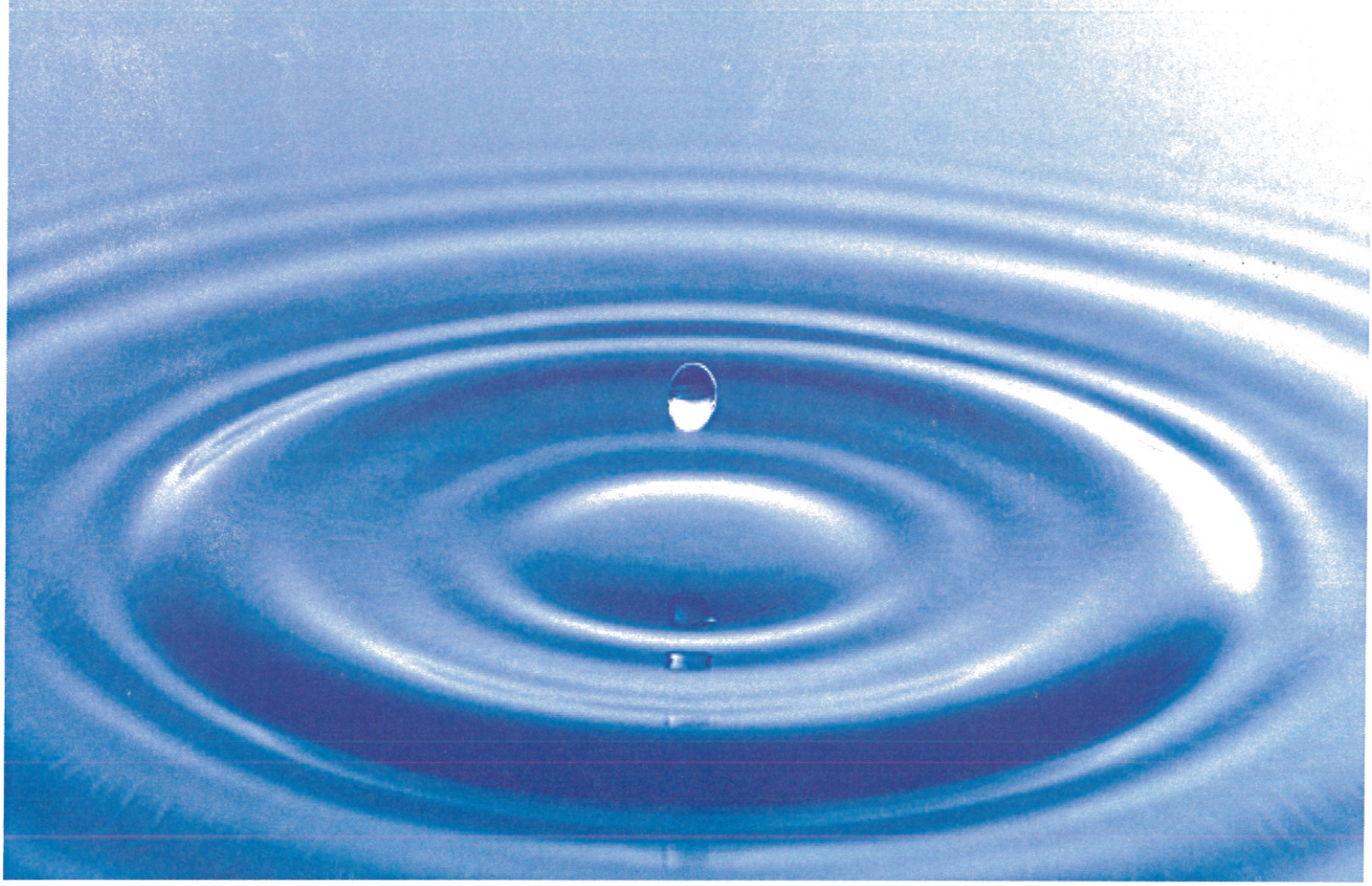
ADAMSON RURAL WATER DISTRICT NO. 8 PITTSBURG COUNTY, OKLAHOMA

ANNUAL REPORT

October 31, 2020 and 2019



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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Adamson Rural Water District No. 8
Pittsburg County, Oklahoma

We have audited the accompanying modified cash basis financial statements of the business-type activities of Adamson Rural Water District No. 8 (the "District"), Pittsburg County, Oklahoma, as of and for the years ended October 31, 2020 and 2019, 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 the modified cash basis of accounting described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for 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 opinions 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 opinions.

