

**RURAL WATER DISTRICT #14
SPIRO, OKLAHOMA**

**ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED
MAY 31, 2021**

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**RURAL WATER DISTRICT #14
SPIRO, OKLAHOMA
LIST OF PRINCIPAL OFFICIALS**

BOARD OF DIRECTORS

Mike Parker	Chairman
Joe DuBois	Vice Chairman
Gloria Hall	Secretary/Treasurer
Jim W. Gist	Director
Trina Ward	Director

MANAGER

Terry Hale

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Leflore County Rural Water District #14
Spiro, Oklahoma

Report on the Financial Statements

We have audited the accompanying financial statements of Leflore County Rural Water District #14, as of and for the fiscal year ended May 31, 2021, as listed in the table of contents and the related notes to the financial statements.

Management's 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 the financial statements that are free from 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 the purpose of expressing an opinion on the effectiveness of the entity's

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internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used, and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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 respective financial position of the Leflore County Rural Water District #14, as of May 31, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis be presented to supplement the basic financial statements. Such 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express or provide any assurance.

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Supplementary and Other Information

The introductory section listed in the accompanying table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements of the District. Such additional information has not been subjected to the auditing procedures applied in our audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 29, 2021, on our consideration of the Leflore County Rural Water District #14's internal control over financial reporting and 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 Leflore County Rural Water District #14'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 Leflore County Rural Water District #14's internal control over financial reporting and compliance.

Kershaw CPA & Associates, P.C.
Kershaw, CPA & Associates, PC
Muskogee, Oklahoma

December 29, 2021

**RURAL WATER DISTRICT #14
SPIRO, OKLAHOMA
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED MAY 31, 2021**

Our discussion and analysis of Rural Water District #14's financial performance provides an overview of the financial activities for the fiscal year ended May 31, 2021. Please read it in conjunction with the District's financial statements.

FINANCIAL HIGHLIGHTS

- The total assets increased by \$220,750 as a result of this year's operations.
- The District's return on total beginning assets was a positive 3.47%.
- Total cost of the District's activities was \$1,640,976 compared to \$1,637,725 in the prior year.
- The District added \$371,575 in fixed assets and disposed of \$54,500 in fixed assets for an increase of \$317,075.
- The District's equity increased by \$285,298.

USING THE ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Position, Statement of Revenue, Expenses and Changes in Net Position, and Statement of Cash Flows provide information about the District's financial position.

One of the most important questions asked about the District's finances is "Is the District as a whole better off or worse off as a result of this year's activities?" The financial statements report information about the assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. Accrual of the current year's revenue and expenses are taken into account regardless of when cash is received or paid.

These financial statements report the District's assets and changes in them. You can think of the District's Equity as the difference between assets the members own, and liabilities, what the members owe, as one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's equity are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors such as the condition of the District's capital assets to assess the overall health of the District.

**RURAL WATER DISTRICT #14
SPIRO, OKLAHOMA
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED MAY 31, 2021**

FINANCIAL RATIOS

"Working Capital" is the amount by which current assets exceed current liabilities. The Current Ratio, which compares current assets to the current liabilities, is an indicator of the ability to pay current obligations.

	<u>Current Year</u>	<u>Prior Year</u>
Working Capital	\$ 924,560	\$ 821,095
Current Ratio	320.86%	313.30%

"Liabilities to Equity" indicates the extent of borrowing.

	<u>Current Year</u>	<u>Prior Year</u>
Liabilities to Equity	16.10%	17.68%

"Return on assets from operations" illustrates to what extent there are sufficient funds to replace assets in the future.

	<u>Current Year</u>	<u>Prior Year</u>
Return on Assets	3.472%	2.020%

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of the year the District has \$6,643,589 invested in capital assets net of accumulated depreciation. This amount represents a net increase of \$71,256 over last year.

	<u>Current Year</u>	<u>Prior Year</u>
Land	\$18,050	\$18,050
Construction-in-process	-	\$0
Meters, lines, and other const cost	10,406,138	10,196,582
Buildings	211,461	211,461
Furniture, fixtures, and equipment	528,799	433,280
Trucks	340,805	328,805
Subtotal	11,505,253	11,188,178
Accumulated Depreciation	(4,861,664)	(4,615,845)
Totals	<u>\$6,643,589</u>	<u>\$6,572,333</u>

**RURAL WATER DISTRICT #14
SPIRO, OKLAHOMA
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED MAY 31, 2021**

Debt

At year-end, the District had \$837,289 in notes outstanding versus \$933,632 last year. A decrease of 10.32%.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

The financial report is designed to provide our members, customers and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District Financial Manager Rural Water District #14, 114 Fresno, Spiro, Oklahoma 74959.

