

# AUDIT REPORT

DELAWARE COUNTY RURAL WATER, SEWER, GAS AND  
SOLID WASTE MANAGEMENT DISTRICT NO. 7

AUGUST 31, 2018



## KERSHAW CPA & ASSOCIATES, PC

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DELAWARE COUNTY RURAL WATER, SEWER, GAS  
AND SOLID WASTE MANAGEMENT DISTRICT NO. 7  
AUGUST 31, 2018

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DELAWARE COUNTY RURAL WATER, SEWER, GAS  
AND SOLID WASTE MANAGEMENT DISTRICT NO. 7  
AUGUST 31, 2018

BOARD OF DIRECTORS

<u>NAME</u>	<u>POSITION</u>	<u>TERM EXPIRATION</u>
JO ADAMS	CHAIRMAN	NOVEMBER 2020
JOHN VENNEMAN	CO-CHAIRMAN	NOVEMBER 2018
CINDY DAVISON	SECRETARY	NOVEMBER 2019
LARRY HARRIS	TREASURER	NOVEMBER 2019
MATT MATHEWS	MEMBER	NOVEMBER 2020

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Delaware County Rural Water, Sewer, Gas  
and Solid Waste Management District No. 7

### *Report on the Financial Statements*

We have audited the accompanying financial statements of Delaware County Rural Water, Sewer, Gas and Solid Waste Management District No. 7, as of and for the fiscal year ended August 31, 2018, as listed in the table of contents 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 the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and in accordance with Oklahoma Statutes. 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.

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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 Delaware County Rural Water, Sewer, Gas and Solid Waste Management District No. 7 as of August 31, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

## *Other Matters*

### *Required Supplementary Information*

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

### *Supplementary and Other Information*

The introductory and the other supplementary information sections listed in the accompanying table of contents are presented for the purpose of additional analysis and are not a required part of the basic financial statements of the District. Such additional information has not been subjected to the auditing procedures applied in our 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 February 7, 2019, on our consideration of the Delaware County Rural Water, Sewer, Gas and Solid Waste Management District No. 7'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 solely to describe the scope of our

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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 Delaware County Rural Water, Sewer, Gas and Solid Waste Management District No. 7'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 Delaware County Rural Water, Sewer, Gas and Solid Waste Management District No. 7's internal control over financial reporting and compliance.

*Kershaw CPA & Associates, P.C.*

Kershaw, CPA & Associates, PC

February 7, 2019

DELAWARE COUNTY RURAL WATER, SEWER, GAS  
AND SOLID WASTE MANAGEMENT DISTRICT NO. 7  
STATEMENT OF NET POSITION  
AUGUST 31, 2018

	Total 2018	Total (Memo Only) 2017
<b><u>ASSETS</u></b>		
<b><u>Current Assets:</u></b>		
Cash in Bank	\$ 68,765	\$ 39,256
Investments	391,148	374,005
Accounts Receivable	22,843	25,316
Accrued Interest Receivable	152	123
Prepaid Insurance	1,647	1,798
Total Current Assets	484,555	440,498
<b><u>Restricted Assets:</u></b>		
Investments	-	12,504
Total Restricted Assets	-	12,504
<b><u>Capital Assets:</u></b>		
Water System	399,468	399,468
Equipment	15,508	15,508
Building	5,448	5,448
Less: Accumulated Depreciation	(246,294)	(236,039)
Total Capital Assets	174,130	184,384
<b>TOTAL ASSETS</b>	<b>658,685</b>	<b>637,386</b>
<b><u>LIABILITIES</u></b>		
<b><u>Current Liabilities:</u></b>		
Accounts Payable	11,440	12,839
Meter Deposits	18,709	18,259
Accrued Interest	-	-
Current Portion of Long-Term Debt	-	-
Total Current Liabilities	30,149	31,098
<b><u>Long-Term Liabilities:</u></b>		
Notes Payable	-	-
TOTAL LIABILITIES	30,149	31,098
<b><u>NET POSITION</u></b>		
Net investment in capital assets	174,130	184,384
Restricted for debt service	-	12,504
Unrestricted	454,407	409,400
<b>TOTAL NET POSITION</b>	<b>\$ 628,536</b>	<b>\$ 606,289</b>