Member of American Institute of Certified Public Accountants and the Oklahoma Society of Certified Public Accountants since 1979.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the business-type activities of Adamson Rural Water District No. 8, as of October 31, 2020 and 2019, and the respective changes in modified cash basis financial position and, where applicable, cash flows thereof for the years then ended in accordance with the modified cash basis of accounting described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Other Matters

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements as a whole that collectively comprise the District's basic financial statements. The management's discussion and analysis on Page I, which is the responsibility of management, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the 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 July 19, 2021, on our consideration of the District's internal control over financial reporting and on 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 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.

Clothier & Company, CPA's, P.C.
July 19, 2021

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Management Discussion and Analysis
For year ended October 31, 2020 and 2019

For Adamson Rural Water District No. 8, this is our presentation of the Management's Discussion and Analysis (MD&A). This analysis serves as an introduction to the financial statements for users to facilitate whether overall financial health has improved or deteriorated as a result of the past year's operation. A required component of the MD&A is to briefly describe the reasons for change in our assets, liabilities, revenue, and expenditures compared to the previous (2019) year.

Business Activities:

In this fiscal year, the District's total revenue increased by $49,104 from 2019 and expenses decreased $60,447 from 2019.

The District changed 153 customer meters and installed 10 new meters, which were new customers during the year. The District also had a final installment on the chlorination station, which is an addition of $15,921 in capital improvement.

For the year ended October 31, 2020 total assets exceeded liabilities by $1,467,307. The balance sheet has a net increase of $32,679 from 2019 due to primarily the addition of the chlorination, increase water revenue and control of expenses. The District has no debt as of October 31, 2020.

Financial Highlights:

Assets	$1,471,304	Revenues	$1,052,505
Liabilities	3,997	Expenses	1,021,925
Fund Balance	1,467,307	Interest Income	1,064
Liabilities & Fund Balance	$1,471,304	Net Income	$ 31,644

Fixed Assets:

The District's fixed assets are as follows:

	2020	2019
Field Equipment	93,113	93,113
Office Equipment	12,224	12,224
Trucks and Equipment	184,072	184,072
Building Improvements	22,350	22,350
Water Distribution Systems	3,048,106	3,032,185
Less: A/Depreciation	(2,468,776)	(2,363,513)
Total	891,089	980,431

Future Activities of Adamson Rural Water District #8:

In view of the ever changing technological advances, the District has high-speed internet and has a website to make it easier for some of our customers who pay bills on line to have the option of doing the same with their water bills. Customers are also able to report leaks and problems with their service on-line along with being kept up-to-date with what's going on with their water. The Consumer Confidence Report (CCR) is viewable on our website. The District's By-Laws and Rules and Regulations are also viewable on the website.

Overall Outlook:

The District continues to upgrade water lines, towers, valves, and other appurtenances whenever necessary along with doing routine maintenance day-to-day. Our system water loss continues to improve and we continue to improve the distribution system. The District remains financially strong as we make improvements throughout the system, meeting the EPA & DEQ standards, and paying our bills.

The economy still affects our efforts, and the cost of materials, fuel, etc. continue to increase. This is all out of our control; however, it has not stopped our service to our customers.

Mike Dunagan,
Manager

ADAMSON RURAL WATER DISTRICT NO. 8
Assets, Liabilities and Net Assets-Modified Cash Basis
October 31, 2020 and 2019

ASSETS

	2020	2019
Current Assets		
Cash and Cash Equivalents	$ 580,215	$ 458,194
Total Current Assets	580,215	458,194
Fixed Assets		
Field Equipment	93,113	93,113
Office Equipment	12,224	12,224
Trucks and Equipment	184,072	184,072
Building Improvements	22,350	22,350
Water Distribution System	3,048,106	3,032,185
Less: Accumulated Depreciation	(2,468,776)	(2,363,513)
Total Fixed Assets	891,089	980,431
Total Assets	$ 1,471,304	$ 1,438,625

LIABILITIES AND NET ASSETS

Current Liabilities		
Accrued Expenses	$ 3,997	$ 2,962
Total Current Liabilities	3,997	2,962
Net Assets		
Invested in Capital Assets	891,089	980,431
Unrestricted Net Assets	544,574	533,139
Current Income (Loss)	31,644	(77,907)
Total Net Assets	1,467,307	1,435,663
Total Liabilities and Net Assets	$ 1,471,304	$ 1,438,625

See accompanying footnotes and independent auditor's report.