RURAL WATER DISTRICT #14
STATEMENT OF NET POSITION
May 31, 2021

	<u>May 31 2021</u>
ASSETS	
Current Assets:	
Cash, and cash equivalents	\$ 1,124,609
Accounts receivable	116,545
Inventory	64,365
Prepaid insurance	37,651
Total curent assets	<u>1,343,171</u>
Noncurrent Assets:	
Restricted cash and cash equivalents	74,784
Restricted investments	365,526
Capital assets (net of depreciation Note 5)	6,643,589
Total noncurent assets	<u>7,083,899</u>
Total assets	<u>8,427,070</u>
LIABILITIES	
Current Liabilities:	
Accounts payable	86,062
Payroll taxes payable	1,496
Interest payable	5,576
Customer utility deposits	224,265
Current portion of long-term debt (Note 7)	101,210
Total curent liabilities	<u>418,610</u>
Noncurrent Liabilities:	
Compensated absences	13,913
Notes payable (Note 7)	736,080
Total noncurrent liabilities	<u>749,992</u>
Total Liabilities	<u>1,168,602</u>
NET POSITION	
Net Investment in capital assets	5,806,299
Restricted for: Debt service	180,933
Utility Customer Deposit Liability	259,377
Unrestricted	1,011,859
Total Net Position	<u>\$ 7,258,468</u>

See accompanying notes to the basic financial statements.

**RURAL WATER DISTRICT #14
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED MAY 31, 2021**

	May 31 2021
OPERATING REVENUES	
Water sales	\$ 1,748,543
Reconnect fees	3,856
Transfer fees	13,248
Tap fees/membership fees	59,950
Miscellaneous	26,962
Total operating revenues	<u>1,852,559</u>
COST OF REVENUES	
Water purchased	589,351
Depreciation	223,837
Repairs and maintenance	62,844
Utilities	26,958
Total cost of revenues	<u>902,989</u>
GROSS PROFIT	<u>949,570</u>
OPERATING EXPENSES	
Insurance and bonds	92,684
Office expense	46,960
Payroll taxes	28,923
Professional expense	27,363
Dues and Membership	17,094
Wages	356,636
Small tools	4,301
Management fee	401
Travel	2,600
Truck expense	47,750
Utilities	6,191
Employee Retirement and benefits	21,347
Bad Debt	669
Miscellaneous	8,584
Depreciation	76,482
Total operating expenses	<u>737,987</u>
Operating income (loss)	<u>211,583</u>
NONOPERATING REVENUES (EXPENSES)	
Gain on Sale of Assets	18,800
Interest and investment revenue	4,810
Interest expense	(27,797)
Grant Revenue	77,900
Total nonoperating revenue (expenses)	<u>73,714</u>
Change in net position	285,297
Total net position - beginning of year	6,973,171
Total net position - ending	<u><u>\$ 7,258,468</u></u>

See accompanying notes to the basic financial statements.

**RURAL WATER DISTRICT #14
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED MAY 31, 2021**

	May 31 2021
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 1,858,733
Payments to suppliers	(930,212)
Payments to employees	(377,786)
Receipts of customer deposits	23,017
Refunds of customer deposits	(11,787)
Net Cash Provided by Operating Activities	<u>561,964</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchases of capital assets	(371,518)
Grant Revenue	77,900
Sales of capital assets	18,800
Principal paid on capital debt	(96,784)
Interest and fiscal agent fees paid on capital debt	(27,797)
Net Cash Used in Capital and Related Financing Activities	<u>(399,399)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest and dividends	4,810
Net Cash Provided by Investing Activities	<u>4,810</u>
Net Increase in Cash and Cash Equivalents	167,376
Balance- beginning of the year	1,397,543
Balance- end of the year	<u>\$ 1,564,919</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:	
Operating income (loss)	\$211,583
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	300,319
Changes in assets and liabilities:	
Decrease in accounts receivables	6,174
Decrease in inventory	11,590
Decrease in prepaid insurance	119
Increase in accounts payables	20,753
Increase in payroll taxes payable	196
Increase in compensated absences	2,929
Increase in customer deposits payable	8,300
Net cash provided by operating activities	<u>\$561,964</u>

See accompanying notes to the basic financial statements.