See Accountant's Audit Report & Notes Which Accompany These Financial Statements

**DELAWARE COUNTY RURAL WATER, SEWER, GAS  
AND SOLID WASTE MANAGEMENT DISTRICT NO. 7  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
FOR THE FISCAL YEAR ENDED AUGUST 31, 2018**

	<u>Total August 31, 2018</u>	<u>Total (Memo Only) August 31, 2017</u>
<b><u>Operating Revenues:</u></b>		
Water Sales	\$ 214,440	\$ 205,607
Membership Fees	3,800	1,900
Other Income (Late Charges, Transfer Fees, Etc...)	1,175	1,408
Total Operating Revenues	<u>219,415</u>	<u>208,915</u>
<b><u>Operating Expenses:</u></b>		
Water Purchased	126,091	113,674
Billing Service	-	-
Maintenance - Labor	24,061	23,872
Maintenance - Materials	5,887	12,210
Director Fees	2,655	2,925
Professional Fees	2,585	3,800
Insurance	2,347	2,799
Testing and Permits	1,980	1,774
Postage	1,675	1,767
Office Expense	1,927	1,234
Office - Labor	20,451	19,728
Miscellaneous	1,124	538
Utilities	389	381
Meetings and Training	230	222
Dues	402	-
Depreciation & Amortization	10,255	10,206
Total Operating Expenses	<u>202,058</u>	<u>195,130</u>
Operating Income (Loss)	17,357	13,785
<b><u>Non-Operating Revenues (Expenses):</u></b>		
Interest Income	4,890	5,299
Interest Expense	-	(184)
Total Non-operating Revenues (Expenses)	<u>4,890</u>	<u>5,115</u>
Net Income (Loss) Before Contributions	22,247	18,900
Capital Contributions	-	-
Change in Net Position	22,247	18,900
Total Net Position - Beginning	606,289	587,389
Total Net Position - Prior Year Adjustment	-	-
Total Net Position - Ending	<u>\$ 628,536</u>	<u>\$ 606,289</u>

See Accountant's Audit Report & Notes Which Accompany These Financial Statements



DELAWARE COUNTY RURAL WATER, SEWER, GAS  
AND SOLID WASTE MANAGEMENT DISTRICT NO. 7  
STATEMENT OF CASH FLOWS  
FOR THE FISCAL YEAR ENDED AUGUST 31, 2018

	<u>8/31/18</u>	<u>Memorandum Only 8/31/17</u>
<b><u>Cash Flows from Operating Activities:</u></b>		
Receipts from Customers	\$ 221,888	\$ 213,164
Payments to Suppliers for Goods & Services	(148,539)	(141,339)
Payments to Employees & Laborers	(44,512)	(43,601)
Net Meter Deposits received less Deposits Refunded	450	400
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>29,287</b>	<b>28,625</b>
<b><u>Cash Flows from Capital &amp; Related Financing Activities:</u></b>		
Additions to Capital Assets	-	(688)
Proceeds from sale of Capital Assets	-	-
Principal paid on Debt	-	(8,146)
Interest paid on Debt	-	(190)
<b>Net Cash Provided (Used) by Capital &amp; Related Financing Activities</b>	<b>-</b>	<b>(9,024)</b>
<b><u>Cash Flows from Investing Activities:</u></b>		
Investments in Certificate of Deposit	(17,143)	(5,107)
Interest Income	4,861	5,326
<b>Net Cash Provided (Used) by Investing Activities</b>	<b>(12,282)</b>	<b>219</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>17,004</b>	<b>19,820</b>
<b>Cash &amp; Cash Equivalents, Beginning of Year</b>	<b>39,256</b>	<b>19,436</b>
<b>Cash &amp; Cash Equivalents, Prior Year Adjustment</b>	<b>-</b>	<b>-</b>
<b>Cash &amp; Cash Equivalents, End of Year</b>	<b>\$ 56,261</b>	<b>\$ 39,256</b>
<b><u>Reconciliation of operating income (loss) to net cash provided operating activities:</u></b>		
Operating Income (Loss)	\$ 17,357	\$ 13,785
<b>Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities</b>		
Depreciation	10,255	10,206
(Increase)Decrease in Accounts Receivable	2,473	4,249
(Increase)Decrease in Prepaid Expenses	151	22
Increase(Decrease) in Accounts Payable	(1,399)	(37)
Increase(Decrease) in Meter Deposits	450	400
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>\$ 29,287</b>	<b>\$ 28,625</b>

