

# **ROBERT ST. PIERRE C.P.A., P.C.**

**CERTIFIED PUBLIC ACCOUNTANT**

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1113 N SECOND ST.  
STILWELL, OK 74960  
PHONE (918) 696-4983  
FAX: (918) 696-4867

**September 7, 2021**

Stick Ross Mountain Water Company, Inc.  
P.O. Box 535  
Tahlequah, OK 74465

I have compiled Form SA&I 2643 for the Stick Ross Mountain Water Company, Inc. as of June 30, 2019, for the year then ended, included in the accompanying prescribed form in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

My compilation was limited to presenting in the form prescribed by the Office of the State Auditor and Inspector, State of Oklahoma, information that is the representation of management. I have not audited or reviewed the financial statements referred to above and, accordingly; do not express an opinion or any other form of assurance on them.

These financial statements (including related disclosures) are presented in accordance with the requirements of the Office of the State Auditor and Inspector, State of Oklahoma, which differ from generally accepted accounting principles. Accordingly, these financial statements are not designed for those who are not informed about such differences.

*Robert St. Pierre*

Robert St. Pierre, C.P.A.  
September 7, 2021

<p><b>DUE DATE: Six months after Fiscal-Year-End</b></p> <p style="text-align: center;"><b>IMPORTANT</b></p> <p>This report is to be completed by your auditor from the audited financial statements of the municipality as required by Oklahoma Statutes, Section 17-105.1 of Title 11.</p> <p>This report details the funds available to the municipality and the use of those funds including information relating to the duly constituted authorities of the municipality (public trusts, etc.) for the fiscal year ending <u>2019</u>. See <i>supplementary instructions (coverage of this report) for information related to entities and activities to be included in this report on page 5 of this document.</i></p> <p>This report, principally for planning purposes at the local, State, and national level, is used by the Office of the State Auditor, the Oklahoma Municipal League, public interest groups, State and Federal agencies and universities.</p> <p>When completed, <b>please file electronically at <a href="http://www.sai.ok.gov">www.sai.ok.gov</a>.</b></p>	<p><b>OFFICE OF THE STATE AUDITOR AND INSPECTOR</b>  <b>STATE OF OKLAHOMA</b>  <b>CINDY BYRD, AUDITOR AND INSPECTOR</b>  <b>ANNUAL SURVEY OF CITY AND TOWN FINANCES</b></p> <hr/> <p>Name _____</p> <hr/> <p>Address _____</p> <hr/> <p>City _____ State _____ ZIP Code _____</p>
<p><b>RETURN TO</b> <b>Office of the Auditor and Inspector</b>  <b>State of Oklahoma at <a href="http://www.sai.ok.gov">www.sai.ok.gov</a></b></p>	

<p><b>Part I TAX REVENUES</b>  <b>Items 1-3</b> — Report collections from all taxes imposed by your government. Include current and delinquent amounts, penalties, and interest. Do not include receipts from service charges, special assessments, interest earnings, fines, or any other sources that are not taxes or licenses.</p>			
<p><b>Item</b></p> <p><b>1. Property taxes</b> — General fund, building fund, and sinking fund</p> <p><b>2. Local sales taxes</b> — Taxes on goods and services, measured as a percent of sales or receipts, or as an amount per unit sold (gallon, package, etc.). Report only these taxes imposed by your government; shares of taxes imposed by another government are to be reported under part 1A below.</p> <p style="margin-left: 20px;"><b>a.</b> General sales tax</p> <p style="margin-left: 20px;"><b>b.</b> Franchise fee or tax</p> <p style="margin-left: 20px;"><b>c.</b> Cigarette tax</p> <p style="margin-left: 20px;"><b>d.</b> Hotel/Motel</p>	<p><b>Amount (Omit cents)</b></p> <p>T01</p> <p>T09</p> <p>T15</p> <p>C30</p> <p>T19</p>	<p><b>Item</b></p> <p><b>e.</b> Use tax</p> <p><b>3. Occupation and business licensing and permits</b></p> <p style="margin-left: 20px;"><b>a.</b> Enter here licenses and inspection charges on occupations and businesses — for example, inspection of restrooms, restaurants, and food manufacturing plants; food handler permits; plumbing permits; taxicab licenses; tags; animal tags; vending licenses, and liquor licenses; business licenses; etc.</p> <p style="margin-left: 20px;"><b>b.</b> Other licensing and permits</p> <p><b>4. Other</b> — <i>Specify</i></p>	<p><b>Amount (Omit cents)</b></p> <p>T09</p> <p>T28</p> <p>T29</p> <p>T99</p>

<p><b>Part IA INTERGOVERNMENTAL REVENUE</b></p> <p>Report all amounts received by your government from other governments, including grants, shares of taxes imposed by other governments, payments in lieu of taxes and reimbursements for services performed for other governments, excluding loans. Also exclude here and report as "Tax Revenues" in part I, any taxes imposed by your government which were collected for it by another government.</p>			
<p><b>Column (a)</b> — Report all amounts your government received from the State (other than as collection fees), including any amounts financed wholly or in part from Federal grants to the State.</p>		<p><b>Column (c)</b> — Report only amounts received directly from the Federal Government.</p>	