**RURAL WATER DISTRICT #14
SPIRO, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2021**

NOTE 1. Summary of Significant Accounting Policies

The Rural Water District #14 was organized by the Board of County Commissioners of LeFlore County, Oklahoma. The District provides a waterworks and distribution system for the use and benefit of its members.

The District's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails.

In June 1999, the Governmental Accounting Standard Board (GASB) unanimously approved the Statement No. 34, Basic Financial Statements—and Management's Discussion and Analysis—for the State and Local Governments

1.A. FINANCIAL REPORTING ENTITY

The District's financial reporting entity is composed of The Rural Water District #14 a special purpose government. In determining the financial reporting entity, the District complies with the provisions of GASB Statement No. 14, *The Financial Reporting Entity*.

1.B. BASIS OF PRESENTATION OF FUND FINANCIAL STATEMENTS

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into two major categories: governmental and proprietary. The District presently has no governmental or fiduciary funds and as such the only fund is presented as a special purpose government engaged in a single business-type activity as described below:

**RURAL WATER DISTRICT #14
SPIRO, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2021**

Enterprise Fund

Enterprise funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges, and the measurement of financial activity focuses on net income measurement similar to the private sector. The reporting entity includes the following enterprise fund that is reported as a major fund:

<u>Fund</u>	<u>Brief Description</u>
Rural Water District #14	The District provides a waterworks and distribution system for the use and benefit of its members.

1.C. MEASUREMENT FOCUS ON BASIS OF ACCOUNTING

Measurement focus is a term used to describe “how” transactions are recorded within the financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

MEASUREMENT FOCUS

In the funds financial statements, the “current financial resources” measurement focus or the “economic resources” measurement focus, as applied to the accrual basis of accounting, is used as appropriate:

The proprietary fund utilizes an “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent, financial, or nonfinancial) associated with their activities are reported. Proprietary fund equity is classified as net position.

BASIS OF ACCOUNTING

The fund financial statements are presented using the accrual basis of accounting which generally recognizes revenues in the period in which they are earned and expenses when the obligation is incurred

**RURAL WATER DISTRICT #14
SPIRO, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2021**

1.D. ASSETS, LIABILITIES, AND EQUITY

CASH AND CASH EQUIVALENTS

For the purpose of financial reporting “cash and cash equivalents” includes all demand and savings accounts and certificates of deposit, and open-end government mutual funds.

INVENTORIES

Inventory consists of pumps, motors, meters, and other miscellaneous items related to water distribution and is stated at the lower of cost (first-in, first-out method) of market.

CAPITAL ASSETS

In the financial statements, capital assets are accounted for as assets in the Statement of Net Position. All capital assets are valued at historical cost or estimated historical cost if actual is unavailable. Contributed assets are reported at fair market value as of the date received. Depreciation of all exhaustible capital assets is recorded as an allocated expense in Statement of Revenues, Expenses, and Changes in Net Position with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets’ estimated useful lives using the straight-line method of depreciation. A capitalization threshold of \$500 is used to report capital assets. The range of estimated useful lives by type of asset is as follows:

Buildings	40-50 years
Improvements other than buildings	8-50 years
Machinery, furniture and equipment	5-20 years

LONG-TERM DEBT

All long-term debt to be repaid from the district resources is reported as long term debt in the financial statements.

COMPENSATED ABSENCES

The District’s policies regarding vacation time allow employees annual vacation leave awarded at the beginning of each calendar year. Leave not used during the calendar year will be lost. The liability for these compensated absences is recorded as current liability in the financial statements.

**RURAL WATER DISTRICT #14
SPIRO, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2021**

EQUITY CLASSIFICATION

Equity is classified as net position and displayed in three components:

- a. *Net investment in capital assets* – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowing that are attributable to the acquisition, construction, or improvements of those assets and adjusted for any deferred inflows and outflows of resources attributable to capital assets and related debts.
- b. *Restricted* – Consists of Restricted assets reduced by liabilities and deferred inflows or resources related to those assets, with restriction constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. *Unrestricted* – Net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment of capital assets or restricted component of net position.

It is the District's policy to first use restricted net resources prior to the use of unrestricted net resources when an expense is incurred for purposes for which both restricted and unrestricted net resources are available.

1.E. REVENUES, EXPENDITURES, AND EXPENSES

OPERATING REVENUE AND EXPENSES

Operating revenues and expenses for proprietary funds result from providing services and producing and delivering goods and/or services. They also include all revenues and expenses not related to capital and related financing, noncapital financing, or investing activities.