See Accountant's Audit Report & Notes Which Accompany These Financial Statements

DELAWARE COUNTY RURAL WATER, SEWER, GAS  
AND SOLID WASTE MANAGEMENT DISTRICT NO. 7  
NOTES TO FINANCIAL STATEMENTS  
AUGUST 31, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Delaware County Rural, Water, Sewer, Gas and Solid Waste Management District No. 7 was created August 20, 1990, for the establishment and operation of a water distribution system for an area located northeast of Ketchum, Oklahoma. The activities of the District constitute the entire reporting entity. There are no component or oversight units. The District is a political subdivision of the state of Oklahoma.

B. Basis of Presentation

The accounts of the District are organized on the basis of proprietary fund type, specifically an enterprise fund. The activities of this fund are accounted for with a separate set of self-balancing accounts that comprise the District's assets, liabilities, net assets, revenues and expenses. Enterprise Funds account for activities (1) that are financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity; or (2) that are required by laws or regulations that the activity's costs of providing services, including capital costs (such as depreciation or debt service), be recovered with fees and charges, rather than with taxes or similar revenues; or (3) that the pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs (such as depreciation or debt service).

C. Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. The District uses the accrual basis of accounting, which is in accordance with U.S. generally accepted accounting principles. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

D. Budgetary Data

In accordance with the By-laws of the District, an annual budget is prepared for internal bookkeeping purposes.

DELAWARE COUNTY RURAL WATER, SEWER, GAS  
AND SOLID WASTE MANAGEMENT DISTRICT NO. 7  
NOTES TO FINANCIAL STATEMENTS  
AUGUST 31, 2018

E. Financial Position

Cash & Cash Equivalents

For the purpose of financial reporting, "cash & cash equivalents" includes all demand and savings accounts and certificates of deposit or short-term investments with an original maturity of three months or less.

Investments

Investments classified in the financial statements consist entirely of certificates of deposit whose original maturity term exceeds three months. Investments are carried at cost, which approximates fair value.

Capital Assets

The District's capital assets are stated at cost. Depreciation is computed using the straight-line method over the estimated useful life of the assets. Expenditures for major renewals and betterments which extend the useful lives of the fixed assets are capitalized. Expenditures for maintenance and repairs are expensed as incurred. All construction period interest and financing cost were capitalized as part of the construction costs.

<u>Class of Asset</u>	<u>Estimated Useful Life</u>
Water Distribution Systems	40 years
Buildings	40 years
Equipment	7 years

Capitalization Policy

Purchases of capital items in excess of \$150.00 that increase the capacity or operation efficiency or extend the useful life of any asset are capitalized. Repairs and maintenance are expensed as incurred.

Long-Term Debt

Long-term debt is reported at face value, net of applicable discounts and deferred loss on refunding. Costs related to the issuance of debt are deferred and amortized over the lives of various debt issues.

DELAWARE COUNTY RURAL WATER, SEWER, GAS  
AND SOLID WASTE MANAGEMENT DISTRICT NO. 7  
NOTES TO FINANCIAL STATEMENTS  
AUGUST 31, 2018

Equity Classification

Equity is classified as net position and displayed in three components:

1. Net investment in capital assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets and adjusted for any deferred inflows and outflows of resources attributable to capital assets and related debt.
2. Restricted – Consists of restricted assets reduced by liabilities and deferred inflows or resources related to those assets, with restriction constraints placed on the use either by (a) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (b) law through constitutional provisions or enabling legislation.
3. Unrestricted - Net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

It is the District's policy to first use restricted net resources prior to the use of unrestricted net resources when an expense is incurred for purposes for which both restricted and unrestricted net resources are available.

F. Revenues, expenditures & expenses

Operating revenues and expenses for proprietary funds result from providing services and producing and delivering goods and/or services. They also include all revenues and expenses not related to capital and related financing, noncapital financing, or investing activities.

G. Memorandum Only

The "Memorandum Only" captions above the total columns mean that totals are presented for overview information purposes only.