Purpose for which received	Amount (Omit cents)		
	From State (a)	From other local governments (b)	From Federal Government (directly) (c)
<b>General support</b> — Total amounts received (as per capita grants, shared taxes, etc.) without restrictions as to particular programs or purposes to be financed.	C30	D30	B30
1. Alcoholic beverage tax			
2. Street and highways	C46	D46	B46
3. Health or hospital	C42	D42	B42
4. Grants received for water utilities	C91	D91	B91
5. Grants received for waste water utilities	C80	D80	B80
6. Grants received for housing, economic, and community development	C50	D50	B50
7. Airports	C89	D89	B01
8. Mass transit rail and/or bus system	C94	D94	B94
9. Grants received for transportation	C89	D89	B89
10. ALL OTHER (From State — code C89; From Federal Government — Code B89) — <i>Include in the appropriate box, receipts from various payments such as —</i>	C89	D89	B89
<b>a.</b> Parks and recreation (BOR or HUD)			
<b>b.</b> Public safety	C89	D89	B89
<b>c.</b> Job training	C89	D89	B89
<b>d.</b> Library grants	C89	D89	B89
<b>Other</b> — <i>Specify</i>	C89	D89	B89
<b>e.</b> _____	C89	D89	B89
<b>f.</b> _____	C89	D89	B89

<p><b>Part IB OTHER REVENUES — Other than tax and intergovernmental revenues</b></p> <p>Enter below amounts of the stated types of revenue (net of refunds and interfund transfers) received by your government during the fiscal year. Be sure to include revenues of all funds other than the exceptions noted in the special instructions.</p>			
<p><b>1. Utility sales revenue</b> — Gross receipts of any water, electric, gas, or transit systems operated by your government, from utility sales and charges. <i>Exclude any amounts paid to such utilities by the parent government.</i></p> <p style="margin-left: 20px;"><b>a.</b> Water supply system</p> <p style="margin-left: 20px;"><b>b.</b> Electric power system</p> <p style="margin-left: 20px;"><b>c.</b> Gas supply system</p> <p style="margin-left: 20px;"><b>d.</b> Transit</p>	<p><b>Amount (Omit cents)</b></p> <p>A91</p> <p>A92</p> <p>A93</p> <p>A94</p>	<p><b>2. Other sales and service revenue</b> — Gross receipts from sales, rentals, maintenance assessments, and other charges for municipal services, aside from utility receipts (carried in item 1) and exclusive of amounts received from other governments.</p> <p style="margin-left: 20px;"><b>a.</b> Sewerage charges</p> <p style="margin-left: 20px;"><b>b.</b> Refuse collection charges</p> <p style="margin-left: 20px;"><b>c.</b> Hospital charges received on behalf of individual patients under the Medicare program or other insurance-type arrangements. <i>Exclude Medicaid and amounts for hospital purposes received from other governments.</i></p>	<p><b>Amount (Omit cents)</b></p> <p>A80</p> <p>A81</p> <p>A36</p>

**Part IB OTHER REVENUES — Other than tax and intergovernmental revenues — Continued**

Enter below amounts of the stated types of revenue (net of refunds and interfund transfers) received by your government during the fiscal year. Be sure to include revenues of all funds other than the exceptions noted in the special instructions.

2. Other sales and service revenue — Continued		Amount (Omit cents)	5. Interest earnings — Interest received on all deposits and investment holdings of your government and its agencies excluding earnings of any employee pension fund.		Amount (Omit cents)
d. Recreation charges (swimming, golf, auditoriums, etc.)		A61			U20
e. Airports — Include rentals and gross sales of gas and oil.		A01	6. Rents — Exclude housing, airport, and all other rental revenue reported from specific municipal services in item 2.		U40
f. Parking facilities (parking lots, garages, parking meters)		A60	7. Royalties — Compensation or portion of proceed from extraction of natural resources such as oil.		U41
g. Municipal housing project rentals (gross)		A50	8. Fines and forfeitures — (City or town share only)		U30
h. Ambulance services		A89	9. Private donations		U50
i. Miscellaneous commercial activities (cemeteries)		A03	10. Miscellaneous other revenue — Revenue of your government and its agencies not covered by items above, except tax and intergovernmental revenues, include insurance adjustments, etc. DO NOT include: (1) proceeds from borrowing; (2) receipts from sale of holdings; (3) transfers between funds or agencies of your government; or (4) employee's contributions to, and interest earnings of, any employee pension fund.		
j. Other (including miscellaneous fee collections)		A89	a. _____		
3. Special assessments — Compulsory contributions and reimbursements from owners or property benefited by improvements (streets, sewers, sidewalks, water extensions, etc.) Do not include proceeds from sales of special assessment bonds. Report maintenance assessments under item 2 on page 1.		U01	b. _____		
4. Receipts from sale of property — Amounts from sale of realty, other than by tax sales, including property sold to other governments.		U11	c. _____		
			TOTAL miscellaneous other revenue		U99
			Sum of items 10a–10c. →		

**Part II DIRECT EXPENDITURES BY PURPOSE AND TYPE**

Please note that payments made to other governments (State or local) should NOT be included in amounts reported here, but should be reported at part III.

Enter below all amounts expended during the fiscal year for the purposes listed (net of interfund transfers). Be sure to include expenditures of all funds other than the exceptions noted in the instructions on the first page.

**Column (a)** — Gross salaries and wages without deduction of withholdings for income taxes, employee contributions for Social Security or retirement

**coverage, etc. Exclude:** (1) capital outlay (report in columns (c) and (d)); and (2) amounts paid to other governments (report in part III).

**Column (b)** — Enter in the appropriate functional category direct expenditure for supplies, materials, and contractual services.