1.F. USE OF STATEMENTS

The preparation of financial statements in conformity with accounting principles generally accepted in the United State of America 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 reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**RURAL WATER DISTRICT #14
SPIRO, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2021**

NOTE 2 – Cash and Investments

Cash accounts are comprised of cash on hand, demand deposit checking accounts and certificates of deposit. The following schedule summarizes all cash, cash deposited and invested as of May 31, 2021:

- Category 1-- Insured by Federal Deposit Insurance Corporation (FDIC) or collateralized with securities held by the Town (or public trust) or by its agent in its name.
- Category 2-- Uninsured but collateralized with securities held by the pledging financial institution's trust department or agent in the Town's name.
- Category 3-- Uninsured and uncollateralized; or collateralized with securities held by the pledging financial institution or by its trust department or agent but not in the Town's name; or properly collateralized with no written and approved collateral agreement.

Custody Credit Risk Category

Type of Deposits	Balance	Total Bank			
		1	2	3	
Insured deposits	682,237	682,237	-	-	
Uninsured deposits					
Collateralized	719,170	-	719,170	-	
Uncollateralized	-	-	-	-	
Total Deposits	1,401,407	682,237	719,170	-	Total Carrying Value
Petty cash					1,383,186
					800
					<u>1,383,986</u>

Reconciliation to Statement of Net Position:

Cash and cash equivalents	1,564,919
Less: Investments in mutual funds recorded as Cash and cash equivalents	<u>(180,933)</u>
	<u>1,383,986</u>

Investment Custody Risk – The District's deposits in financial institutions, reported as cash and investments, had bank balances totaling \$1,582,339 at May 31, 2021. Of that amount \$682,237 was covered by Federal depository insurance. Part of the category 2 balance \$320,432 was covered by a pledged \$360,000 LOC from Federal Home Loan Bank for Community State Bank, Poteau, Oklahoma. Additionally, \$398,738 was covered by a pledged Woods County Independent School District #3 bond with a par value of \$500,000 and approximate market value of \$508,840 for Central National Bank of Poteau, Oklahoma leaving no uninsured or uncollateralized funds.

**RURAL WATER DISTRICT #14
SPIRO, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2021**

Investment Interest Rate Risk – 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 investment policy that limits its investment choices other than the limitations of state law that generally authorize investments in: (1) full faith and credit, direct obligations of the U.S. Government, its agencies and instrumentalities, and the State of Oklahoma and certain mortgage insured federal debt; (2) certificates of deposit or savings accounts that are either insured or secured with acceptable collateral; (3) negotiable certificates of deposit, prime bankers acceptances, prime commercial paper and repurchase agreements with certain limitations ; (4) 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; and government money market funds regulated by the SEC.

Concentration of Investment Credit Risk – The District places no limit on the amount it may invest in any one issuer.

NOTE 3 – Receivables

Accounts receivable are generated from the sale of water to the districts in the normal course of business. Receivable detail as of May 31, 2021 is as follows:

	<u>Current Year</u>	<u>Prior Year</u>
Accounts Receivable	\$ 129,011	\$ 134,843
Allowance for doubtful accounts	(12,466)	(12,124)
Net accounts receivable	<u>\$ 116,545</u>	<u>\$ 124,868</u>

NOTE 4 - Restricted Assets

Cash and investments are reserved in accordance with the loan resolution reserve requirements of Oklahoma Water Resources Board and for customer deposits.

Components of Restricted Assets

	<u>Utility Customer Deposit Liab</u>	<u>Debt Reserve</u>	<u>Total</u>
Cash and cash equivalents	\$ 74,784		\$ 74,784
Restricted investments	184,593	180,933	365,526
	<u>\$ 259,377</u>	<u>\$ 180,933</u>	<u>\$ 440,310</u>

**RURAL WATER DISTRICT #14
SPIRO, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2021**

NOTE 5 – Capital Assets

Capital asset activity for the fiscal year ended May 31, 2021, was as follows:

	Balance at 06/01/2020	Additions	Deductions	Balance at 05/31/2021
Capital assets not being depreciated:				
Land	\$18,050	-	-	\$18,050
Construction-in-process	-	-	-	-
Total capital assets not being depreciated	<u>18,050</u>	<u>-</u>	<u>-</u>	<u>18,050</u>
Other capital assets:				
Meters, lines, and other cost cost	10,196,582	209,556	-	10,406,138
Buildings	211,461	-	-	211,461
Furniture, fixtures, and equipment	433,280	120,019	(24,500)	528,799
Trucks	328,805	42,000	(30,000)	340,805
Total other capital assets at historical cost	<u>11,170,128</u>	<u>371,575</u>	<u>(54,500)</u>	<u>11,487,203</u>
Less accumulated depreciation for:				
Meters, lines, and other cost cost	3,958,598	223,837	-	4,182,435
Buildings	72,938	6,403	-	79,341
Furniture, fixtures, and equipment	364,892	23,774	(24,500)	364,166
Trucks	219,417	46,305	(30,000)	235,722
Total accumulated depreciation	<u>4,615,845</u>	<u>300,319</u>	<u>(54,500)</u>	<u>4,861,664</u>
Other capital assets, net	<u>6,554,283</u>	<u>71,256</u>	<u>0</u>	<u>6,625,539</u>
Capital assets, net	<u>\$6,572,333</u>	<u>\$71,256</u>	<u>\$0</u>	<u>\$6,643,589</u>

Current depreciation expense was charged to cost of providing water and operating expense in the amounts of \$223,837 and \$76,482 for a total of \$300,319.

NOTE 6 – Compensated Absences

Accrued Compensated Absences: \$13,912

NOTE 7 - Notes Payable

The District has long term debt due to Oklahoma Water Resources Board (OWRB) as follows:

Note payable obligations due OWRB: **May 31
2021**

Note Payable to the Oklahoma Water Resources Board (DWSRF) in the amount of \$ 496,759 with an initial interest Rate of 2.5855%. The interest payments are to be made semiannually beginning September 15, 2003, with the principal payments to commence on the project completion and continue repayment based on the amortization schedule provided by the OWRB. The Note is scheduled to mature 20 years from the project completion or approximately September 15, 2023.

**RURAL WATER DISTRICT #14
SPIRO, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2021**

Mid-year the Oklahoma Water Resources Board obtained a refunding on bonds for which this note was pledged and was able to reduce the future scheduled interest to zero and reduce note maturity by one year to October 15, 2022. From the date of refunding (October 2013) the new semi-annual payment of principal and admin fees 16,029.80 decreases minimally with each payment thru maturity with a final payment of 15,554.65.

47,230

Note Payable Series 2012A to the Oklahoma Water Resources Board in the amount of \$ 1,323,215 a combined presentation consisting of the note face value \$1,305,000 and net premium of \$18,215. The note interest, tied to OWRB bonds plus a .40% OWRB administration fee, ranges from .65% to 3.40%. The interest payments are to be made semiannually beginning September 15, 2012, with the principal payments to commence annually beginning September 15, 2012 and continue repayment based on the amortization schedule provided by the OWRB. The note will mature in approximately 16.5 years on September 15, 2028.

795,000
(4,940)

Less discount on OWRB bonds

837,290

Less Current portion of long-term debt

(101,210)

Long-term debt

\$ 736,080

A summary of future long term debt maturities for five years and to maturity are as follows:

<u>May 31</u>	<u>Principal</u>	<u>Interest</u>	<u>NP Total</u>
2022	101,210	25,161	126,370
2023	84,692	22,549	107,241
2024	73,904	19,899	93,803
2025	109,156	17,006	126,163
2026	109,370	13,481	122,851
2027-2029	358,957	31,137	390,094
	<u>837,290</u>	<u>129,233</u>	<u>966,522</u>

**RURAL WATER DISTRICT #14
SPIRO, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2021**

Note Revenue and Reserve Requirements

On March 28, 2012, the District's Board of Directors authorized a loan resolution security agreement with OWRB for the series 2012A note requiring the District to maintain pledged revenue, of at least 125% of the annual debt service and a local reserve fund equal to 10% of maximum annual debt service. As of May 31, 2021, the District's debt service coverage percentage is 213% and local reserve fund balance is \$129,720 which meets the promissory note requirements.

NOTE 8 - EQUITY

The District's equity consists of capital contributions (benefit units, donations and grants) and retained income summarized as follows:

	<u>BENEFIT UNITS</u>	<u>GRANTS/ DONATIONS</u>	<u>RETAINED EQUITY</u>	<u>TOTAL</u>
Balance				
May 31, 2020	\$134,039	\$2,510,426	\$4,328,706	\$6,973,171
Adjusted Balance	134,039	2,510,426	4,328,706	6,973,171
Net Income	-	-	285,297	285,297
Contributions	-	-	-	-
Balance				
May 31, 2021	<u>\$134,039</u>	<u>\$2,510,426</u>	<u>\$4,614,003</u>	<u>\$7,258,468</u>

Equity reservations presented in the Statement of Net Position consist of funds reserved for debt service in the amount of \$180,932 and District reservations for utility customer deposit liability in the amount of \$258,993.

