

**PITTSBURG COUNTY
PUBLIC WORKS AUTHORITY
Crowder, Oklahoma
FINANCIAL STATEMENTS
June 30, 2020**

**RALPH OSBORN
CERTIFIED PUBLIC ACCOUNTANT
500 SOUTH CHESTNUT
P.O. BOX 1015
BRISTOW, OKLAHOMA 74010-1015**

INDEPENDENT AUDITORS' REPORT

To The Honorable Members of the Board of Trustees
Pittsburg County Public Works Authority
Crowder, Oklahoma

Report on Financial Statements

I have audited the accompanying financial statements of the business-type activities of the Pittsburg County Public Works Authority, Crowder, Oklahoma, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Pittsburg County Public Works Authority's basic 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 financial statement that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Pittsburg County Public Works Authority, Crowder, Oklahoma as of June 30, 2020, and the changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

The Pittsburg County Public Works Authority has not presented Management's Discussion and Analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statement. My opinion on the basic financial statements is not affected by the missing information.

In accordance with *Government Auditing Standards*, I have also issued my report dated July 13, 2021, on my consideration of The Pittsburg County Public Works Authority's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.



Ralph Osborn
Certified Public Accountant
Bristow, Oklahoma
July 13, 2021

Pittsburg County Public Works Authority
Crowder, Oklahoma

Statement of Net Position
For the Year Ended June 30, 2020

ASSETS	<u>2020</u>
Current Assets	
Cash and Cash Equivalents	\$ 72,436
Accounts Receivable	93,188
Reserved and restricted Cash	<u>190,162</u>
Total Current Assets	<u>355,786</u>
Noncurrent Assets	
Capital assets	
Land	21,623
Capital Assets, Net of Depreciation	<u>3,576,629</u>
Total Noncurrent Assets	<u>3,598,252</u>
Total Assets	<u>3,954,038</u>
LIABILITIES	
Current Liabilities	
Accounts Payable	54,460
Payroll Taxes Payable	2,974
Accrued Payroll Payable	12,028
Accrued Interest Payable	6,085
Customer Deposits	6,729
Current Portion Long-Term Debt	68,939
Current Portion Lease Purchases	<u>6,722</u>
Total Current Liabilities	<u>157,937</u>
Long-Term Liabilities	
Long-Term Notes Payable	2,225,394
Long-Term Lease Purchases	<u>-</u>
Total Long-Term Liabilities	<u>2,225,394</u>
Total Liabilities	<u>2,383,331</u>
NET POSITION	
Invested in capital assets, net of related debt	1,297,197
Restricted for Debt Service	162,120
Reserved for capital improvement	28,042
Unrestricted	<u>83,348</u>
Total net Position	<u>\$ 1,570,707</u>

The Accompanying Notes are an Integral Part of this Statement.

Pittsburg County Public Works Authority
Crowder, Oklahoma

Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended June 30, 2020

	2020
OPERATING REVENUES:	
Utility Revenue	\$ 899,502
Penalties	15,411
Reconnect Fees	4,573
Water Tap	7,580
Miscellaneous	24,148
Total Operating Revenues	951,214
Operating Expenses	
Wages	200,345
Payroll Tax	3,420
Employee Benefits	14,239
Chemicals	66,669
Testing	10,472
Fuel	13,446
Insurance	29,864
Legal & Professional	13,349
Maintenance & Repairs	69,374
Miscellaneous	3,048
Office & Postage	4,842
Water Rights	10,917
Sewer & Trash	198,113
Utilities & Telephone	65,891
Bonds & Permits	266
Depreciation	161,674
Total Operating Expenses	865,929
Operating Income (Loss)	85,285
NONOPERATING Revenues (Expenses)	
Interest Income	260
Interest Expense	(97,327)
Legal Settlement	-
Total Nonoperating Revenues (Expenses)	(97,067)
Change in Net Position	(11,782)
Total Net Position, July 1, 2019	1,582,489
Total net Position, June 30, 2020	\$ 1,570,707

The Accompanying Notes are an Integral Part of this Statement.