**Column (c)** — Report construction outlays from all sources; i.e., bond proceeds, assessments, grants, etc.

PURPOSE	EXPENDITURES BY PURPOSE AND TYPE			
	Personal services (a)	Operations and maintenance (b)	CAPITAL OUTLAY	
			Construction (c)	Purchase of land, equipment, and structures (d)
<b>GOVERNMENTAL ADMINISTRATION</b>				
1. Financial administration — Office of the finance director, auditor, comptroller, treasurer, tax assessment and collection, central accounting and purchasing services, budgeting, etc. (including related data processing, information technology).	E23	E23	F23	G23
2. Judicial and legal — All municipal court and court-related activities including juries, probate officials, prosecutors, public defenders, municipal attorneys, and legal departments. Exclude probation and parole (report in item 16).	E25	E25	F25	G25
3. Central administration — City council, aldermen or commissioners, mayor, manager, city clerk's office, recorder, planning, zoning, and personnel.	E29	E29	F29	G29
<b>HEALTH AND WELFARE</b>				
4. Social services				
5. Own hospitals — Construction and operation of hospitals by your government. Nursing homes are to be reported in item 7.	E36	E36	F36	G36
6. Other hospitals — Payments to hospitals operated privately. Exclude here and report in item 6, any payments under public welfare programs. Report payments to hospitals operated by other governments in part III.				
7. Welfare institutions — Construction and operation of nursing homes and welfare institutions by your government for veterans and needy persons.	E77	E77	F77	G77
8. Health (other than hospitals) — All public health activities except provision of hospital care. Include environmental health activities; health regulation and inspection, water and air pollution control, mosquito control, and inspection of food handling establishments. Also include public health nursing, vital statistics collection, and all other services performed directly by the public health department. Report in item 6 payments under public welfare programs.	E32	E32	F32	G32
<b>TRANSPORTATION</b>				
9. Highways — Construction and maintenance of municipal streets, sidewalks, bridges. Also includes street lighting, snow removal, and highway engineering, control, and safety. Exclude here and report in item 21f, street cleaning expenditure. Include in part III any payments to the State or county for highway purposes. Report interest on highway debt in item 22e.	E44	E44	F44	G44
10. Toll highways and facilities — Operation and maintenance of highways, roads, and bridges operated on fee or toll basis	E45	E45	F45	G45
11. Municipal airports	E01	E01	F01	G01
12. Parking facilities — Municipal garages, parking lots, etc., and all purchase and maintenance of meters (including on-street meters)	E60	E60	F60	G60
<b>PUBLIC SAFETY</b>				
13. Police — Include municipal police agencies for preventing, controlling, or reducing crime; coroners, medical examiners; special police for highways, tunnels, bridges, and vehicular control; vehicular inspection activities; and traffic control and safety activities. Exclude highway engineering and planning (report in item 9).	E62	E62	F62	G62
14. Fire — All costs incurred for firefighting and fire prevention, including contributions to volunteer fire units. Include any municipal contribution to a State fire pension fund.	E24	E24	F24	G24

**Part II DIRECT EXPENDITURE BY PURPOSE AND TYPE — Continued**

PURPOSE	EXPENDITURES BY PURPOSE AND TYPE			
	Personal services (a)	Operations and maintenance (b)	CAPITAL OUTLAY	
			Construction (c)	Purchase of land, equipment, and structures (d)
<b>PUBLIC SAFETY — Continued</b>				
<b>15. Correction institutions</b> — Operation of facilities for confinement, correction and rehabilitation of adults or juveniles.	E04	E04	F04	G04
<b>16. Other corrections</b> — Probation and parole activities – But exclude "lock-up" operations (report in item 15).	E05	E05	F05	G05
<b>17. Protection inspection and regulation, n.e.c.</b> — Regulation of private enterprise for the protection of the public and inspection of hazardous activities (including building inspection), except when related to major functions, such as health, natural resources, etc.	E66	E66	F66	G66
<b>AMBULANCE</b>				
<b>18.</b> All expenditures for city operated or subsidized ambulance services	E32	E32	F32	G32
<b>CULTURE AND RECREATION</b>				
<b>19. Parks, cultural activities, and other recreation</b> — Include playgrounds, golf courses, swimming pools, museums, marinas, community music, drama, celebrations, and zoos.	E61	E61	F61	G61
<b>20. Libraries</b> — Include payments to nongovernmental libraries as well as libraries operated by the city. <i>Aid to other governmental libraries should be excluded and reported in part III.</i>	E52	E52	F52	G52
<b>UTILITIES</b>				
<b>21.</b> Gross expenditure for utility systems operated by your government. <i>Exclude interest (report in item 19); also exclude utility contributions to the parent government and deduct the cost of providing services to the parent government (e.g., for street lighting, hydrant rental, etc.).</i>				
a. <u>Water supply system</u>	E91	E91	F91	G91
b. <u>Electric power supply</u>	E92	E92	F92	G92
c. <u>Gas supply system</u>	E93	E93	F93	G93
d. <u>Transit system</u>	E94	E94	F94	G94
e. <u>Sewers and storm sewers</u> — Construction, maintenance and operation of sanitary and storm sewer systems and sewage disposal plants	E80	E80	F80	G80
f. <u>Solid waste and landfill</u> — The collection and disposal of garbage and landfill operations	E81	E81	F81	G81
<b>INTEREST ON DEBT</b>				
<b>22.</b> Amounts of interest paid, including any interest on short-term or nonguaranteed obligations, as well as general obligations.				
a. <u>Water supply system</u>		191		
b. <u>Electric power supply</u>		192		
c. <u>Gas supply system</u>		193		
d. <u>Transit system</u>		194		
e. All interest not covered by items 19a through 19d		189		
<b>ALL OTHER EXPENDITURES</b>				
<b>23.</b> Include any amounts which have not been allocated above by purpose, such as: your employer contribution to a State administered retirement system or to the Federal Social Security System; judgments and insurance premiums; and municipal service agencies, such as a central garage or an engineering department, which serve more than one functional agency, and whose expenses are not allocated to the various departments.  <b>Do not include:</b> (1) <i>Payments for retirement of debt,</i> (2) <i>payments for purchase of securities,</i> (3) <i>transfer between funds or agencies of your government,</i> or (4) <i>benefits and payments from distinct employee pension funds.</i>				
a. <u>Housing and community development</u> — Gross expenditure for urban renewal, slum clearance, municipal housing projects, and similar activities.	E50	E50	F50	G50
b. <u>Economic development</u>	E50	E50	F50	G50
c. <u>Civil defense</u>	E89	E89	F89	G89
d. <u>Cemetery operations and maintenance</u>	E03	E03	F03	G03
e. <u>Miscellaneous commercial activities</u>				
Other — Specify <input checked="" type="checkbox"/>	E89	E89	F89	G89
f. _____				
g. _____				
h. _____				

