

**BRYAN COUNTY RURAL WATER, SEWER AND SOLID
WASTE MANAGEMENT DISTRICT #6,
BRYAN COUNTY, OKLAHOMA
AUDITED FINANCIAL STATEMENTS
DECEMBER 31, 2017**



**BRYAN COUNTY RURAL WATER, SEWER AND SOLID
WASTE MANAGEMENT DISTRICT #6,
BRYAN COUNTY, OKLAHOMA**

DECEMBER 31, 2017

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Independent Auditor's Report

To the Board of Directors
Bryan County Rural Water, Sewer and Solid Waste Management District #6
Caddo, Oklahoma

Report on the Financial Statements

We have audited the accompanying financial statements of the Bryan County Rural Water, Sewer and Solid Waste Management District #6 (the District), as of and for the years ended December 31, 2017 and 2016, and the related notes to the 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 audits. We conducted our audits 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 audits 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 District'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 District'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 account 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 Bryan County Rural Water, Sewer and Solid Waste Management District #6 as of December 31, 2017 and 2016, and the respective changes in financial position and cash flows thereof for the years then ended in accordance 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 statement in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 20, 2018, 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 to describe the scope of our testing of internal control over financial reporting or on compliance and the results of that testing and not to provide an opinion on 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.



Przybysz & Associates, CPAs, P.C.
Fort Smith, Arkansas
March 20, 2018

FINANCIAL STATEMENTS

**BRYAN COUNTY RURAL WATER, SEWER AND SOLID
WASTE MANAGEMENT DISTRICT #6,
BRYAN COUNTY, OKLAHOMA**

STATEMENT OF NET POSITION

AS OF DECEMBER 31,	2017	2016
Assets		
Current Assets		
Cash and cash equivalents	\$ 254,549	\$ 299,454
Restricted investments	103,978	100,280
Accounts receivable	34,477	30,635
Inventory	10,000	10,000
Prepaid insurance	3,751	3,473
Total Current Assets	406,755	443,842
Noncurrent Assets		
Capital Assets		
Land	31,430	25,780
Buildings and improvements	71,914	71,914
Water distribution system and improvements	2,457,086	2,457,086
Machinery and equipment	113,094	65,008
Construction in process	23,730	-
Total Capital Assets	2,697,254	2,619,788
Less: accumulated depreciation	1,163,143	1,072,389
Net Capital Assets	1,534,111	1,547,399
Total Assets	1,940,866	1,991,241
Liabilities		
Current Liabilities		
Accounts payable	7,377	4,308
Payroll taxes and other withholdings payable	3,748	4,421
Accrued interest	11,723	11,976
Current maturity of long-term debt	25,000	20,000
Total Current Liabilities	47,848	40,705
Long-Term Debt, Net of Unamortized Bond Discounts	823,854	848,123
Total Liabilities	871,702	888,828
Net Position		
Net investment in capital assets	685,257	679,276
Restricted	180,937	88,304
Unrestricted	202,970	334,833
Total Net Position	\$ 1,069,164	\$ 1,102,413

See accompanying notes.

**BRYAN COUNTY RURAL WATER, SEWER AND SOLID
WASTE MANAGEMENT DISTRICT #6,
BRYAN COUNTY, OKLAHOMA**

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

FOR THE YEARS ENDED DECEMBER 31,	2017	2016
Operating Revenue		
Metered water sales, net of bad debts	\$ 342,675	\$ 334,983
Reimbursement for supplies provided	507	2,432
Membership fees	15,325	10,050
Other	670	7,137
Total Operating Revenue	359,177	354,602
Operating Expenses		
Contract labor	3,940	5,000
Dues and memberships	180	1,541
Employee benefits	29,656	24,736
Fuel and oil	10,287	6,656
Insurance	14,589	12,656
Miscellaneous	348	1,739
Office expense	5,678	6,883
Payroll taxes	10,364	8,283
Permits and fees	4,902	2,514
Postage	2,800	2,988
Professional fees	9,452	-
Salaries and wages	125,820	103,501
Supplies	20,031	30,740
Telephone	7,232	4,720
Trustee fees	2,000	2,000
Utilities	10,597	10,253
Vehicle expense	4,733	6,656
Depreciation	90,754	80,390
Total Operating Expenses	353,363	311,256
Operating Income	5,814	43,346
Nonoperating Revenue (Expenses)		
Interest and dividend income	293	119
Proceeds from sale of asset	8,000	-
Grant income	-	99,999
Interest expense	(47,356)	(48,357)
Total Net Nonoperating Revenue (Expenses)	(39,063)	51,761
Change in Net Position	(33,249)	95,107
Net Position at Beginning of Year	1,102,413	1,007,306
End of the Year Net Position	\$ 1,069,164	\$ 1,102,413

See accompanying notes.