ADAMSON RURAL WATER DISTRICT NO. 8
Revenues, Expenses and Changes in Net Assets-Modified Cash Basis
October 31, 2020 and 2019

	2020	2019
Revenue		
Water Sales	$ 1,043,559	$ 991,444
Benefit Unit Sales	6,443	7,894
Total Revenue	1,050,002	999,338
Cost of Sales		
Water Purchases	375,905	363,929
Vehicle Expenses	5,063	3,348
Equipment Maintenance/Rental	1,315	75,843
Water Testing	6,121	6,589
Field Supplies	57,750	50,985
Fuel	9,008	12,902
System Repairs	0	199
Contract Labor	2,404	1,875
Total Cost of Sales	457,566	515,670
Gross Profit	592,436	483,668
Operating Expenses		
Salaries	290,368	299,349
Payroll Taxes	24,511	27,285
Insurance	75,807	71,285
Workman's Compensation Insurance	8,179	10,586
Accounting/Legal	7,942	4,433
License/Permits	200	184
DEQ Fees	1,123	734
Miscellaneous	7,953	6,415
Maintenance Supplies	0	263
Bank Charges	0	25
Advertising	10,230	586
Office Supplies/Postage	4,611	15,548
Telephone	7,965	8,007
Utilities	20,207	18,556
Depreciation	105,263	103,446
Total Operating Expense	564,359	566,702
Operating Income	28,077	(83,034)
Interest Income	1,064	2,627
Miscellaneous Income	2,503	2,500
ODOT Project Income		0
Total Other Income (Expense)	3,567	5,127
Change in Net Assets	$ 31,644	$ (77,907)

See accompanying footnotes and independent auditor's report.

ADAMSON RURAL WATER DISTRICT NO. 8
Statement of Cash Flows-Modified Cash Basis
October 31, 2020 and 2019

	2020	2019
Cash Flows From Operating Activities:		
Cash received from customers	$ 1,050,002	$ 999,338
Cash received from other sources	2,503	2,500
Cash paid to employees	(289,333)	(297,019)
Cash paid to suppliers	(457,566)	(515,670)
Other operating payments	(168,728)	(163,907)
Net Cash Flows from Operating Activities	136,878	25,242
Cash Flows From Capital and Related Financing Activities:		
ODOT relocation funds		0
Acquisition and construction of capital assets	(15,921)	(96,004)
Net Cash (Used) By Capital and Related Financing Activities	(15,921)	(96,004)
Cash Flows From Investing Activities:		
Receipt of interest and dividends	1,064	2,627
Net Cash Provided (Used) By Investing Activities	1,064	2,627
Net Increase (Decrease) In Cash	122,021	(68,135)
Cash Beginning of Year	458,194	526,329
Cash End of Year	$ 580,215	$ 458,194

Reconciliation of Operating Income to Net Cash Flows from Operating Activities:

Operating income (loss)	28,077	$ (83,034)
Add depreciation expense	105,263	103,446
Add other operating receipts	2,503	2,500
Increase/(Decrease) in Current Liabilities:		
Accrued expenses	1,035	2,330
Net Cash Flows from Operating Activities	$ 136,878	$ 25,242

See accompanying footnotes and independent auditor's report.

NOTE 1 - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Adamson Rural Water District No. 8 is a political subdivision of the State of Oklahoma organized on February 27, 1981 with its offices located in Pittsburg County, Oklahoma. The purpose of the District is to provide a waterworks and distribution system for the use and benefit of its members.

Basis of Accounting

The financial statements of the District are prepared using the modified cash basis of accounting where revenues are recognized when received and expenses are recognized when paid. Other modifications to the cash basis of accounting include recording depreciation on property and equipment and accruing for payroll taxes. This is a comprehensive basis of accounting other than generally accepted accounting principles.

The District's financial statements are prepared using a method other than generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. Although the District had the option to apply FASB pronouncements issued after that date to its business-type activities and enterprise funds, it has chosen not to do so.

Cash and Cash Equivalents

For the purposes of preparing the statement of cash flows, cash on hand, cash in savings and checking, and certificates of deposit with an original maturity of three months or less, are considered cash equivalents.

Funds on Deposits

Money Market Account, The Bank, N.A. – A depository account for excess funds from the Operating & Maintenance Account.