**Part III INTERGOVERNMENTAL EXPENDITURES**

Please detail all payments made to other governments for services or programs performed on a reimbursement or cost-sharing basis — e.g., for hospital care, highways, school tuition, or support, etc. (Such amounts should be excluded from expenditure figures reported in column (b) of part II.) Enter "None" if your government made no reportable payments to other governments during the fiscal year.

Item	Type of recipient government(s) (County, State, school districts, etc.) (a)	Amount (Omit cents) (b)	Item	Type of recipient government(s) (County, State, school districts, etc.) (a)	Amount (Omit cents) (b)
1.			5.		
2.			6.		
3.			7.		
4.			8.		

**Part IV SALARIES, WAGES, AND FORCE ACCOUNT**

Report the total expenditure for salaries and wages included in column (a) of part II, as well as any salaries and wages paid on force account construction projects.

Amount (Omit cents)

200

**Part V DEBT OUTSTANDING, ISSUED, AND RETIRED — Report special obligations of all agencies of your government as well as general city or town debt.**

1. Long-term debt — Bonds, mortgages, etc., with an original term of more than one year issued in the name of your government or of particular agencies.

When an advance refunding has resulted in a legal or an in-substance defeasance, the debt may be considered extinguished, reported as retired in the year of defeasance and should not be reported herein in subsequent years.

AMOUNT, BY PURPOSE (Omit cents)

	Outstanding at beginning of fiscal year (a)	DURING FISCAL YEAR		Outstanding total (a) plus (b) minus (c) (d)
		Issued (b)	Retired (c)	
		19U	39U	
a. Sewer debt	19U	29U	39U	49U
b. Water supply system debt	19U	29U	39U	49U
c. Electric power system debt	19U	29U	39U	49U
d. Gas supply system debt	19U	29U	39U	49U
e. Transit	19U	29U	39U	49U
f. Industrial revenue and pollution control debt	19T	24T	34T	44T
g. All other purposes	19U	29U	39U	49U

2. Short-term (interest-bearing) debt — Tax anticipation notes, bond anticipation notes, interest-bearing warrants, and other obligations with a term of one year or less — Exclude accounts payable and other noninterest-bearing obligations.

Amount (Omit cents)

61V

a. Amount outstanding at beginning of fiscal year

64V

b. Amount outstanding at end of fiscal year

**Part VI CASH AND INVESTMENTS HELD AT END OF FISCAL YEAR**

Report separately for each of the three types of funds listed below, the total amount of cash on hand and on deposit and investments in Federal Government, Federal agency, State and local government, and non-governmental securities. Report all investments at carrying value. Include in the sinking fund total any mortgages and notes receivable held as offsets to housing and industrial financing loans. Exclude accounts receivable, value of real property, and all non-security assets. Assets obtained and held pursuant to an advance refunding that results in a legal or in-substance defeasance should not be reported herein.

Type of fund	Amount at end of fiscal year (Omit cents)
1. Sinking funds — Reserves held for redemption of long-term debt. All cash held for statutory sinking fund and revenue bond related accounts and any other reserves held for redemption of long-term debt.	W01
2. Bond funds — Unexpended proceeds from sale of G.O. and revenue bond issues held pending disbursement	W31
3. All other funds except employee retirement funds	W61
4. Retirement systems — Single employer plans only	

Remarks

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**Part VII** AUDITOR INFORMATION

Auditor's firm name

Address — *Number and street*

TELEPHONE

City

State

ZIP Code

Area  
code

Number

Extension

Name of contact person/Email

**STICK ROSS MOUNTAIN WATER COMPANY, INC.**

**TAHLEQUAH, OKLAHOMA**

**AUDITED FINANCIAL STATEMENTS AND NOTES**  
**For the year ended June 30, 2019**

**Audited by:**

**ROBERT ST. PIERRE CPA, P.C.**  
**CERTIFIED PUBLIC ACCOUNTANT**  
**1113 NORTH SECOND ST.**  
**STILWELL, OK 74960**

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# ROBERT ST. PIERRE C.P.A., P.C.