Pittsburg County Public Works Authority
Crowder, Oklahoma

Statement of Cash Flows
For the Year Ended June 30, 2020

	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from Water Sales	\$ 951,215
Cash Paid to Employees	(235,435)
Cash Payments to Suppliers for Goods & Services	<u>(490,849)</u>
Net Cash Provided/(Used) by Operating Activities	<u>224,931</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCIAL ACTIVITIES:	
Purchase of Fixed Assets	(32,429)
Loan Proceeds	26,600
Principal Payment on Debt	(112,768)
Interest Payments on Debt	(97,327)
Change in Reserved and Restricted	<u>8,701</u>
Net Cash Provided/(Used) by Capital & Related Financing Activities	<u>(207,223)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Investment Income	<u>260</u>
Net Cash Provided/(Used) by Investing Activities	<u>260</u>
Net Change in Cash	17,968
Cash and cash equivalents, July 1, 2019	<u>54,468</u>
Cash and cash equivalents, June 30, 2020	<u><u>\$ 72,436</u></u>
RECONCILIATION OF OPERATING INCOME TO NET CASH USED BY OPERATING ACTIVITIES:	
Change in Net Position from Operating Income	\$ 85,285
Noncash & Nonoperating Items	
Included In Change in Net Position:	
Depreciation & Amortization	161,674
Changes in Assets & Liabilities:	
(Increase)Decrease in Accounts Receivable	(16,774)
Increase(Decrease)in Accounts Payable	12,176
Increase(Decrease)in Payroll Payable	(17,430)
Increase(Decrease)in Accrued Interest Payable	<u>-</u>
Net Cash Provided/(Used) by Operating Activities	<u><u>\$ 224,931</u></u>

The Accompanying Notes are an Integral Part of this Statement.

PITTSBURG COUNTY PUBLIC WORKS AUTHORITY
Crowder, Oklahoma

Notes to the Financial Statements
June 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Pittsburg County Public Works Authority (hereinafter called "The Authority") is a public trust created on June 26, 1962. The Authority was organized in accordance with Oklahoma State Statute, Title 60, Public Trust Authorities, which qualifies it for exemption from federal and state income taxes. The beneficiary of the public trust is Pittsburg County, Oklahoma. The purpose of The Authority is to provide water services to the towns of Canadian, Crowder and the surrounding vicinity.

The purposes of this trust are to institute, furnish, provide and supply to the inhabitants, owners and occupants of property, and to industrial, commercial and mercantile establishments and enterprises, located in Pittsburg County, any or all improvements, services and physical facilities for the safeguarding of public health, the protection of persons and property, and the conservation and implementation of public welfare, of such kinds and characters that the same may be an authorized or proper function of the Beneficiary of this Trust, or any component thereof, or by law made subject to the supervision of its governing body or of its officers, which said improvements, services and physical facilities may be supplementary or wholly extraneous to any such improvement, service or physical facility that presently is, or hereafter may be furnished, provided or supplied by or under the supervision of the Beneficiary, or any component thereof.

The financial statements of the Pittsburg County Public Works Authority have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

The accounting policies of The Authority conform to Generally Accepted Accounting Principles (GAAP) as applicable to governmental units. The Proprietary fund applies Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict Governmental Accounting Standards Board (GASB) pronouncements, in which case, GASB prevails.

A. Reporting Entity:

In evaluating how to define the Pittsburg County Public Works Authority, for financial reporting purposes, management has considered if it is a component unit of a primary government. The Pittsburg County Public Works Authority is considered a Joint-Venture between the Town of Canadian and Town of Crowder. There are six (6) members of the Board of Trustees of the Authority. Three (3) members are the Town of Canadian's council and three (3) members are the Town of Crowder's council.

PITTSBURG COUNTY PUBLIC WORKS AUTHORITY
Crowder, Oklahoma

Notes to the Financial Statements
June 30, 2020

B. Basis of Accounting:

The accrual basis of accounting is used by the Authority. Under the accrual method of accounting, revenues are recognized when they are earned, and their expenses are recognized when they are incurred. Interest and other expenses paid during construction are capitalized to the extent they exceed interest earnings.

C. Property, Plant, and Equipment:

Additions to the Pittsburg County Public Works Authority are recorded at cost, if contributed property, at their estimated fair value at time of contribution. Repairs and maintenance are recorded as expenses, renewals and betterments are capitalized. The sale or disposal of fixed assets is recorded by removing cost and accumulated depreciation from the accounts and charging the resulting gain or loss to income.

Depreciation has been calculated on each class of depreciable property using the straight-line method, with one-half year's depreciation in the year of acquisition. Estimated useful lives are as follows:

Water System	50 years and 40 years
Office Equipment	3 to 10 years
Equipment	5 to 10 years
Vehicles	3 to 5 years

D. Cash:

The Authority has a demand account at a depository bank, at June 30, 2020.

