

AUDIT REPORT
PITTSBURG COUNTY RWD NO. 9
MCALESTER, OKLAHOMA
FOR YEAR ENDED NOVEMBER 30, 2020



JENKINS & KEMPER
CERTIFIED PUBLIC ACCOUNTANTS, P.C.

PITTSBURG COUNTY RURAL WATER DISTRICT NO. 9
MCALESTER, OKLAHOMA
NOVEMBER 30, 2020

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**PITTSBURG COUNTY RURAL WATER DISTRICT NO. 9
MCALESTER, OKLAHOMA
NOVEMBER 30, 2020**

BOARD OF DIRECTORS

Chairman	Millard Harp
Vice-Chairman	Harold Hearod
Secretary/Treasurer	Laurie Fieffer
Member	Vanessa Cummings
Member	Sunny Spinks

OPERATOR

Roy Engleman

MANAGER

Vivian Moody



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Pittsburg County RWD #9
McAlester, OK 74501

We have audited the accompanying financial statements of the business-type activities of Pittsburg County RWD #9 (the District), McAlester, Oklahoma, as of and for the year ended November 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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 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 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 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 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 business-type activities of Pittsburg County RWD #9 as of November 30, 2020, and the respective changes in net position and cash flows for the year then ended in accordance 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 on pages 8-9 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 method 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 an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated January 4, 2021, on our consideration of the District'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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District'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 the District's internal control over financial reporting and compliance.

Jenkins & Kemper, CPAs P.C.

Jenkins & Kemper
Certified Public Accountants

January 4, 2021



**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**

Board of Trustees
Pittsburg County RWD #9
McAlester, Oklahoma 74501

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 Pittsburg County RWD #9 as of and for the year ended November 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon, dated January 4, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District'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 District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over.

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 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.

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 over that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of 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*.

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.

Jenkins & Kemper, CPAs P.C.

Jenkins & Kemper
Certified Public Accountants, P.C.

January 4, 2021

**PITTSBURG COUNTY RURAL WATER DISTRICT NO. 9
SCHEDULE OF AUDIT RESULTS
NOVEMBER 30, 2020**

Findings – Financial Statement Audit

None

**PITTSBURG COUNTY RURAL WATER DISTRICT NO. 9
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED NOVEMBER 30, 2020**

Our discussion and analysis of Pittsburg County Rural Water District No. 9's financial performance provides an overview of the financial activities for the fiscal year ended November 30, 2020. Please read it in conjunction with the District's financial statements.

FINANCIAL HIGHLIGHTS

- The total assets increased by \$47,589 as a result of this year's operations.
- The District's return on total ending assets was 10.31%.
- The total cost of the District's activities was \$258,381 compared to \$274,467 in the prior year.

USING THE ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Position, and the Statement of Activities 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 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.

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 non-financial factors such as the condition of the District's capital assets to assess the overall health of the District.

The District's equity changed from a year ago, increasing from \$364,528 to \$407,094.

**PITTSBURG COUNTY RURAL WATER DISTRICT NO. 9
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED NOVEMBER 30, 2020**

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. A ratio of less than one would indicate the District would have difficulty satisfying its' current obligations with current assets.

	Current Year	Prior Year
Working Capital	\$ 220,468	\$ 171,456
Current Ratio	13.62	14.77

Return on assets measures earnings in relation to all of the resources available for use.

Return on Assets	10.62%	-1.46%
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CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of the year the District had \$186,626 invested in net capital assets.

Debt

At year end, the District had no outstanding debt.

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 Manager.

PITTSBURG COUNTY RURAL WATER DISTRICT NO. 9
STATEMENT OF NET POSITION
FOR THE YEAR ENDED NOVEMBER 30, 2020

ASSETS

Current assets:

Cash in bank	\$ 159,423
Certificates of deposit	53,484
Accounts receivable	23,319
Prepaid insurance	1,715
Total current assets	237,941

Noncurrent assets:

Capital assets:

Water system and equipment	596,230
Accum. Depr. Water	(409,604)
Total noncurrent assets	186,626

Total assets	424,567
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LIABILITIES

Current Liabilities:

Accounts payable	17,473
Total current liabilities	17,473

NET POSITION

Invested in capital assets, net of related debt	186,626
Unrestricted	220,468

Total net position	\$ 407,094
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The accompanying notes are an integral part of the financial statements

PITTSBURG COUNTY RURAL WATER DISTRICT NO. 9
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED NOVEMBER 30, 2020

Operating Revenues:

Water Sales	\$ 295,806
Meter Sales	3,000
Transfer/Reconnec Fee	1,500
Other Income	38
	300,344

Operating Expenses:

Water purchased	126,169
Operating supplies & maintenance	17,213
Backhoe expense	10,578
Contract Labor	58,941
Professional fees	27,050
Office expense	3,931
Utilities/communications	4,097
Insurance	3,940
Miscellaneous	27
Depreciation	6,435
Total operating expenses	258,381

Operating Income (Loss)	41,963
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Non-Operating Revenues (Expenses):

Interest income	603
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Changes in net position	42,566
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Total net position, beginning of period	364,528
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Total net position, end of period	\$ 407,094
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The accompanying notes are an integral part of the financial statements

PITTSBURG COUNTY RURAL WATER DISTRICT NO. 9
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED NOVEMBER 30, 2020

Cash Flows from Operating Activities:	
Cash received from customers	\$ 293,730
Cash paid to contractors	(58,941)
Cash paid to suppliers	(187,892)
Total cash flows from operating activities	46,897
 Cash Flows from Investing Activities:	
Receipt of interest	603
 Cash Flows from Financing Activities:	
Total cash flows from financing activities	-
Net increase (decrease) in cash and cash equivalents	47,500
Cash and cash equivalents, beginning of period	165,407
Cash and cash equivalents, end of period	\$ 212,907
 Reconciliation of operating income (loss) to net cash provided by operating activities:	
Operating income (loss)	\$ 41,963
Add depreciation expense	6,435
(Increase)/Decrease in Current Assets	
Accounts receivable, net	(6,614)
Prepaid expenses	90
Increase/(Decrease) in Current Liabilities	
Accounts payable	5,023
Net cash flows from operating activities	\$ 46,897

The accompanying notes are an integral part of the financial statements

PITTSBURG COUNTY RURAL WATER DISTRICT NO. 9
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED NOVEMBER 30, 2020

Note 1 – Organization

Pittsburg County Rural Water District No. 9, McAlester, Oklahoma, is recognized as a public not for profit rural water district under Oklahoma Statutes, Title 82. The purpose of this organization is to provide water to residential and commercial customers who are members of the District.

Note 2 – Summary of significant accounting policies

Reporting Entity

Pittsburg County Rural Water District No. 9 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 of providing water services is financed through user charges. The District purchases water primarily from the City of McAlester.

Basis of Accounting

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. Revenues are recorded when earned and liabilities are recognized when incurred. The District has also complied with GASB Statement No. 34 financial reporting requirements.

Accounts Receivable

All accounts greater than thirty days are considered past due. Receivables greater than ninety days are carried at the original billed amount. No provision is made for bad-debt expense as it is deemed to be of an immaterial amount. An aging of accounts receivable as of November 30, 2020 is as follows:

0-30 days: \$ 23,319

Inventory

Inventory is expensed when purchased and capitalized when used for improvements to the water system. Inventory on hand is not recorded as the amount is deemed to be immaterial to the financial statements.

PITTSBURG COUNTY RURAL WATER DISTRICT NO. 9
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED NOVEMBER 30, 2020

Cash and Cash Equivalents

Cash and cash equivalents, shown in the financial statements, are amounts that are not subject to fluctuations in principal value due to changing market conditions and have a maturity of less than three months.

Custodial Credit Risk

On November 30, 2020, the District held deposits of approximately \$212,907 at financial institutions. The District's cash deposits are entirely covered by Federal Depository Insurance.

Note 3 – Risk Management

Pittsburg County Rural Water District No. 9 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, property damage, and public official's liability. Settled claims resulting from these risks have not exceeded the commercial insurance coverage in any of the past three fiscal years.

Note 4 – Capital Assets

Property and equipment is recorded at cost when purchased. Depreciation expense is recorded using the straight-line method over the estimated useful life of the asset. Water line extensions and improvements are depreciated using a 40-year life. Water system improvements constructed by the District include capitalizing the direct cost of materials and labor. If an asset is permanently impaired in value, the asset cost is written down to market value. The District capitalizes assets with a useful life in excess of one year with a cost of \$250 or more. Line extension costs reimbursed by the customer will be capitalized and accordingly depreciated.

The following is a summary of changes in property, plant and equipment:

	Balance November 30, 2019	<u>Additions</u>	<u>Deletions</u>	Balance November 30, 2020
Water System & Equipment	596,230			596,230
Less accumulated depreciation	(403,169)	(6,435)		(409,604)
Net	<u>\$ 193,061</u>	<u>\$ (6,435)</u>	<u>\$ -</u>	<u>\$ 186,626</u>

PITTSBURG COUNTY RURAL WATER DISTRICT NO. 9
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED NOVEMBER 30, 2020

Note 5 – Income Tax Status

The District is not subject to state or federal income taxes as a non-profit organization.

Note 6 – Subsequent Events

The District did not have any material subsequent events through the date of the issuance of the audit report.