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*Certified Public Accountant*

1113 North Second St.  
Stilwell, Oklahoma 74960  
Phone: (918) 696-4983  
Fax: (918) 696-4867

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Stick Ross Mountain Water Company, Inc.  
Tahlequah, Oklahoma

### **Report on the Financial Statements**

We have audited the accompanying financial statements Stick Ross Mountain Water Company, Inc. as of **June 30, 2019**, and the related notes to the financial statements, which collectively comprise the District's financial statements as listed in the table of contents.

### ***Managements Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles 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 of material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. 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. Those standards require that we 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 about 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 purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluation 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Stick Ross Mountain Water Company, Inc. as of **June 30, 2019**, and the respective changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

The district has omitted Management's Discussion and Analysis that accounting principles generally accepted in the United States of America requires 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 (GASB), who considers it to be an essential part of the 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 issued a report dated **September 7, 2021**, on our consideration of Stick Ross Mountain Water Company, Inc., internal controls over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. 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 Stick Ross Mountain Water Company, Inc. internal control over financial reporting and compliance

*Robert St. Pierre*

Robert St. Pierre C.P.A., P.C.  
Certified Public Accountant  
**September 7, 2021**

**STICK ROSS MOUNTAIN WATER COMPANY INC**  
**STATEMENTS OF NET POSITION**  
**June 30, 2019**

<b>ASSETS</b>	<b>2019</b>
<b>CURRENT ASSETS:</b>	
Cash in Bank (Note 3)	\$ 269,501
Certificate of Deposit (Note 3)	57,656
Accounts Receivable (net of allowance Note 4)	129,000
Inventory	16,258
Prepaid Insurance	<u>15,246</u>
<b>TOTAL CURRENT ASSETS</b>	<u><b>487,661</b></u>
<b>FIXED ASSETS:</b>	
Land (Note 12)	77,990
Land Improvements (Note 12)	48,865
Water Storage Rights (Note 12)	92,041
Water System (Note 12)	2,856,925
Vehicles (Note 12)	128,242
Equipment (Note 12)	199,685
Construction in Progress (Note 12)	9,256
Buildings Improvements (Note 12)	2,816
<i>Accumulated Depreciation</i> (Note 12)	<u>(1,662,842)</u>
<b>NET FIXED ASSETS</b>	<u><b>1,752,978</b></u>
<b>TOTAL ASSETS</b>	<u><u><b>2,240,639</b></u></u>
<b>LIABILITIES AND FUND EQUITY</b>	
<b>CURRENT LIABILITIES</b>	
Accounts Payable	2,029
Payroll Taxes Payable	5,374
Current Portion of Long Term Debt (Note 5)	17,111
Accrued Interest Payable	<u>-</u>
<b>TOTAL CURRENT LIABILITIES</b>	<u><b>24,514</b></u>
<b>LONG TERM LIABILITIES</b>	
Long Term Debt (Note 5)	<u>85,691</u>
<b>TOTAL LONG TERM LIABILITIES</b>	<u><b>85,691</b></u>
<b>TOTAL LIABILITIES</b>	<u><b>110,205</b></u>
<b>NET POSITION</b>	
Invested in Capital Assets Net of Related Debt	1,650,176
Restricted Net Position	-
Unrestricted Net Position	<u>480,258</u>
<b>TOTAL NET POSITION</b>	<u><b>2,130,434</b></u>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<u><u><b>\$ 2,240,639</b></u></u>

**STICK ROSS MOUNTAIN WATER COMPANY INC**  
**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**FOR THE YEAR ENDED JUNE 30, 2019**

	<b>2019</b>
<b>REVENUE:</b>	
Water Revenue	\$ 1,099,917
Membership	26,000
Reconnect Fees	4,600
Penalty	35,418
Other Income	<u>6,040</u>
<b>TOTAL OPERATING REVENUE</b>	<u>1,171,975</u>
<b>EXPENDITURES:</b>	
Water Purchased	557,615
Payroll & Payroll Related Expenses	151,225
Automobile Expense	21,818
Bad Debt	25,758
Bank Service Charges	828
Professional Fees	63,409
Meals	598
Contract Labor	15,556
Mileage	31,200
Office Supplies	8,273
Postage & Delivery	10,920
Insurance	13,113
Rental	385
Licenses/Subscriptions/Dues	11,378
Repairs and Maintenance	23,412
Chemicals, Field Supplies & Testing	40,520
Utilities	26,830
Miscellaneous	2,158
Depreciation	<u>94,708</u>
<b>TOTAL OPERATING EXPENDITURES</b>	<u>1,099,704</u>
<b>NET INCOME FROM OPERATIONS</b>	<u>72,271</u>
<b>OTHER INCOME (EXPENDITURES):</b>	
Interest Income	1,050
Loss of Sale of Assets	(3,389)
Interest Expense	<u>(4,101)</u>
<b>TOTAL OTHER INCOME AND EXPENSE</b>	<u>(6,440)</u>
<b>CHANGE IN NET POSITION</b>	65,831
<b>NET POSITION, BEGINNING OF THE YEAR</b>	<u>2,064,603</u>
<b>NET POSITION, END OF THE YEAR</b>	<u><u>\$ 2,130,434</u></u>