E. Prepaid Insurance:

For the purpose of the balance sheet, "Prepaid Insurance" reflects the amount of insurance paid in advance that will have a future economic benefit.

F. Restricted Cash:

Restricted cash consists of reserve accounts in the amount of \$190,162. These reserve accounts is a requirement of the loan resolution security agreement with Rural Development (formally FmHa).

G. Retirement/Pension Plans:

The District allows employees to participate in a SIMPLE IRA retirement plan. The employee may have up to 3% of salary withheld for the plan. The District matches up to 3%. Benefits from the plan will depend on the amount paid in plus earnings.

PITTSBURG COUNTY PUBLIC WORKS AUTHORITY
Crowder, Oklahoma

Notes to the Financial Statements
June 30, 2020

H. Receivables:

Accounts Receivable consists of the utilities billed that had not been collected at June 30, 2020. Allowance for uncollectible accounts receivable are based upon the aging of accounts receivable.

I. Investments:

Statutes authorize The Authority to invest in certificates of deposit, repurchase agreements, passbooks, bankers' acceptances, and other available bank investments provided that approved securities are pledged to secure those funds on deposit in an amount equal to the amount of those funds. In addition, The Authority can invest in direct debt securities of the United States unless an investment is expressly prohibited by law.

For purposes of the statement of cash flows, The Authority considers all highly liquid investments (excluding restricted assets) with maturity of three months or less when purchased to be cash equivalents.

J. Inventory of Supplies:

Inventory of Supplies is not reported on the financial statements of The Authority. The amount of inventory on hand is not material to the financial statements.

K. Vacation, Sick Leave, and Other Compensated Absences:

Vacation leave time will be credited as follows:

	Day Shift	Evening Shift
1 st PP - 35 th PP	1.54 hrs (per PP)	1.15 hrs
36 th PP - 182 nd PP	3.08 hrs (per PP)	2.31 hrs
183 rd PP and subsequent PP	4.00 hrs (per PP)	3.00 hrs

Vacation leave may be accumulated but shall not exceed 120 hours on the last day of the calendar year. Any leave in excess of 120 hours at the end of calendar year shall be paid at the lowest hourly rate for that calendar year.

Sick leave is available for regular, full-time employees. It will accumulate at the rate of 1.54 hours per bi-weekly pay period after the completion of the 180 day probationary period. This will provide forty (40) hours of sick leave per year.

Sick leave may be accumulated without regard to a maximum number of hours during employment by The Authority.

Any sick leave hours which are unused at the time of termination of an employee shall be paid for by The Authority at 50% of the hourly wage in effect for that employee at the time of termination.

PITTSBURG COUNTY PUBLIC WORKS AUTHORITY
Crowder, Oklahoma

Notes to the Financial Statements
June 30, 2020

NOTE 2 - CASH AND CASH EQUIVALENTS

Custodial Credit Risk

Custodial credit risk is the risk that in the event of failure of counterparty, the Authority will not be able to recover the value of its deposits or investments. Deposits are exposed to custodial credit risk if they are uninsured and uncollateralized. Investment securities are exposed to custodial credit risk if they are uninsured, are not registered in the name of the Authority, and are held by counterparty or the counterparty's trust department but not in the name of the Authority. The Authority's policy requires that all deposits and investments in excess of amounts covered by federal deposit insurance be fully collateralized by the entity holding the deposits or investments. As of June 30, 2020, all of the Authority's deposits and investments were either covered by federal deposit insurance or were fully collateralized.

Deposits

The Authority had deposits at financial institutions with a carrying amount of approximately \$262,598 at June 30, 2020. The bank balance of the deposits at June 30, 2020 was approximately \$265,354.

Credit Risk

Fixed-income securities are subject to credit risk. However, the Authority did not have fixed income securities at June 30, 2020.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Board of Directors monitor's the investment performance on an ongoing basis to limit the Authority's interest rate risk. As of June 30, 2020, the Authority's deposits consisted of demand deposits and certificates of deposit with a maturity of 12 months or less.

NOTE 3 - RESTRICTED CASH:

The Loan Resolution Security Agreement with USDA Rural Development requires a reserve fund to be funded at ten percent of the monthly installment until the balance is equal to the annual installment amount. At June 30, 2020, the balance in the reserve account at First National Bank, McAlester, Oklahoma was \$162,120.