NOTE 9 - Concentration of Credit Risk

Financial instruments that potentially subject the District to credit risk consist primarily of accounts receivable in the normal course of business. The District provides water services to commercial and residential users within the Northern LeFlore County, Oklahoma area.

At May 31, 2021 the District has extended credit to regular customer accounts receivable of \$129,011.

NOTE 10 - Major Supplier

The District purchased all of its water supply from Poteau Valley Improvement Authority during the year ended May 31, 2021. The loss of this supplier would have an adverse effect on the District's ability to continue in existence.

**RURAL WATER DISTRICT #14
SPIRO, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2021**

NOTE 11 - Contract for Collection of Sewer Fees

On October 5, 1995, the District entered into a contract with Shady Point Public Works Authority (Shady Point) in which the District agreed to bill and collect sewer fees on behalf of Shady Point. In return, the District is paid \$100 per month. At May 31, 2021, the District had a payable \$7,406 to Shady Point for sewer fees billed on their behalf.

NOTE 12 - Employee Pension and Other Benefit Plans

The District provided thru December 2015 a simple IRA contribution plan with Invesco Investment Services, Inc. The simple plan is available to all full-time employees. In a simple IRA plan, benefits depend solely on amounts contributed to the plan. The District contributes 3% of covered payroll. Participants are permitted to make voluntary deductible contributions to the plan.

The District will contribute 5% of each participant's compensation. The Town's contributions for each employee (and interest allocated to the employee's account) are fully vested after six years of continuous service. Employees will get credit for previous years of service (from hire date) in determining vesting. Vesting is a 2/20 schedule and requires 1,000 hours worked per year. Forfeitures are used as decided by the Board of Directors and approved by Terry Hale in the following manner: 1) to pay plan expenses such as quarterly fees, etc. or 2) allocated to participants based on plan year compensation by pro- rata method.

The authority to establish or amend the plan, plan terms, rates, and payment of pension benefits is held by the District Board of Directors.

For the year ended May 31, 2021, the following amounts relate in total to the plans described above:

District's total payroll	\$ 356,636
Payroll for covered employees	242,532
Employer (District) contributions made	18,278

NOTE 13 - Subsequent Events

The District did not have any subsequent events through the date the financial statements were issued, for events requiring recording or disclosure in the financial statements for the year ending May 31, 2021.

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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
Leflore County Rural Water District #14
Spiro, 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, and in accordance with Oklahoma Statutes, the financial statements of the Leflore County Rural Water District #14, as of and for the year ended May 31, 2021, and the related notes to the financial statements, and have issued our report thereon dated December 29, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Leflore County Rural Water District #14's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Leflore County Rural Water District #14's internal control. Accordingly, we do not express an opinion on the effectiveness of Leflore County Rural Water District #14'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 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. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings as Item 20-01 that we consider to be significant deficiencies.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Leflore County Rural Water District #14's financial statements are free of material misstatement, we performed tests of 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*.

Leflore County Rural Water District #14's Response to Findings

Leflore County Rural Water District #14's response to the findings identified in our audit are described in the accompanying Schedule of Findings. Leflore County Rural Water District #14'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.

Kershaw CPA & Associates, P.C.

Kershaw, CPA & Associates, PC
Muskogee, Oklahoma

December 29, 2021

LEFLORE COUNTY RURAL WATER DISTRICT #14
SPIRO, OKLAHOMA
SCHEDULE OF FINDINGS
MAY 31, 2021

INTERNAL CONTROL FINDINGS:

Item 21-01: Segregation of Duties

Criteria: A good system of internal control requires a proper segregation of duties to prevent one person from being in a position to authorize, execute, and record the same transaction.

Condition: Due to the size of the District's major areas of internal control, that would be prevalent in a larger District, such segregation of duties is not available for this size operation. Duties are concentrated in the hands of a few individuals, who are responsible for all phases of the accounting functions. Because of this lack of division of responsibility, internal control is determined to be weak, and in some instances, non-existent.

Cause/Effect: Due to the limited number of personnel, a breach of internal controls could occur and not be detected in the normal course of operations.

Recommendation: The Board should continue to be actively involved in the operations of the organization.

Response: The Board continues to be actively involved in the operations. The District began separating the check writing and statement reconciliation duties and has implemented other controls as well.