**STICK ROSS MOUNTAIN WATER COMPANY INC**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

	<b>2019</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	
Cash Inflows:	
Payments Received from Customers	\$ 1,169,272
Other Receipts	6,040
Cash Outflows:	
Payments to Employees and Related Taxes	(151,225)
Payments to Suppliers for Goods and Services	<u>(852,205)</u>
<b>Net Cash Provided (Used) by Operating Expenses</b>	<u>171,882</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Proceeds From Sale of Assets	1,400
Additions to Capital Assets	(47,449)
Membership Income	-
Purchase of Investments	(646)
Interest Income	1,050
<b>Net Cash Provided (Used) for Investing Activities</b>	<u>(45,645)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	
Principal Reduction of Long-Term Debt	(25,058)
Borrowing of Long Term Debt	28,971
Interest Payments on Notes	<u>(4,101)</u>
<b>Net Cash Provided(Used) for Capital &amp; Related Financing Activities</b>	<u>(188)</u>
<b>NET CASH INFLOW (OUTFLOW) FROM ALL ACTIVITIES</b>	126,049
<b>CASH AND CASH EQUIVALENTS BEGINNING OF THE YEAR</b>	<u>143,452</u>
<b>CASH AND CASH EQUIVALENTS END OF THE YEAR</b>	<u><u>\$ 269,501</u></u>
<b>Interest Expense</b>	4,101
	<u><u>\$ 4,101</u></u>

**STICK ROSS MOUNTAIN WATER COMPANY INC**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

	<b>2019</b>
<b>Reconciliation of Operating Income (Loss to Net Cash)</b>	
<b>Provided by Operating Activities:</b>	
Operating Income	\$ 72,271
Depreciation	94,708
<b>(Increase) Decrease in:</b>	
Accounts Receivable	3,337
Inventories	2,554
Prepaid Insurance	(988)
<b>(Increase) Decrease in:</b>	
Accounts Payable	-
Payroll Taxes Payable	-
	-
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>\$ 171,882</b>

**STICK ROSS MOUNTAIN WATER COMPANY, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Stick Ross Mountain Water Company, Inc., was Incorporated as a Rural Water District by the Board of County Commissioners under the provisions of Title 82, O.S. 1981 Sections 1324.1-1324.26 inclusive, for the purpose of providing water to the members it serves. Membership in the water district consists of water users who have paid the required membership and connection fees. The district is exempt from federal and state taxes.

The board consists of 5 members serving a term of 3 years, the terms are staggered one, two, and three years. The officers are elected at the annual meeting each year.

**A. Reporting Entity**

Stick Ross Mountain Water Company, Inc. is an independent, self-contained reporting entity with no associated component units. It is operated in a manner similar to a private business enterprise where the cost (expenses, including depreciation) of providing water services is financed through user charges.

**B. Measurement Focus, Basis of Accounting and Basis of Presentation**

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with Generally Accepted Accounting Principles (GAAP) promulgated in the United States of America/ The accounting and financial reporting treatment is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operation are included on the statement of net position. The operating statements present increases (e.g. revenues) and decreases (e.g. expenses) in net total assets. Depreciation expense is provided for capital assets based upon estimated useful lives. Financial activity is accounted for on the flow of economic resources measurement focus using the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

**C. Assets, Liabilities and Equity**

**1. Deposits and Investments**

Oklahoma Statutes authorize the district to invest in certificates of deposit, repurchase agreements, passbooks, bankers' acceptances, and other available bank investments provided that all deposits are fully covered by approved securities pledged to secure those funds. In addition, the district can invest in direct debt securities of the United States of America unless such an investment is expressly prohibited by law.

All the bank deposits are carried at cost plus accrued interest. For purposes of the statements of cash flows, the district considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

**Custodial Credit Risk**

At June 30, 2020, the district held deposits of approximately \$327,157 in 3 accounts. The district currently has 77,157 in deposits that are not covered by FDIC insurance on June 30, 2019. The districts cash deposits consisted of interest-bearing certificate of deposit, checking accounts and a restricted account.

The district does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**Investment Credit Risk**

The district has no policy that limits its investment choices other than the limitation of state law as follows:

Direct obligations of the U.S. Government, its agencies, and instrumentalities to which the full faith and credit of the U.S. Government is pledged, or obligations to the payment of which the full faith and credit of the State is pledged.

Certificates of deposits or savings accounts that are either insured or secured with acceptable collateral with in-state financial institutions, and fully insured certificates of deposit or savings accounts in out-of-state financial institutions.

With certain limitation, negotiable certificates of deposit, prime bankers' acceptances, prime commercial paper and repurchase agreements with certain limitations.

County, municipal or school district tax supported debt obligations, bond or revenue anticipation notes, money judgments, or bond or revenue anticipation notes of public trusts whose beneficiary is a county, municipality, or school district.

Notes or bonds secured by mortgage or trust deed insured by the Federal Housing Administrator and debentures issued by the Federal Housing Administrator, and in obligations of the National Mortgage Association.

Money market funds regulated by the SEC and in which investments consist of the investments mentioned in the previous paragraphs (a.-d.).

The investments held on June 30, 2019 are as follows:

	<b>Rate</b>	<b>Maturity Date</b>	<b>Face Value</b>	<b>Current Value</b>
Certificate of Deposit	0.57%	2/22/2020	57,000	57,656
			\$ 57,000	\$ 57,656



## **Fair Value of Financial Instruments**

The district's financial instruments include cash and cash equivalents, accounts receivable, accounts payable and notes payable. The district's estimate of the fair value of all financial instruments does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying statement of net position. The carrying amount of these financial instruments approximates fair value because of the short maturity of these instruments.

### **1. Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

### **2. Inventories**

Inventories consist primarily of water line supplies for the addition of new water lines and repair of old water lines. Inventory is valued at cost, principally on a first-in, first-out basis, but not more than market.

