

CHEROKEE COUNTY RURAL WATER DISTRICT NO. 8

TAHLEQUAH, OKLAHOMA

**AUDITED FINANCIAL STATEMENTS AND NOTES
For the year ended December 31, 2017 and 2018**

Audited by

**ROBERT ST. PIERRE CPA, P.C.
CERTIFIED PUBLIC ACCOUNTANT
1113 NORTH SECOND ST.
STILWELL, OK 74960**

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INDEPENDENT

AUDITOR'S

REPORTS

ROBERT ST. PIERRE C.P.A., P.C.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Cherokee County Rural Water District No. 8
Tahlequah, Oklahoma

Report on the Financial Statements

We have audited the accompanying financial statements Cherokee County Rural Water District No. 8 as of December 31, 2017 and 2018, and the related notes to the financial statements, which collectively comprise the District's financial statements as listed in the table of contents.

Managements Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principals 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 of 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. 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 purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluation 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 financial position of Cherokee County Rural Water District No. 8 as of December 31, 2017 and 2018, and the respective changes in financial position and cash flows for the year then ended in conformity with accounting principals generally accepted in the United States of America.

Other Matters

Required Supplementary Information

The Cherokee County Rural Water District No. 8 has not presented the management discussion and analysis that accounting principals generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have issued a report dated July 12, 2019, on our consideration of Cherokee County Rural Water District No. 8, internal controls over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants 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 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 Cherokee County Rural Water District No. 8 internal control over financial reporting and compliance



Robert St. Pierre C.P.A., P.C.
Certified Public Accountant
July 12, 2019

FINANCIAL

SECTION

CHEROKEE COUNTY RURAL WATER DISTRICT NO. 8
STATEMENT OF NET POSITION
DECEMBER 31, 2017 and 2018

ASSETS	2018	2017
CURRENT ASSETS:		
Cash in Bank (Note B)	\$ 111,508	\$ 100,364
Certificate of Deposit (Note B)	250,000	252,452
Accounts Receivable (net of allowance) Note C)	20,179	17,564
Prepaid Insurance	3,640	3,109
TOTAL CURRENT ASSETS	385,327	373,489
RESTRICTED ASSETS:		
Debt Service Fund (Note B)	35,785	36,193
Debt Service Reserve Fund (Note B)	71,669	70,893
TOTAL RESTRICTED ASSETS	107,454	107,086
FIXED ASSETS:		
Land (Note L)	2,000	2,000
Water System (Note L)	2,612,539	2,607,966
Vehicles (Note L)	52,100	39,600
Buildings and Equipment (Note L)	136,869	136,869
Accumulated Depreciation (Note L)	(962,657)	(887,479)
NET FIXED ASSETS	1,840,851	1,898,956
TOTAL ASSETS	2,333,632	2,379,531
LIABILITIES AND FUND EQUITY		
CURRENT LIABILITIES		
Accounts Payable	8,045	8,873
Payroll Taxes Payable	1,476	1,086
Current Portion of Bonds Payable (Note D)	15,000	15,000
Accrued Interest Payable	21,168	47,291
TOTAL CURRENT LIABILITIES	45,689	72,250
LONG TERM LIABILITIES		
Bonds Payable (Note D)	780,000	795,000
Discount on Bonds Payable	(16,806)	(18,508)
TOTAL LONG TERM LIABILITIES	763,194	776,492
TOTAL LIABILITIES	808,883	848,742
NET POSITION		
Invested in Capital Assets Net of Related Debt	1,062,657	1,107,464
Restricted Net Assets	107,454	107,086
Unrestricted	354,638	316,239
TOTAL NET POSITION	1,524,749	1,530,789
TOTAL LIABILITIES AND NET POSITION	\$ 2,333,632	\$ 2,379,531

CHEROKEE COUNTY RURAL WATER DISTRICT NO. 8
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2017 and 2018

	2018	2017
REVENUE:		
Water Sales	\$ 281,041	\$ 308,704
Other Operating Revenues	<u>5,405</u>	<u>7,498</u>
TOTAL OPERATING REVENUE	<u>286,446</u>	<u>316,202</u>
EXPENDITURES:		
Water Purchased	93,487	90,987
Labor-Manager and Meter Reader	54,174	47,679
Security	420	420
Professional Fees	4,296	3,700
Payroll Taxes	5,839	-
Travel	-	-
Automobile Expense	5,668	3,896
Bank Service Charges	3,234	2,345
Office Supplies	3,329	3,592
Postage & Delivery	2,297	2,498
Insurance	7,565	9,178
Licenses/Subscriptions/Dues	942	946
Repairs and Maintenance	6,202	5,844
Chemicals, Field Supplies & Testing	2,067	3,921
Utilities	12,885	11,972
Miscellaneous	1,567	1,067
Amortization	1,702	1,702
Depreciation	<u>75,178</u>	<u>74,453</u>
TOTAL OPERATING EXPENDITURES	<u>280,852</u>	<u>264,200</u>
NET INCOME FROM OPERATIONS	<u>5,594</u>	<u>52,002</u>
OTHER INCOME (EXPENDITURES):		
Interest Income	5,138	1,358
Cherokee Nation Grant	-	50,000
Membership Income	7,200	7,200
Interest Expense	<u>(23,972)</u>	<u>(57,397)</u>
TOTAL OTHER INCOME AND EXPENSE	<u>(11,634)</u>	<u>1,161</u>
CHANGE IN NET POSITION	(6,040)	53,163
NET POSITION, BEGINNING OF THE YEAR	<u>1,530,789</u>	<u>1,477,626</u>
NET POSITION, END OF THE YEAR	<u><u>\$ 1,524,749</u></u>	<u><u>\$ 1,530,789</u></u>

