

Rural Water District No. 6
Pittsburg County, Oklahoma

Financial Statements and
Reports of Independent Auditor

November 30, 2013

Audited by

SANDERS, BLEDSOE & HEWETT
CERTIFIED PUBLIC ACCOUNTANTS, LLP

Broken Arrow, Oklahoma

Rural Water District No. 6
Pittsburg County, Oklahoma
Board of Directors
November 30, 2013

Chairman

Jim Pennington

Vice Chairman

Ken Carlock

Secretary/Treasurer

Chester Hensley

Members

Don Hass

vacant

Bookkeeper

Vivian Moody

Rural Water District No. 6
Pittsburg County, Oklahoma
Table of Contents
November 30, 2013

	<u>Page</u>
Board of Directors	<i>i</i>
Independent Auditor's Report	1
Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	2
Schedule of Audit Results	4
Combined Financial Statements:	
Statement of Net Assets.....	5
Statement of Revenues, Expenses and Changes in Net Assets	6
Statement of Cash Flows	7
Notes to the Financial Statements	8
Other Supplementary Information:	
Balance Sheet	11
Statement of Income and Retained Earnings.....	12



SANDERS, BLEDSOE & HEWETT

CERTIFIED PUBLIC ACCOUNTANTS, LLP

Independent Auditor's Report

Board of Directors
Rural Water District No. 6
Alderson, Pittsburg County, Oklahoma

We have audited the accompanying financial statements of the business-type activities of the Rural Water District No. 6 (the District), Alderson, Pittsburg County, Oklahoma, as of and for the year ended November 30, 2013, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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 the District as of November 30, 2013, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management has elected to omit the Management Discussion and Analysis, which is considered required supplementary information that is normally subjected to auditing procedures. Due to this omission, the usefulness and accessibility of the financial statements are limited to the District's management. The omission of this information does not affect the opinion expressed on the financial statements as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 29, 2015, 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. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining and individual fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole on the basis of accounting described in Note 1.

Sanders, Bledsoe & Hewett
Certified Public Accountants, LLP

October 29, 2015



SANDERS, BLEDSOE & HEWETT

CERTIFIED PUBLIC ACCOUNTANTS, LLP

**Report on Internal Control Over Financial Reporting and on Compliance and Other
Matters Based on an Audit of Financial Standards Performed in Accordance with
Government Auditing Standards**

Board of Directors
Rural Water District No. 6
Alderson, Pittsburg County, Oklahoma

We have audited the combined financial statements of Rural Water District No. 6 (the District), Alderson, Pittsburg County, Oklahoma, as of and for the year ended November 30, 2013, which, except for the omission of the Management Discussion and Analysis, collectively comprise the District's basic financial statements and have issued our report thereon dated October 29, 2015. We conducted our audit in accordance with auditing standards generally accepted in the United States, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A control deficiency 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 significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepting accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

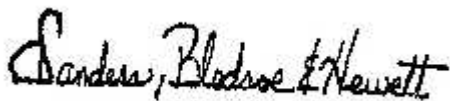
A material weakness is a significant deficiency, or combination of significant deficiencies, that results in a more than a remote likelihood that a material misstatement of the financial statements will not be presented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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 that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management and is not intended to be, and should not be, used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Sanders, Bledsoe & Hewett". The signature is written in a cursive, flowing style.

Sanders, Bledsoe & Hewett
Certified Public Accountants, LLP

October 29, 2015

Rural Water District No. 6
Pittsburg County, Oklahoma
Schedule of Audit Results
November 30, 2013

Section 1 – Summary of Auditor’s Results

1. An unqualified opinion report was issued on the financial statements.
2. The audit disclosed no reportable conditions in the internal controls.
3. The audit disclosed no instances of noncompliance.