### **3. Capital Assets**

Additions to the water storage delivery system and other equipment are recorded at cost or, if contributed property, at their estimated acquisition value at time of contribution. Repairs and maintenance are recorded as expenses; renewals and betterments are capitalized. Non-cash contributions relate to both existing and new members of the district. If installation of water lines is required to a member's property, the district performs this service for the member at cost. The member's payment for such installation is recorded as a capital asset contribution. The district maintains a capitalization threshold of \$250 and an estimated useful life in excess of two (2) years.

Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

Water System	10-50	Years
Buildings	10-25	Years
Equipment	7-10	Years
Office Equipment	5-10	Years
Vehicles	5	Years

#### **4. Compensated Absences**

It is the District's policy to permit employees to accumulate earned but unused sick time. Full-time employees are granted vacation and sick leave benefits in varying amounts to specified maximums depending on tenure. Management has chosen to not report these amounts in the financial statements, this does not result in a material difference on the financial statements.

#### **5. Net Position**

In the basic financial statements, net position represents the difference between assets and liabilities. Net investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvement of those assets.

##### **a. Resource Use Policy**

It is in the district's policy for all funds that when an expenditure/expense is incurred for purposes for which both restricted and unrestricted resources, including net positions, are available, the District considers restricted amounts to be spent first before any unrestricted amounts are used.

##### **D. Revenues, Expenses and Other Changes in Net Position**

##### **a. Operating Revenues and Expenses**

Operating revenues and expenses are principally from water sales and connection fees charged to new system subscribers. Customer water consumption is determined by monthly meter readings taken by the customer and once annually by District personnel. The water sales from subscriber water consumption billed but unpaid at the district's year-end are recognized as revenue in the current year and reported in the statement of net position as accounts receivable. Operating expense consist of those costs necessary to operate and maintain the water distribution system and for general administration of the district.

##### **b. Non-Operating Revenue and Expenses**

Non-operating revenues and expenses consist of investment earnings, interest expense incurred on the district's notes payable and gains and losses on sales or the abandonment of long-lived assets.

##### **c. Bad Debts**

The district uses the allowance method for recognizing bad debts. Under the allowance method, management has established an allowance account equal to the over 90 days old receivables. When an account is deemed uncollectible it is charged against allowance account which is an offset to accounts receivable.

**NOTE 2: EVALUATION OF SUBSEQUENT EVENTS**

The Company has evaluated subsequent events through September 7, 2021 the date which the financial statements were available to be issued.

**NOTE 3: CASH AND EQUIVALENTS**

Cash consists of the following:	<b>2019</b>
<b>UNRESTRICTED</b>	
Cash on Hand	100
Armstrong Bank Operating	\$ 129,323
Armstrong Bank Equipment	140,078
<b>TOTAL UNRESTRICTED</b>	<u>269,501</u>
<b>Certificates of Deposit</b>	<u>\$ 57,656</u>

**NOTE 4: ACCOUNTS RECEIVABLE**

Accounts Receivable consists of trade receivables. An aging of accounts receivable is presented below. An allowance for doubtful accounts has been established at this time for the accounts that are over ninety days overdue.

	<b>2019</b>
Current	\$ 75,891
1-30 Days	18,104
30-60 Days	11,791
Over 60 Days	110,288
Allowance for Doubtful Accounts	<u>(110,288)</u>
Total Accounts Receivables	<u>\$ 105,786</u>
Other Receivable	<u>23,214</u>

Other Receivable is related to embezzlement, it was paid in full in subsequent year.

**NOTE 5: LONG TERM DEBT**

The district had the following Long-Term Debt at June 30, 2019:

Payable to	Date Note Matures	Collateral Pledged	Rate of Interest	Original Balance	Balance At 6/30/2019
USACE Finance	7/18/2027	Revenue / Receivables	4.13%	85,794	64,247
Arvest Bank	12/10/2023	Truck	5.50%	28,971	25,854
Armstrong Bank	11/9/2020	Truck	2.80%	42,505	12,701
				157,270	102,802

The total future scheduled maturities of long-term debt are as follows:

Years ending December 31 :

	PRINCIPAL	INTEREST
Current Portion	\$ 17,111	\$ 4,234
2021	12,470	3,592
2022	9,099	3,119
2023	9,570	2,648
2024	6,130	2,192
2025	3,567	1,997
2027-2031	20,169	7,655
2032-2036	24,686	3,137
TOTAL		\$ 28,574

**NOTE 6: COMMITMENTS AND CONTINGENCIES**

Stick Ross Mountain Water Company, Inc., currently participates in various grant programs. These grants are subject to audit by the grantor agency or their representatives. Such audits could lead to requests for reimbursement to the grantor agency for services disallowed under the terms of the contract. Presently Stick Ross Mountain Water Company, Inc., is not aware of any pending requests, and in the opinion of management, any such amounts would not be considered material.

**NOTE 7: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

As a local government unit, the district is subject to various federal, state, and local laws and contractual regulations. In accordance with Government Auditing Standards, the auditor has issued a report on his consideration of the district's internal control over financial reporting and tested its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in compliance with Government Auditing Standards and should be read in conjunction with this report in considering the results of the audit.

**NOTE 8: FINANCE- RELATED LEGAL AND CONTRACTUAL PROVISIONS**

The terms of the loan agreements require Reserve Accounts as shown in Note 1. All the requirements have been met.

**NOTE 9: DEFICIT NET POSITION**

As indicated in the financial statements, there are no deficit net position for the District for this fiscal year.