NOTE 4 - RETIREMENT/PENSION PLANS:

The Pittsburg County Public Works Authority does not participate in any retirement plans or other post-employment benefit plans.

PITTSBURG COUNTY PUBLIC WORKS AUTHORITY
Crowder, Oklahoma

Notes to the Financial Statements
June 30, 2020

NOTE 5 - CHANGES IN FIXED ASSETS

	<u>7/1/2019</u>	<u>Additions</u>	<u>Retirements</u>	<u>6/30/2020</u>
Land	\$ 21,623	\$ -	\$ -	\$ 21,623
Building	\$ 36,431	\$ -	\$ -	\$ 36,431
Office Equipment	12,998	-	-	12,998
Vehicles	94,920	-	-	94,920
Equipment	415,277	-	-	415,277
Water System	2,848,789	-	-	2,848,789
Water System Improvements	2,890,582	32,429	-	2,923,011
Total Assets	<u>6,298,997</u>	<u>32,429</u>	<u>-</u>	<u>6,331,426</u>
Less Acc. Depr.	<u>(2,593,123)</u>	<u>(161,674)</u>	<u>-</u>	<u>(2,754,797)</u>
Net Fixed Assets	<u>\$ 3,727,497</u>	<u>\$ (129,245)</u>	<u>\$ -</u>	<u>\$ 3,598,252</u>

NOTE 6 - INSURANCE

The Authority's facilities is insured under a blanket property and general liability insurance policy. The Authority also has insurance coverage on its vehicles.

NOTE 7 - CONTINGENT LIABILITIES

The Board of Trustees of the Pittsburg County Public Works Authority is not aware of any contingent liabilities at June 30, 2020, which would materially affect The Authority's financial statements.

NOTE 8 - LONG-TERM DEBT

As of June 30, 2020, the long-term debt payable from business-type activities resources consisted of the following:

	<u>Notes Payable</u>	<u>Lease Purchases</u>	<u>Total</u>
July 1, 2019	\$ 2,334,372	\$ 52,851	\$ 2,387,223
Added	26,600	-	26,600
Retired	(66,639)	(46,129)	(112,768)
June 30, 2020	<u>\$ 2,294,333</u>	<u>\$ 6,722</u>	<u>\$ 2,301,055</u>

PITTSBURG COUNTY PUBLIC WORKS AUTHORITY
Crowder, Oklahoma

Notes to the Financial Statements
June 30, 2020

United States Department of Agriculture, Rural Development, loan 91-05 issued March 16, 1984, in the amount of \$250,000 with interest rate of 5% for 40 years. Monthly payments of \$1,228.	\$ <u>19,025</u>
Current Portion	\$ 14,021
Non-Current Portion	<u>5,004</u>
Total Note Payable	<u>\$ 19,025</u>

United States Department of Agriculture, Rural Development, loan 91-08 issued November 4, 1988, in the amount of \$367,100 with an interest rate of 4.75% for 40 years. Monthly payments of \$1,726.	\$ <u>253,033</u>
Current Portion	\$ 8,845
Non-Current Portion	<u>244,188</u>
Total Note Payable	<u>\$ 253,033</u>

United States Department of Agriculture, Rural Development, loan 91-10 issued November 4, 1998, in the amount of \$555,400 with interest rate of 5% for 40 years. Monthly payments of \$2,611.	\$ <u>382,963</u>
Current Portion	\$ 13,372
Non-Current Portion	<u>369,591</u>
Total Note Payable	<u>\$ 382,963</u>

United States Department of Agriculture, Rural Development, loan 91-11 issued September 9, 2010, in the amount of \$1,598,000 with interest rate of 4.125% for 40 years. Monthly payments of \$6,680.	\$ <u>1,339,764</u>
Current Portion	\$ 26,622
Non-Current Portion	<u>1,313,142</u>
Total Note Payable	<u>\$ 1,339,764</u>

United States Department of Agriculture, Rural Development, loan 91-13 issued June 10, 2010, in the amount of \$330,000 with interest rate of 3.25% for 40 years. Monthly payments of \$1,243.	\$ <u>272,948</u>
Current Portion	\$ 6,079
Non-Current Portion	<u>266,869</u>
Total Note Payable	<u>\$ 272,948</u>

Communities Unlimited, loan 11016 issued February 28, 2020, as of June 30, 2020, only \$26,600 has been drawn down. Monthly payments of \$1,174.	\$ <u>26,600</u>
Current Portion	\$ -
Non-Current Portion	<u>26,600</u>
Total Note Payable	<u>\$ 26,600</u>