Section 2 – Findings relating to the financial statements required to be reported in accordance with GAGAS:

NONE

PITTSBURG COUNTY RURAL WATER DISTRICT NO. 6
Statement of Net Assets
November 30, 2013

ASSETS

Current assets:	
Petty cash	\$ 50
Operating & maint account	10,148
Savings account	306
Accounts receivable	25,783
Total current assets	<u>36,287</u>
Non-current assets:	
Capital assets:	
Land	2,000
Veicles & equipment	272
Water system	242,096
Less: accumulated depreciation	<u>(191,186)</u>
Total non-current assets	<u>53,182</u>
Total Assets	<u>89,469</u>

LIABILITIES

Current liabilities:	
Accounts payable	<u>13,696</u>

NET ASSETS

Invested in capital assets, net of related debt	53,182
Unrestricted assets	<u>22,591</u>
Total Net Assets	<u>\$ 75,773</u>

The accompanying notes to the financial statements are an integral part of this statement

PITTSBURG COUNTY RURAL WATER DISTRICT NO. 6
Statement of Activities
For The Year Ended November 30, 2013

Operating Revenues:	
Water sales	\$ 200,322
Expenses from Operations:	
Water purchases	105,530
Operating supplies & maintenance	16,126
Contract labor	83,130
Insurance	3,054
Postage & office expense	1,265
Dues & fees	2,392
Miscellaneous	65
Depreciation	3,701
Total expenses from operations	<u>215,263</u>
Operating Income (Loss)	(14,941)
Non-Operating Revenues (Expenses):	
Interest income	42
ODOT reimbursement	8,021
Total non-operating revenues (expenses)	<u>8,063</u>
Change in Net Assets	(6,878)
Total Net Assets, beginning of period	<u>82,651</u>
Total Net Assets, end of period	<u><u>\$ 75,773</u></u>

The accompanying notes to the financial statements are an integral part of this statement

PITTSBURG COUNTY RURAL WATER DISTRICT NO. 6
Statement of Cash Flows
For the Year Ended November 30, 2013

Cash flows from operating activities:

Receipts from customers	\$ 190,839
Payments to vendors	<u>(210,408)</u>
Net cash (used in) provided by operating activities	<u>(19,569)</u>

Cash flows from capital and related financing activities:

Capital assets purchased	<u>(10,128)</u>
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Cash flows from investing activities:

Reimbursement from ODOT	8,021
Interest on investments	<u>42</u>
Net cash used in investing activities	<u>8,063</u>

Net increase (decrease) in cash and cash equivalents	(21,634)
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Cash & cash equivalents, beginning of period	<u>32,138</u>
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Cash & cash equivalents, end of period	<u><u>\$ 10,504</u></u>
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Reconciliation of operating income (loss) to net cash provided by operating activities:

Operating Income	\$ (14,941)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation Expense	3,701
(Increase) decrease in current assets-	
Accounts receivable, net	(9,483)
Increase (decrease) in current liabilities-	
Accounts payable	<u>1,154</u>
Net Cash Provided by Operating Activities	<u><u>\$ (19,569)</u></u>

The accompanying notes are an integral part of the financial statements

PITTSBURG COUNTY RURAL WATER DISTRICT NO. 6
NOTES TO FINANCIAL STATEMENTS
FOR YEAR ENDED NOVEMBER 30, 2013

Note 1 – Significant Accounting Policies

Reporting Entity

The District is recognized as a public, not-for-profit rural water district under Oklahoma Statutes, Title 82. The District 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.

Basis of Accounting

The accrual basis of accounting is followed for all accounts. Revenues are recorded when earned and expenses are recognized when incurred. This policy is in accordance with generally accepted accounting principles.

Cash

The District's accounts at November 30, 2013, and are comprised as follows:

First National Bank, McAlester, OK	
Operation & Maint. Account	\$ 13,129
Savings Account	306
Petty Cash on hand	50
Less: Outstanding Checks	<u>(2,981)</u>
Total Cash	<u>\$ 10,504</u>

Investments

The District had no investments at November 30, 2013.

Custodial Credit Risk

At November 30, 2013, the District's cash deposits are entirely covered by Federal Deposit Insurance.

Accounts Receivable

Billings for accounts receivable at November 30, 2013, were \$25,783. No computation was made for allowance for doubtful accounts, which is not considered to be material to the financial statements.