DELAWARE COUNTY RURAL WATER, SEWER, GAS  
AND SOLID WASTE MANAGEMENT DISTRICT NO. 7  
NOTES TO FINANCIAL STATEMENTS  
AUGUST 31, 2018

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

As a local government unit, the District is subject to various federal, state, and local laws and contractual regulations. In accordance with Government Auditing Standards, the auditor has issued a report on his consideration of the District's internal control over financial reporting and tested its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in compliance with Government Auditing Standards and should be read in conjunction with this report in considering the results of the audit.

Finance-related Legal & Contractual Provisions

The reserve requirement for the USDA Note Payable is \$12,504.00, which the District has set aside in a restricted investment (certificate of deposit) account.

Deficit Fund Balance or Retained Earnings

As indicated in the financial statements, there are no fund balance or retained earnings deficits for the District for this fiscal year.

NOTE 3 - DEPOSITS AND INVESTMENTS

Custodial Credit Risk

At August 31, 2018, the District held deposits of approximately \$459,912 at financial institutions. The District's cash deposits, including interest-bearing certificates of deposit are covered by Federal Depository Insurance (FDIC) or direct obligation of the U.S. Government insured or collateralized with securities held by the District or by its agent in the District's name.

Investment Interest Rate Risk

The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Investment Credit Risk

The District has no policy that limits its investment choices other than the limitation of state law as follows:

- a. Direct obligations of the U.S. Government, its agencies and instrumentalities to which the full faith and credit of the U.S.

DELAWARE COUNTY RURAL WATER, SEWER, GAS  
AND SOLID WASTE MANAGEMENT DISTRICT NO. 7  
NOTES TO FINANCIAL STATEMENTS  
AUGUST 31, 2018

Government is pledged, or obligations to the payment of which the full faith and credit of the State is pledged.

- b. Certificates of deposits or savings accounts that are either insured or secured with acceptable collateral with in-state financial institutions, and fully insured certificates of deposit or savings accounts in out-of-state financial institutions.
- c. With certain limitation, negotiable certificates of deposit, prime bankers' acceptances, prime commercial paper and repurchase agreements with certain limitations.
- d. County, municipal or school district tax supported debt obligations, bond or revenue anticipation notes, money judgments, or bond or revenue anticipation notes of public trusts whose beneficiary is a county, municipality or school district.
- e. Notes or bonds secured by mortgage or trust deed insured by the Federal Housing Administrator and debentures issued by the Federal Housing Administrator, and in obligations of the National Mortgage Association.
- f. Money market funds regulated by the SEC and in which investments consist of the investments mentioned in the previous paragraphs (a.-d.).

NOTE 4 - RESTRICTED ASSETS

The loan agreement with the United States Department of Agriculture Rural Development (USDA) requires the District to set aside into a Reserve Account an accumulated amount equal to the sum of the annual installment (\$12,504), after which deposits may be suspended, except to replace withdrawals. The District cannot withdraw funds from the reserve account without USDA approval. As of August 31, 2018, the District was required to have at least \$12,504.00 set aside in the reserve account; as of that date the account balance for the reserve account was \$12,504.00, which complies with the covenants of the loan agreement.

The District has funds in a restricted account as required by their loan resolutions as follows:

	<u>August 31, 2018</u>	<u>August 31, 2017</u>
Certificate of deposit - reserve	\$ 12,504	\$ 12,504
	=====	=====

The loan with USDA was paid off during FYE August 31, 2017 and this restriction no longer applies.

DELAWARE COUNTY RURAL WATER, SEWER, GAS  
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NOTES TO FINANCIAL STATEMENTS  
AUGUST 31, 2018

NOTE 5 - CAPITAL ASSETS

Capital asset activity, for the fiscal year ended August 31, 2018, was as follows:

	Balance at 8/31/17	Additions	Deductions	Balance at 8/31/18
Water System	\$ 399,468	\$ -	\$ -	\$ 399,468
Equipment	15,508	-	-	15,508
Building	5,448	-	-	5,448
Subtotal	420,424	-	-	420,424
Less: Accum. Depr.	(236,039)	(10,255)	-	(246,294)
Total Capital Assets (Net of Depreciation)	<u>\$ 184,384</u>	<u>\$ (10,255)</u>	<u>\$ -</u>	<u>\$ 174,130</u>

NOTE 6 - LONG-TERM DEBT

The District currently has no long-term debt.