**BRYAN COUNTY RURAL WATER, SEWER AND SOLID
WASTE MANAGEMENT DISTRICT #6,
BRYAN COUNTY, OKLAHOMA**

STATEMENT OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31,	2017	2016
Cash Flows From Operating Activities		
Cash receipts from customers	\$ 355,335	\$ 349,821
Cash payments to suppliers for goods and services	(134,671)	(125,507)
Cash payments to employees for services	(125,820)	(103,501)
Net Cash Provided By Operating Activities	94,844	120,813
Cash Flows from Capital and Related Financing Activities		
Grant proceeds	-	99,999
Proceeds from sale of asset	8,000	-
Acquisition of capital assets	(77,466)	(160,911)
Principal paid on debt	(20,000)	(20,000)
Interest paid on debt	(46,878)	(47,877)
Net Cash Used In Capital and Related Financing Activities	(136,344)	(128,789)
Cash Flows From Investing Activities		
Net investment activity	(3,698)	515
Interest and dividend income	293	119
Net Cash Provided (Used) By Investing Activities	(3,405)	634
Net Decrease in Cash and Cash Equivalents	(44,905)	(7,342)
Cash and Cash Equivalents at Beginning of Year	299,454	306,796
Cash and Cash Equivalents at End of Year	\$ 254,549	\$ 299,454
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Net income from operations	\$ 5,814	\$ 43,346
Adjustments to reconcile net income to net cash from operating activities:		
Depreciation	90,754	80,390
Net change in assets and liabilities		
Accounts receivable	(3,842)	(926)
Prepaid insurance	(278)	262
Accounts payable	3,069	232
Payroll taxes and other withholdings payable	(673)	536
Net Cash Provided by Operating Activities	\$ 94,844	\$ 123,840

See accompanying notes.

BRYAN COUNTY RURAL WATER, SEWER AND SOLID WASTE MANAGEMENT DISTRICT #6, BRYAN COUNTY, OKLAHOMA

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

Nature of Business

Bryan County Rural Water, Sewer and Solid Waste Management District Number 6, Bryan County Oklahoma (the District) was formed on January 28, 1994 for the purpose of supplying water and sewer services to the residents of rural Bryan County, Oklahoma.

1. Summary of Significant Accounting Policies

a. Financial Reporting

The accompanying financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting and reflect transactions on behalf of the District. The District accounts for its operations as an enterprise fund.

The financial statements of the Department have been prepared in accordance with generally accepted accounting principals (GAAP) in the United States. GAAP statements include all relevant Governmental Accounting Standards Board (GASB) pronouncements. The Department implemented GASB Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in *Pre-November 30, 1989, FASB and AICPA Pronouncements*. This pronouncement incorporates the FASB, APB, and ARB pronouncements issued on or before November 30, 1989, which do not conflict with or contradict GASB pronouncements. The implementation of this pronouncement had no significant effect on the financial statements.

b. Income Taxes

The District is exempt from income taxes as a governmental agency.

c. Cash Equivalents

For purposes of the statement of cash flows, the District considers all highly liquid debt instruments with a maturity of three months or less when purchased to be cash equivalents excluding restricted cash.

**BRYAN COUNTY RURAL WATER, SEWER AND SOLID
WASTE MANAGEMENT DISTRICT #6,
BRYAN COUNTY, OKLAHOMA**

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

1. Summary of Significant Accounting Policies (Continued)

d. Investments

The District's investments are recorded at fair value.

Accounting principles generally accepted in the United States establish a fair value hierarchy for determining and measurement of fair value. The hierarchy is based on the type of valuation inputs needed to measure the fair value of an asset. The hierarchy is generally as follows:

Level 1: Quoted prices in active markets for identical assets or liabilities as of the reporting date.

