheuser-Busch Inbev	4/13/2028	4.00%	59,885
<b>Total Cash and Investments</b>			<b>\$ 1,975,012</b>

(1)

The securities, bonds and mutual funds had a market value at March 31, 2023 of \$1,093,568 which results in an unrecognized loss of \$69,228.

(1) Account has restriction from debt service of \$51,828 and reserves for short-lived assets of \$71,152 as of March 31, 2023.

## Note 8 - Retirement

The Authority provides no retirement plan for its employees.

# Canadian County Water Authority

Notes to the Financial Statements  
For the Years Ended March 31, 2023 and 2022

## **Note 9 - Long Term Liabilities**

The Authority had a 40 year note with Rural Development, an agency of the United States Department of Agriculture. The loan is a 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 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 3/31/2023	Balance 3/31/2022	Interest Rate
91-02	10/5/2018	51,828	1,104,758	1,130,019	2.375%
		\$ 51,828	\$ 1,104,758	\$ 1,130,019	
Less: Current Portion			25,897	25,290	
Net Balance			<u>\$ 1,078,861</u>	<u>\$ 1,104,729</u>	

Current Portion:		Note 1	Note 2
Year Ending	3/31/2024	-	25,897
Year Ending	3/31/2025	-	26,518
Year Ending	3/31/2026	-	27,155
Year Ending	3/31/2027	-	27,807
Year Ending	3/31/2028	-	28,474

## **Note 10 - Prior Period Adjustments**

There were no prior period adjustments in the financial statements for the year ending March 31, 2023 or 2022.

## **Note 11 - Evaluation of Subsequent Events**

The subsequent events of the District have been evaluated through April 20, 2023, the date of the financial statements.

## **Note 12 - 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, 2023 and 2022 were \$282,867 and \$392,020, respectively.

# ***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, 2023 and 2022, and have issued my report thereon dated April 20, 2023.

### 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, CPA*

Certified Public Accountant

April 20, 2023