Total Note Payable	<u>\$ 2,294,333</u>
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PITTSBURG COUNTY PUBLIC WORKS AUTHORITY
Crowder, Oklahoma

Notes to the Financial Statements
June 30, 2020

The annual requirements to amortize all note payables at June 30, 2020, follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2021	\$ 68,939	\$ 92,917	\$ 161,856
2022	62,581	90,679	153,260
2023	59,748	87,372	147,120
2024	62,323	84,797	147,120
2025	65,010	82,110	147,120
2025-2029	369,656	365,944	735,600
2030-2034	456,849	278,751	735,600
2035-2039	478,039	175,158	653,197
2040-2044	383,092	92,288	475,380
2045-2049	261,496	28,904	290,400
Totals	<u>\$ 2,267,733</u>	<u>\$ 1,378,920</u>	<u>\$ 3,646,653</u>

NOTE 9 - LEASES

The Company has entered into lease agreements as lessee for financing the acquisition of equipment. The lease agreements qualify as capital leases for accounting purposes since title transfers at the end of the lease term and it has been recorded at the present value of the future minimum lease payments. The lease contains a clause, which gives the Company the ability to terminate the lease agreement at the end of each fiscal year.

The Company has recorded the liability for future lease payments in the general long-term debt account group for the equipment. The schedule of the future minimum lease payments under the capital lease and the present value of the net minimum lease payments at June 30, is as follows:

<u>Year ending June 30</u>	<u>Backhoe</u>	<u>Total</u>
2021	\$ 6,807	\$ 6,807
Total minimum lease payments	<u>6,807</u>	<u>6,807</u>
Less: Amount representing interest	<u>(85)</u>	<u>(85)</u>
Present value of future minimum lease payments	<u>\$ 6,722</u>	<u>\$ 6,722</u>

NOTE 10 - WORKING CAPITAL

The net working capital (current assets less current liabilities) was \$180,419 at June 30, 2020.

PITTSBURG COUNTY PUBLIC WORKS AUTHORITY
Crowder, Oklahoma

Notes to the Financial Statements
June 30, 2020

NOTE 11 - LEASE AGREEMENT

On November 15, 1963, The Authority entered into lease agreements with the towns of Canadian, Oklahoma, and Crowder, Oklahoma, wherein the two existing water systems and related facilities were leased to The Authority. Each lease covers a primary term of fifty (50) years and is renewable for an additional fifty (50) year period at the option of The Authority. Annual rental for each lease in the amount of \$100 became effective as of December 1, 1963. However, both municipalities waived payment; and, as a result, no payments of rental have ever been paid.

NOTE 12 - LAND USED BY THE AUTHORITY

Legal title to 20.72 acres of land used in conjunction with the Crowder Water Supply Lake has not been obtained by the Authority.

NOTE 13 - RELATED PARTY TRANSACTIONS

The Authority performs the accounts receivable function for the towns of Canadian and Crowder for sewer and trash in conjunction with the water billings. Charges for these services have been included in the computer billings for water services. Amounts collected for sewer and trash have been forwarded to the respective town treasurers. The Authority charges no fee for this bookkeeping service.

Note 14 - SUBSEQUENT EVENTS

Management has evaluated subsequent events through July 13, 2021, the date on which the financial statements were available, to determine if any items need to be disclosed. The Authority approved an ongoing water and sewer line replacement project. The Authority has drawn down \$26,600 from Communities Unlimited as of June 30, 2020. They have more funds to draw down from Communities Unlimited to continue this project.

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 Trustees
Pittsburg County Public Works Authority
Crowder, Oklahoma

I have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of the Pittsburg County Public Works Authority, Crowder, Oklahoma, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Pittsburg County Public Works Authority's basic financial statements and have issued my report thereon dated July 13, 2021 which did not include Management's Discussion and Analysis.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered the Pittsburg County Public Works Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Pittsburg County Public Works Authority's internal control. Accordingly, I do not express an opinion of the effectiveness of the Pittsburg County Public Works Authority's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Pittsburg County Public Works Authority, Crowder, Oklahoma's financial statements are free of material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of the Report

The purpose of this report is solely to describe the scope of my 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 *Governmental Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Sincerely,



Ralph Osborn
Certified Public Accountant
Bristow, Oklahoma
July 13, 2021