Operating & Maintenance Account, First National Bank & Trust Company – The gross revenues of the District are deposited to this account and the bills are generally paid.

Treasury Fund Savings Account, BancFirst – A depository account for excess funds from the Operating & Maintenance Account.

Certificate of deposits, Bank of Kiowa – Two certificate of deposits accounts for $100,000 per CD.

Property and Equipment

Property and equipment are recorded at cost, with depreciation provided on a straight-line method over the estimated useful lives of the assets.

Income Tax

As a political subdivision of the State of Oklahoma, the District is exempt from income taxes.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that effect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Vacation, Sick Leave, and Other Compensated Absences

The District has written policies for full-time employees to be entitled to annual leave which may not be carried over from one year to the next. Employees of the District shall be granted 24 hours of sick leave during the first six months of employment. The first working day after six month's employment, the employee shall earn a total of (7) seven hours of sick leave per month until a maximum of 84 hours has been obtained. Sick leave may be carried over from year to year but 84 hours is the total accruable amount. When terminating employment with the District, an employee may not collect payment of the accrued sick leave.

NOTE 2 – LONG TERM DEBT

The District had no debt as of October 31, 2020 or 2019.

NOTE 3 - CONCENTRATION OF CREDIT RISK

The District maintains deposits at First National Bank & Trust, BancFirst, First Bank of Kiowa and The Bank, NA. The Federal Deposit Insurance Corporation insures deposits up to $250,000 at each institution for all demand deposit accounts and up to $250,000 at each institution for all time and savings accounts. Cash balances totaled $580,215 as of October 31, 2020 and $458,194 in 2019. The District did not maintain any coverage in addition to the amounts from FDIC, however, all funds appeared to be covered by FDIC coverage in 2020 and in 2019 the cash in the operating account was under-insured by $6,362.

NOTE 4 - PROPERTY AND EQUIPMENT

	Cost	Additions/ Deletions	Accumulated Depreciation	Book Value 10/31/2020	Book Value 10/31/2019
Water Plant	3,032,185	15,921	(2,181,856)	866,250	932,256
Building Improvement	22,350	-	(9,933)	12,417	13,907
Field Equipment	93,113	-	(90,697)	2,416	17,765
Office Equipment	12,224	-	(11,782)	442	695
Trucks/Equipment	184,072	-	(174,508)	9,564	15,808
	3,343,944	15,921	(2,468,776)	891,089	980,431

NOTE 5 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through the date on which the financial statements were available for issue and identified no significant events or transactions to disclose.

NOTE 6 – WATER RATES

Effective January 1, 2020

	Residential Customers	Commercial Customers
0 to 1,000 Gallons	$20.00	$50.50
Next 1,000 Gallons	$9.00	$10.00
Next 1,000 Gallons	$9.25	$10.25
Next 1,000 Gallons	$9.50	$10.50
Next 1,000 Gallons	$9.75	$10.75
Next 1,000 Gallons	$10.00	$11.00
Next 1,000 Gallons	$10.25	$11.25
Next 1,000 Gallons	$10.50	$11.50
Next 1,000 Gallons	$10.75	$11.75
Next 1,000 Gallons	$11.00	$12.00
Next 1,000 Gallons	$11.25	$12.25
Next 1,000 Gallons	$11.50	$12.50
Next 1,000 Gallons	$11.75	$12.75
Next 1,000 Gallons	$12.00	$13.00
Next 1,000 Gallons	$12.25	$13.25
Next 1,000 Gallons	$12.50	$13.50
Next 1,000 Gallons	$12.75	$13.75
Next 1,000 Gallons	$13.00	$14.00
Next 1,000 Gallons	$13.25	$14.25
Next 1,000 Gallons	$13.50	$14.50
Next 1,000 Gallons	$13.75	$14.75
Next 4,000 Gallons	$14.75	$15.75
Next 5,000 Gallons	$15.75	$16.75
Next 5,000 Gallons	$16.75	$17.75
Next 5,000 Gallons	$17.75	$18.75
Next 10,000 Gallons	$18.75	$19.75
All over 50,000 Gallons	$19.75	$20.75

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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
Adamson Rural Water District No. 8
Pittsburg County, 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, the financial statements of the business-type activities of Adamson Rural Water District No. 8 (the "District"), as of and for the years ended October 31, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated July 19, 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 opinions 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.

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.

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. Given these limitations, during our audit we 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 from 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.

Clothier & Company, CPA's, P.C.
July 19, 2021