Level 2: Pricing inputs other than quoted prices included in Level 1, which are either directly observable or that can be derived or supported from observable data as of the reporting date.

Level 3: Pricing inputs include those that are significant to the fair value of the financial asset or financial liability and are generally less observable from objective sources. These inputs may be used with internally developed techniques that result in management's best estimate of fair value.

e. Accounts Receivable

Uncollectible accounts receivable are charged directly against earnings when they are determined to be uncollectible. Use of this method does not result in a material difference from the valuation method required by generally accepted accounting principles.

f. Inventories

Inventory consists of supplies and repair parts for the operation and maintenance of plant and equipment. The amount recorded in these financial statements is estimated at cost using the first-in, first-out method or market.

g. Prepaid Expenses

Payments made to vendors for services that will benefit future periods are recorded as prepaid expenses using the consumption method by recording a current asset for the prepaid amount at the time of purchase and reflecting the expense in the year which services are consumed.

**BRYAN COUNTY RURAL WATER, SEWER AND SOLID
WASTE MANAGEMENT DISTRICT #6,
BRYAN COUNTY, OKLAHOMA**

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

1. Summary of Significant Accounting Policies (Continued)

h. Capital Outlays and Depreciation

Capital outlays of the District are recorded at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Expenditures for maintenance, repairs and renewals of relatively minor items are charged to expense as incurred. The estimated useful lives of the assets are as follows:

	<u>Life</u>
Buildings and improvements	10-40 years
Water distribution system and improvements	20-40 years
Machinery and equipment	5-7 years

It is the District's policy to capitalize assets purchased for \$500 or more and to expense assets purchased for less than \$500.

i. Unamortized Bond Premium and Discount

Bond premiums and discounts are amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of applicable bond premiums or discounts. Bond issuance costs are reported as an expense of the current period.

j. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

k. Compensated Absences

Employees of the District do not accrue vacation or sick leave since it is the District's policy not to do so. Therefore, no provision has been made for such.

l. Reclassifications and Prior Year Restatement

Certain 2016 amounts have been reclassified in order to conform with the 2017 financial statement presentation.

**BRYAN COUNTY RURAL WATER, SEWER AND SOLID
WASTE MANAGEMENT DISTRICT #6,
BRYAN COUNTY, OKLAHOMA**

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

2. Cash Deposits

The District maintains its operating bank accounts in one local financial institution. The Federal Deposit Insurance Corporation ("FDIC") insures accounts at this institution. At December 31, 2017 the District had uninsured deposits of \$4,101. The District does not believe that there is any significant risk associated with the concentrations of credit nor has the District experienced any losses in such accounts.

3. Restricted Funds And Required Accounts

Certain resources of the District are classified as restricted assets on the statement of net position. These funds are maintained in separate accounts and their use is limited applicable bond covenants.

Restricted investments are comprised of the following:

As of December 31, 2016	2017	2016
2007 Series revenue bond sinking fund	\$ 1	\$ -
2007 Series revenue bond fund	31,880	28,340
2007 Series revenue bonds debt service reserve	72,097	71,940
Total	\$ 103,978	\$ 100,280

4. Investments

The Department's investments in securities are stated at fair market value and consist of the following:

As of December 31, 2017	Cost	Market Value
<u>Sinking Fund</u>		
MSILF Govt #8352	\$ 1	\$ 1
<u>Bond Fund</u>		
MSILF Govt #8352	31,880	31,880
<u>Debt Service Reserve Fund</u>		
MSILF Govt #8352	72,097	72,097
Total	\$ 103,978	\$ 103,978

**BRYAN COUNTY RURAL WATER, SEWER AND SOLID
WASTE MANAGEMENT DISTRICT #6,
BRYAN COUNTY, OKLAHOMA**

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

4. Investments (continued)

As of December 31, 2016	Cost	Market Value
Bond Fund		
Federated Government Oblig Fund #703	\$ 28,340	\$ 28,340
Debt Service Reserve Fund		
Federated Government Oblig Fund #703	71,940	71,940
Total	\$ 100,280	\$ 100,280

Fair Value Disclosures

The following table represents the Department's investments that are measured at fair value on a recurring basis at December 31, 2017:

	Level 1	Level 2	Level 3	Total
MSILF Govt #8352	\$ 103,978	\$ -	\$ -	\$ 103,978
Total	\$ 103,978	\$ -	\$ -	\$ 103,978