**NOTE 10: RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District continues to carry commercial insurance for these risks, including general and auto liability, property damage, and public officials' liability. Settled claims resulting from these risks have not exceeded the commercial insurance coverage in any of the past three fiscal years.

**NOTE 11: CAPITAL ASSETS**

Capital asset balances and activity for the year ended June 30, 2019, were as follows:

Capital asset activity for business type activities for the year ended June 30, 2019 was as follows:

	Balance July 1, 2019	Additions	Reductions	Balance June 30, 2019
Capital Assets being Depreciated				
Land	\$ 77,990	-	-	\$ 77,990
Land Improvements	51,681	-	-	51,681
Equipment	203,190	4,804	-	207,994
Vehicles	99,271	28,971	8,209	120,033
Water Distribution System	2,853,576	3,250	-	2,856,826
Construction in Progress	-	9,256	-	9,256
Total Capital Assets being Depreciated	<u>3,285,708</u>	<u>46,281</u>	<u>8,209</u>	<u>3,323,780</u>
Less Accumulated Depreciation	<u>1,571,554</u>	<u>94,708</u>	<u>3,420</u>	<u>1,662,842</u>
Governmental Activities, Capital Assets, Net	<u>\$ 1,714,154</u>	<u>(48,427)</u>	<u>4,789</u>	<u>\$ 1,660,938</u>

# ROBERT ST. PIERRE C.P.A., P.C.

*Certified Public Accountant*

1113 North Second St.  
Stilwell, Oklahoma 74960  
Phone: (918) 696-4983  
Fax: (918) 696-4867

## **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  
Stick Ross Mountain Water Company, Inc.  
Tahlequah, Oklahoma

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 Stick Ross Mountain Water Company, Inc. as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Stick Ross Mountain Water Company, Inc.'s basic financial statements and have issued our report thereon dated **September 7, 2021**.

### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Stick Ross Mountain Water Company, Inc. internal control over financial reporting (internal control) to determine the 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 Stick Ross Mountain Water Company, Inc. internal control. Accordingly, we do not express an opinion on the effectiveness of Stick Ross Mountain Water Company, Inc. 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies. 2019-1, 2019-2

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Stick Ross Mountain Water Company, Inc.'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 determination of financial statement amounts. 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*.

### **Stick Ross Mountain Water Company, Inc.'s Response to Findings**

Stick Ross Mountain Water Company, Inc.'s response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Stick Ross Mountain Water Company, Inc.'s response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **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.

*Robert St. Pierre*

Robert St. Pierre C.P.A., P.C.  
Certified Public Accountant  
Stilwell, Ok  
September 7, 2021

## SCHEDULE OF FINDINGS AND RESPONSES

### 2019-1

**Criteria:** The segregation of duties and responsibilities between different individuals for custody of assets, recordkeeping for those assets, and reconciliation of those asset accounts is an important control activity needed to adequately protect the entity's assets and ensure accurate financial reporting.

**Condition:** Presently the same individual that is responsible for billing and adjustment's posts payment to subsidiary accounts receivable ledgers. In addition, while this oversight is provided by a local CPA, it is limited to the bank reconciliation and monthly overview of the financial statements.

**Cause:** The entity's limited size and staffing resources have made it difficult for management to provide sufficient staffing to fully segregate incompatible duties in a cost-effective manner.

**Effect or Potential Effect:** Without sufficient segregation of duties, the risk significantly increases that errors and fraud related to the membership and other billing and collection activities, including misappropriation of assets, could occur and not be detected within a timely basis.

**Recommendation:** Management and the board should consider a formal evaluation of their risks associated with this lack of duties segregation over assets. In response to the Identified risks, consideration should be given to identifying and implementing compensating duties to act as controls that could help mitigate the risks associated with lack of segregation of duties, such as management performing review procedures for the reconciliation of accounts.

**Responsible Official's Response:** The organization concurs with the recommendation and will implement policies to ensure that accounts receivable is reconciled to cash collections on a monthly basis, the board will also review all customer adjustments each month and approve those adjustments.



## 2019-2

**Criteria:** The balancing of accounts receivable and review of all adjustments to accounts receivable is a vital aspect of any good accounting system. The balancing of accounts receivable and review of adjustments is a significant control over cash receipts.

**Condition:** During fiscal year 2019 an individual in the CPA firm responsible for billing and collections, embezzled approximately \$23,000. The individual was cashing money orders given to the district when the payee information was left blank and removing old paid bills from the customer's account to make the following bill look correct.

**Cause:** Accounts receivable were being reconciled, when errors were noted the CPA firm believed it to be a software issue due to it being a minimal amount each month.

**Effect or Potential Effect:** Without proper reconciliations fraud may occur in the cash receipts function of the accounting system.

**Recommendation:** Management and the board should consider requiring all instances when the accounts' receivable function does not balance a thorough investigation be performed to determine why it is not balancing. Management should also consider reviewing all adjustments to accounts each month and approving.

**Responsible Official's Response:** The organization concurs with the recommendation and will continue to use the services of a local CPA to review the financial statements and prepare the bank reconciliation. Board members are also active in their roles and aware of the limited internal controls and provide oversight and consult with the CPA on any matters that may give rise to any concerns.

**INDEPENDENT**

**AUDITOR'S**

**REPORTS**

**FINANCIAL**

**SECTION**

**FINANCIAL**

**STATEMENT**

**NOTES**

**SUPPLEMENTARY**

**INFORMATION**