Changes in Long-Term Debt

The following is a summary of changes in long-term debt for the year ended August 31, 2018:

	Balance at 8/31/17	Additions	Deductions	Balance at 8/31/18
Rural Development Loan	\$ -	\$ -	\$ -	\$ -
Total Long-Term Debt	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Debt Services Requirements to Maturity

The annual debt service requirements to maturity, including principal and interest, for long-term debt, as of August 31, 2018, are as follows:

Year Ended August 31,	Principal	Interest	Annual Payment
2019	\$ -	\$ -	\$ -
2020	-	-	-
2021	-	-	-
2022	-	-	-
2023	-	-	-
2024-2028	-	-	-
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

DELAWARE COUNTY RURAL WATER, SEWER, GAS  
AND SOLID WASTE MANAGEMENT DISTRICT NO. 7  
NOTES TO FINANCIAL STATEMENTS  
AUGUST 31, 2018

NOTE 7 - FUND EQUITY

As described in Note 1 above, equity is classified as net position and displayed in three components:

1. Net investment in capital assets
2. Restricted
3. Unrestricted

The restricted net position includes amounts related to Note 4 above.

NOTE 8 - CONTINGENCIES

Litigation

The District currently has no pending litigation.

Federally Assisted Programs

In the normal course of operations, the District participates in various federal or state/loan programs from year to year. The grant/loan programs are often subject to additional audits by agents of the granting or loaning agency, the purpose of which is to ensure compliance with the specific conditions of the grant or loan. Any liability of reimbursement that may arise as a result of these audits cannot be reasonably determined at this time, although it is believed the amount, if any, would not be material.

NOTE 9 - SUBSEQUENT EVENTS

The District did not have any subsequent events through February 7, 2019, which is the date the financial statements were issued, for events requiring recording or disclosure in the financial statements for the year ending August 31, 2018.



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## 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 Directors  
Delaware County Rural Water, Sewer, Gas  
and Solid Waste Management District No. 7

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, and in accordance with Oklahoma Statutes, the financial statements of the Delaware County Rural Water, Sewer and Solid Waste Management District No. 7, as of and for the year ended August 31, 2018, and the related notes to the financial statements, and have issued our report thereon dated February 7, 2019. Management has omitted the MD&A required by accounting principles generally accepted in the United States of America.

### Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Delaware County Rural Water, Sewer and Solid Waste Management District No. 7'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 Delaware County Rural Water, Sewer and Solid Waste Management District No. 7's internal control. Accordingly, we do not express an opinion on the effectiveness of Delaware County Rural Water, Sewer and Solid Waste Management District No. 7'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 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

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significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control described in the accompanying Schedule of Finding listed as Item 18-01 that we consider to be significant deficiencies.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Delaware County Rural Water, Sewer and Solid Waste Management District No. 7's financial statements are free of material misstatement, we performed tests of 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*.

## Delaware County Rural Water, Sewer and Solid Waste Management District No. 7's Response to Findings

Delaware County Rural Water, Sewer and Solid Waste Management District No. 7's response to the findings identified in our audit is described in the accompanying Schedule of Findings. Delaware County Rural Water, Sewer and Solid Waste Management District No. 7's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

## 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.

*Kershaw CPA & Associates, P.C.*

Kershaw, CPA & Associates, PC

February 7, 2019

DELAWARE COUNTY RURAL WATER, SEWER, GAS  
AND SOLID WASTE MANAGEMENT DISTRICT NO. 7  
SCHEDULE OF FINDINGS  
AUGUST 31, 2018

Item 18-01: Meter Deposits

Criteria: It is the responsibility of the District to properly report and account for the financial information.

Condition: The Meter Deposit Control Account has not been accurately posted with all transactions during the year.

Cause/Effect: Customers could potentially not receive proper reimbursement on their deposit and the organization's balance sheet could be incorrect with respect to the deposit account.

Recommendation: All deposit refunds and final bills should be accurately posted to reconcile the account at yearend. A Meter Deposit Ledger should be maintained so that an accurate liability amount can be reported. The District should also maintain a reserved bank account to be used for refunding meter deposits.

Response: The District is aware of the situation.