5. Capital Assets

Activity of capital assets consists of the following:

	January 1, 2017	Additions	Deletions/ Transfers	December 31, 2017
Land	\$ 25,780	\$ 5,650	\$ -	\$ 31,430
Buildings and improvements	71,914	-	-	71,914
Water distribution system and improvem	2,457,086	-	-	2,457,086
Machinery and equipment	65,008	48,086	-	113,094
Construction in process	-	23,730	-	23,730
Total	\$ 2,619,788	\$ 77,466	\$ -	\$ 2,697,254

	January 1, 2016	Additions	Deletions/ Transfers	December 31, 2016
Land	\$ 25,780	\$ -	\$ -	\$ 25,780
Buildings and improvements	71,914	-	-	71,914
Water distribution system	2,300,888	156,198	-	2,457,086
Machinery and equipment	60,295	4,713	-	65,008
Total	\$ 2,458,877	\$ 160,911	\$ -	\$ 2,619,788

**BRYAN COUNTY RURAL WATER, SEWER AND SOLID
WASTE MANAGEMENT DISTRICT #6,
BRYAN COUNTY, OKLAHOMA**

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

6. Long-Term Debt

Long-term debt of the Department consists of:

As Of December 31,	2017	2016
Bryan County Rural Water, Sewer and Solid Waste Management District #6 Revenue Bonds - Series 2007. Issued in the aggregate amount of \$1,035,000 in April 2007 at interest rates ranging from 4.60% to 5.50%, due annually, on April 1. Interest is payable semi-annually with principal maturity paid from April 2008 through December 2037. Bonds are secured by property, other assets and revenues of the District.	\$ 860,000	\$ 880,000
Total	860,000	880,000
Less current maturities	25,000	20,000
Long-term debt	835,000	860,000
Less unamortized bond discounts	11,146	11,877
Long-Term Debt	\$ 823,854	\$ 848,123

Debt is scheduled to mature as follows:

December 31,	Principal	Interest	Total
2018	\$ 25,000	\$ 45,753	\$ 70,753
2019	25,000	44,503	69,503
2020	25,000	43,252	68,252
2021	25,000	42,002	67,002
2022	30,000	40,582	70,582
2023-2027	165,000	177,870	342,870
2028-2032	210,000	127,673	337,673
2033-2037	355,000	58,969	413,969
Total	\$ 860,000	\$ 580,604	\$ 1,440,604

**BRYAN COUNTY RURAL WATER, SEWER AND SOLID WASTE MANAGEMENT DISTRICT #6,
BRYAN COUNTY, OKLAHOMA**

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

6. Long-Term Debt (continued)

Activity of the long-term debt consists of the following:

	January 1, 2017	Debt Additions	Debt Retirements	December 31, 2017
2007 Series Revenue Bonds	\$ 880,000	\$ -	\$ 20,000	\$ 860,000
Total	\$ 880,000	\$ -	\$ 20,000	\$ 860,000

	January 1, 2016	Debt Additions	Debt Retirements	December 31, 2016
2007 Series Revenue Bonds	\$ 900,000	\$ -	\$ 20,000	\$ 880,000
Total	\$ 900,000	\$ -	\$ 20,000	\$ 880,000

7. Bond Discounts

Bond discount costs of \$21,927 incurred in connection with the issuance of the 2007 Series Revenue Bonds are being amortized over 30 years. Amortization of the bond discounts totaled \$731 and is included in interest and fees on long-term debt in the statement of activities. The unamortized portion is netted with total long-term debt.

8. Commitments and Contingencies

The Series 2007 Bryan County Rural Water, Sewer and Solid Waste Management District #6 Revenue Bonds require the District to maintain user rates sufficient to generate net earnings, as defined by the agreement to 110% of the debt service requirements. The revenue bonds contain specific requirements for annual debt service and various covenants which require the District to maintain various restricted investment accounts and to meet various other general requirements. The District is in compliance with all such significant financial covenants and restrictions at December 31, 2017.

9. Concentrations of Credit Risk

Financial instruments that potentially subject the District to credit risk consist primarily of accounts receivable. The receivables are from individuals located within the same geographic region.

