

AUDIT REPORT
PITTSBURG COUNTY RWD NO. 9
MCALESTER, OKLAHOMA
FOR YEAR ENDED NOVEMBER 30, 2015



JENKINS & KEMPER
CERTIFIED PUBLIC ACCOUNTANTS, P.C.

**PITTSBURG COUNTY RURAL WATER DISTRICT NO. 9
MCALESTER, OKLAHOMA
NOVEMBER 30, 2015**

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**PITTSBURG COUNTY RURAL WATER DISTRICT NO. 9
MCALESTER, OKLAHOMA
NOVEMBER 30, 2015**

BOARD OF DIRECTORS

Chairman	Millard Harp
Vice-Chairman	Jeff Vaughan
Secretary/Treasurer	Laurie Fieffer
Member	Harold Hearod
Member	Sunny Spinks

OPERATOR

Roy Engleman

MANAGER

Vivian Moody



JENKINS & KEMPER
CERTIFIED PUBLIC ACCOUNTANTS, P.C.

JACK JENKINS, CPA
MICHAEL KEMPER, CPA

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Pittsburg County Rural Water District No. 9
McAlester, Oklahoma 74501

Report on the Financial Statements

We have audited the accompanying basic financial statements of Rural Water District No. 9, Pittsburg County, Oklahoma, which comprise the statement of net position as of November 30, 2015 and the related statement of revenues and expenses and changes in net position and cash flows for the year then ended, 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 *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 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 net position of Rural Water District No. 9, Pittsburg County, Oklahoma as of November 30, 2015, and the changes in its net position and its 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

The Management's Discussion and Analysis report, that follows the Schedule of Audit Results, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated February 19, 2016, on our consideration of the entity'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 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 read in conjunction with this report in considering the results of our audit.

Jenkins & Kemper, LPA - P.C.

Jenkins & Kemper
Certified Public Accountants, P.C.

February 19, 2016



JENKINS & KEMPER
CERTIFIED PUBLIC ACCOUNTANTS, P.C.

JACK JENKINS, CPA
MICHAEL KEMPER, CPA

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND INTERNAL
CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING
STANDARDS***

Board of Directors
Pittsburg County Rural Water District No. 9
McAlester, Oklahoma 74501

We have audited the financial statements of the Pittsburg County Rural Water District No. 9, McAlester, Oklahoma, as of and for the year ended November 30, 2015, and have issued our report thereon dated February 19, 2016. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the entity's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the combined 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.

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 the regulatory basis mentioned above, 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 more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the entity'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 my 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.

February 19, 2016

**PITTSBURG COUNTY RURAL WATER DISTRICT NO. 9
SCHEDULE OF AUDIT RESULTS
NOVEMBER 30, 2015**

Findings – Financial Statement Audit

None

**PITTSBURG COUNTY RURAL WATER DISTRICT NO. 9
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED NOVEMBER 30, 2015**

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, 2015. Please read it in conjunction with the District's financial statements.

FINANCIAL HIGHLIGHTS

- The total assets decreased by \$8,960 as a result of this year's operations.
- The District's return on total ending assets was -2.48%.
- The total cost of the District's activities was \$254,664 compared to \$253,892 in the prior year.

USING THE ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets, and the Statement of Revenues, Expenses and Changes in Net Assets 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, decreasing from \$392,100 to \$382,396.

**PITTSBURG COUNTY RURAL WATER DISTRICT NO. 9
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED NOVEMBER 30, 2015**

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	\$ 137,745	\$ 149,146
Current Ratio	16.32	19.08

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

Return on Assets	-2.48%	2.89%
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CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of the year the District had \$244,651 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 ASSETS
FOR YEARS ENDED NOVEMBER 30, 2015

ASSETS

Current assets:	
Cash in bank	\$ 68,400
Certificates of deposit	51,841
Accounts receivable	23,765
Prepaid insurance	2,730
Total current assets	<u>146,736</u>
Noncurrent assets:	
Capital assets:	
Water system and equipment	596,231
Less: accumulated depreciation	<u>(351,580)</u>
Total noncurrent assets	<u>244,651</u>
Total Assets	<u>391,387</u>