PITTSBURG COUNTY RURAL WATER DISTRICT NO. 6
NOTES TO FINANCIAL STATEMENTS
FOR YEAR ENDED NOVEMBER 30, 2013

Note 1 – Significant Accounting Policies – cont’d

Prior Year Information

Prior year information is shown on the financial statements for comparative purposes only. No assurance is given on prior year amounts.

Federal Income Tax

The District is exempt from federal and state income taxes.

Inventory

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

Note 2 – Property and Equipment

Property and equipment is recorded at cost when purchased. Depreciation is recorded using the straight-line method over the estimated useful life of the asset. Water line systems, extensions and improvements are depreciated using a 50-year life. Water system improvements constructed by the District include capitalizing the direct costs 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 and a cost over \$250. Line extension costs reimbursed by the customer are not capitalized and, accordingly, not depreciated. The following is a summary of changes in property, plant and equipment:

	Balance November 30, 2012	Acquired	(Disposed)	Balance November 30, 2013
Land	\$ 2,000	-	-	2,000
Vehicles & equip.	272	-	-	272
Water System & Equip.	231,968	10,128	-	242,096
Sub-Total	234,240	10,128	0	244,368
Less: Accum. Depr.	(187,485)	(3,701)	0	(191,186)
Total	<u>\$ 46,755</u>	<u>6,427</u>	<u>0</u>	<u>53,182</u>

PITTSBURG COUNTY RURAL WATER DISTRICT NO. 6
NOTES TO FINANCIAL STATEMENTS
FOR YEAR ENDED NOVEMBER 30, 2013

Note 3 – Long-Term Debt

The District had no outstanding debt as of November 30, 2013.

Note 4 – Subsequent Events

Management has evaluated subsequent events through October 29, 2015, which is the date the financial statements were available to be issued and have determined that no additional information needs to be added to the financial statements.

PITTSBURG RURAL WATER DISTRICT NO. 6

Balance Sheet November 30, 2013

	November 30,	
	2013	(Memo only) 2012
<u>ASSETS</u>		
Current Assets:		
Cash and cash equivalents-		
Petty cash	\$ 50	50
Operations & maintenance account	10,148	13,929
Savings account	306	18,159
Accounts receivable	25,783	16,300
Total current assets	<u>36,287</u>	<u>48,438</u>
Fixed Assets:		
Land	2,000	2,000
Vehicles & equipment	272	272
Water system	242,096	231,968
Less: accumulated depreciation	(191,186)	(187,485)
Total fixed assets (net)	<u>53,182</u>	<u>46,755</u>
Total Assets	<u>\$ 89,469</u>	<u>95,193</u>
 <u>LIABILITIES AND FUND EQUITY</u>		
Current Liabilities:		
Accounts payable	\$ 13,696	12,542
Fund Equity:		
Retained earnings - unrestricted	<u>75,773</u>	<u>82,651</u>
Total Liabilities and Fund Equity	<u>\$ 89,469</u>	<u>95,193</u>

PITTSBURG COUNTY RURAL WATER DISTRICT NO. 6
Statement of Revenue, Expenses and Changes in Retained Earnings
For the Year Ended November 30, 2013

	2012-13	(Memo only) 2011-12
Revenue from Operations:		
Water sales	\$ 200,322	187,303
Membership fees	-	1,000
Total revenue from operations	<u>200,322</u>	<u>188,303</u>
Expenses from Operations:		
Water purchases	105,530	93,264
Operating supplies & maintenance	16,126	8,875
Contract labor	83,130	84,462
Insurance	3,054	2,592
Postage & office expense	1,265	2,018
Dues & fees	2,392	1,520
Miscellaneous	65	2,489
Depreciation	3,701	4,930
Total expenses from operations	<u>215,263</u>	<u>200,150</u>
Net Income (Loss) from Operations	(14,941)	(11,847)
Other Income:		
ODOT payments	8,021	-
Interest earnings	42	89
Total other income	<u>8,063</u>	<u>89</u>
Net Income (Loss)	(6,878)	(11,758)
Retained earnings, beginning of period	<u>82,651</u>	<u>94,409</u>
Retained earnings, end of period	<u><u>\$ 75,773</u></u>	<u><u>82,651</u></u>