**BRYAN COUNTY RURAL WATER, SEWER AND SOLID
WASTE MANAGEMENT DISTRICT #6,
BRYAN COUNTY, OKLAHOMA**

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

10. Risk Management

The District is exposed to various levels of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District carries commercial blanket coverage and worker's compensation for risk of loss.

There has been no significant reduction in the District's insurance coverage from the previous year. In addition there have been no settlements in excess of the District's coverage in any of the prior three fiscal years.

11. Subsequent Events

The District has evaluated events and transactions for subsequent events that would impact the financial statements for the year ended December 31, 2016 through March 20, 2018, the date the financial statements were available to be issued. There were no subsequent events that require recognition or disclosure in the financial statements.

ADDITIONAL REQUIRED REPORT



**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
Bryan County Rural Water, Sewer and Solid Waste Management District #6
Caddo, Arkansas

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 Bryan County Rural Water, Sewer and Solid Waste Management District #6 (the District), as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the District's financial statements, and have issued our report thereon dated March 20, 2018, which was modified to reflect the omission of the management's discussion and analysis.

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 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

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material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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 findings and responses as items 2017-001 and 2017-002 that we consider to be significant deficiencies.

Compliance and Other Matters

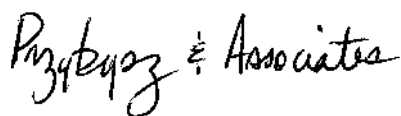
As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material 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*.

Bryan County Rural Water, Sewer and Solid Waste Management District #6 Response to Findings

Bryan County Rural Water, Sewer and Solid Waste Management District #6's responses to the findings identified in our audit is described in the accompanying schedule of findings and responses. The District's responses were 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

This 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 District's internal control or on compliance. This report is an integral part of the audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Przybysz & Associates, CPAs, P.C.
Fort Smith, Arkansas
March 20, 2018

**BRYAN COUNTY RURAL WATER, SEWER AND SOLID
WASTE MANAGEMENT DISTRICT #6,
BRYAN COUNTY, OKLAHOMA**

SCHEDULE OF FINDINGS AND RESPONSES

FOR THE YEAR ENDED DECEMBER 31, 2017

Findings - Financial Statement Audit - Current Year

2017-001 Internal Controls Over Financial Statement Preparation

Condition:

The District does not have sufficient internal controls over the preparation and review of the Generally Accepted Accounting Principles (GAAP) based financial statements and footnote disclosures. Management may fail to prevent or detect financial statement and footnote disclosure errors.

Criteria:

The District is required to maintain systems of controls and have trained personnel with the knowledge and expertise concerning Governmental Accounting Standards Board (GASB) pronouncements to prepare and/or review GAAP based financial statements and footnote disclosures.

Cause and Effect:

The District does not maintain systems of controls over the preparation of financial statements and footnote disclosures in accordance with GAAP. Management may fail to prevent or detect financial statement and footnote disclosure errors.

Recommendation:

The District should implement systems of internal controls, to the extent possible, regarding the preparation and/or review of GAAP based financial statements and footnote disclosures by trained personnel with knowledge of GASB pronouncements which ensures the statements and disclosures are free from errors.

Responsible Official's Comments and Plan of Action

Management will monitor the systems of internal controls relating to the preparation of the GAAP based financial statements and footnote disclosures and implement the corrective procedures to the extent possible.

**BRYAN COUNTY RURAL WATER, SEWER AND SOLID
WASTE MANAGEMENT DISTRICT #6,
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SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2017

Findings - Financial Statement Audit - Current Year (continued)

2017-002 Segregation of Duties

Condition:

The books and records of the District are maintained by a few individuals. Due to the lack of division of responsibility, internal control is determined to be weak.

Criteria:

A proper segregation of duties is an integral part of any internal control system. Ideally, duties should be segregated to prevent one person from being in a position to authorize, record, and maintain custody of assets. It is management's responsibility to develop policies, procedures, and oversight to mitigate the risk of misstatements due to error or fraud.

Cause and Effect:

Due to the limited number of personnel, a breach of internal controls could occur and not be detected in the normal course of business.

Recommendation:

If segregation of duties is not feasible, management and those charged with governance must develop, maintain and oversee, internal controls to mitigate the risk of misstatements caused by error or fraud.

Responsible Official's Comments and Plan of Action

The Board continues to be actively involved in the operations of the District.