LIABILITIES

Current Liabilities:	
Accounts payable	<u>8,991</u>
Total current liabilities	<u>8,991</u>

NET ASSETS

Invested in capital assets, net of related debt	244,651
Unrestricted	<u>137,745</u>
Total Net Assets	<u>\$ 382,396</u>

The accompanying notes are an integral part of the financial statements

PITTSBURG COUNTY RURAL WATER DISTRICT NO. 9
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
FOR YEARS ENDED NOVEMBER 30, 2015

Operating Revenues:	
Water revenue	\$ 244,704
Operating Expenses:	
Water purchased	96,922
Operating supplies & maintenance	41,564
Backhoe expense	19,370
Salaries and payroll tax	41,253
Professional fees	23,079
Office expense	4,290
Utilities	7,008
Meeting expense	225
Insurance	5,817
Miscellaneous	435
Depreciation	14,701
Total operating expenses	254,664
Operating Income (Loss)	(9,960)
Non-Operating Revenues (Expenses):	
Interest income	256
Changes in Net Assets	(9,704)
Total Net Assets, beginning of period	392,100
Total Net Assets, end of period	\$ 382,396

The accompanying notes are an integral part of the financial statement

PITTSBURG COUNTY RURAL WATER DISTRICT NO. 9
STATEMENT OF CASH FLOWS
FOR YEARS ENDED NOVEMBER 30, 2015

Cash Flows from Operating Activities:	
Cash received from customers	\$ 244,589
Cash paid to employees	(34,804)
Cash paid to suppliers	(198,305)
Net cash flows from operating activities	11,480
 Cash Flows from Investing Activities:	
Capital assets purchased	(16,398)
Receipt of interest	256
Net cash flows from investing activities	(16,142)
 Cash Flows from Financing Activities:	
Net cash flows from financing activities	-
Net increase (decrease) in cash and cash equivalents	(4,662)
Cash and cash equivalents, beginning of period	124,903
Cash and cash equivalents, end of period	\$ 120,241
 Reconciliation of operating income (loss) to net cash provided by operating activities:	
Operating income (loss)	\$ (9,960)
Add depreciation expense	14,701
(Increase)/Decrease in Current Assets	
Accounts receivable, net	(115)
Employee receivable	6,449
Prepaid expenses	(339)
Increase/(Decrease) in Current Liabilities	
Accounts payable	744
Net cash flows from operating activities	\$ 11,480

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, 2015**

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

Measurement Focus, Basis of Accounting and Basis of Presentation – Fund Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with Generally Accepted Accounting Principles promulgated in the United States of America. The accounting and financial reporting treatment is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operation are included on the balance sheet. The operating statements present increases and decreases in net total assets. Depreciation expense is provided for capital assets based upon estimated useful lives.

Financial activity is accounted for on the flow of economic resources measurement focus using the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

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, 2015 is as follows:

0-30 days: \$ 23,765

PITTSBURG COUNTY RURAL WATER DISTRICT NO. 9
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED NOVEMBER 30, 2015

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.

Property and Equipment

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.

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

At November 30, 2015, the District held deposits of approximately \$120,241 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 officials liability. Settled claims resulting from these risks have not exceeded the commercial insurance coverage in any of the past three fiscal years.

**PITTSBURG COUNTY RURAL WATER DISTRICT NO. 9
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED NOVEMBER 30, 2015**

Note 4 – Capital Assets

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

	Balance November 30, 2014	Additions	Deletions	Balance November 30, 2015
Water System & Equipment	579,833	16,398		596,231
Less accumulated depreciation	(336,879)	(14,701)		(351,580)
Net	<u>\$ 242,954</u>	<u>\$ 1,697</u>	<u>\$ -</u>	<u>\$ 244,651</u>

Note 5 – Income Tax Status

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