CHEROKEE COUNTY RURAL WATER DISTRICT NO. 8
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2017 and 2018

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash Inflows:		
Payments Received from Customers	283,832	322,657
Other Receipts		-
Cash Outflows:		
Payments to Employees and Related Taxes	(54,174)	(47,319)
Payments to Suppliers for Goods and Services	<u>(178,154)</u>	<u>(133,113)</u>
Net Cash Provided (Used) by Operating Expenses	<u>51,504</u>	<u>142,225</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Decrease (Increase) in Restricted Cash	-	-
Cherokee Nation Grant	-	50,000
Additions to Capital Assets	(15,809)	(59,265)
Membership Income	7,200	7,200
Purchase of Investments	2,452	(101,324)
Interest Income	5,137	1,358
Net Cash Provided (Used) for Investing Activities	<u>(1,020)</u>	<u>(102,031)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal Reduction of Long-Term Debt	(15,000)	(15,000)
Interest Payments on Notes	<u>(23,972)</u>	<u>(57,397)</u>
Net Cash Provided(Used) for Capital & Related Financing Activities	<u>(38,972)</u>	<u>(72,397)</u>
NET CASH INFLOW (OUTFLOW) FROM ALL ACTIVITIES	11,512	(32,203)
CASH AND CASH EQUIVALENTS BEGINNING OF THE YEAR	<u>207,450</u>	<u>239,653</u>
CASH AND CASH EQUIVALENTS END OF THE YEAR	<u>\$ 218,962</u>	<u>\$ 207,450</u>
Interest Expense	<u>23,972</u>	<u>57,397</u>
	<u>23,972</u>	<u>57,397</u>

CHEROKEE COUNTY RURAL WATER DISTRICT NO. 8
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2017 and 2018

	2018	2017
Reconciliation of Operating Income (Loss to Net Cash)		
Provided by Operating Activities:		
Operating Income	5,594	53,163
Amortization		-
Depreciation	75,178	76,154
(Increase) Decrease in:		
Accounts Receivable	(2,614)	6,455
Prepaid Insurance	(531)	1,853
(Increase) Decrease in:		
Accounts Payable	(26,123)	4,759
Payroll Taxes Payable	-	(159)
	51,504	142,225
Net Cash Provided (Used) by Operating Activities	51,504	142,225

FINANCIAL

STATEMENT

NOTES

CHEROKEE COUNTY RURAL WATER DISTRICT NO. 8
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cherokee County Rural Water District No. 8 was created under the provisions of the laws of the State of Oklahoma. The purpose of the water district is to provide for the use and benefit of its members a water treatment and distribution system, operations and maintenance.

1. Basis of Accounting

The financial statements of the Cherokee County Rural Water District No. 8 have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

2. Basis of Presentation

The District is accounted for within the framework of enterprise fund accounting. Enterprise funds are used to account for operations that are operated in a manner similar to private business enterprises wherein the intent of the District's Board of Directors is to recover the cost of providing goods and services through user charges.

3. Cash and Equivalents

For the purpose of the statement of cash flows, the organization considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents. Restricted cash consists of cash held for customer deposits and cash reserved for debt service.

4. Income Taxes

Cherokee County Rural Water District No. 8 is exempt from Federal Income Taxes.

5. Inventory

Cherokee County Rural Water District No. 8 does not maintain inventory of materials and supplies. Material and supplies are expensed directly to supplies when paid.

6. Budgetary Data

The District is required by Article 8 of its Bylaws to prepare an annual budget.

7. Capital Assets

The property and equipment is recorded at cost when purchased and at fair market value when donated to the District. Depreciation is computed using the straight-line method for the useful life of each asset. Expenditures over \$250.00 for additions and betterments to property and equipment are capitalized.

8. Accounts Receivable

The balance of accounts receivable shown on the statement of net assets represents the net amount owed to the water district by its members at the end of the fiscal year, net of an allowance for bad debts.

9. Allowance for Doubtful Accounts

The District used the reserve method for recognizing bad debts.

10. 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.

11. Equity Classification

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

1. Invested in capital assets, net of related debt- 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.
2. Restricted net position-Consists of net assets with 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 position-All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

12. Revenues, Expenditures and 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.

13. Compensated Absences

The organization does not accrue a liability for compensated absences. This is not in accordance with generally accepted accounting principles. However, because of the limited number of people employed by the organization, any liability for compensated absences at December 31, 2017 and 2018 would not be material to the financial statements taken as a whole.

14. Evaluation of Subsequent Events

The Company has evaluated subsequent events through July 12, 2019 the date which the financial statements were available to be issued.

NOTE B: CASH AND EQUIVALENTS

Cash consists of the following:	2018	2017
UNRESTRICTED		
Cash Checking	33,697	100,361
Capital Acquisition Fund	77,811	3
TOTAL UNRESTRICTED	<u>111,508</u>	<u>100,364</u>
RESTRICTED		
Debt Service Fund	71,669	70,893
Debt Service Fund	35,785	36,193
TOTAL RESTRICTED	<u>107,454</u>	<u>107,086</u>
TOTAL CASH	<u>218,962</u>	<u>207,450</u>
Certificates of Deposit	<u>250,000</u>	<u>252,452</u>

NOTE C: ACCOUNTS RECEIVABLE

Accounts Receivable consists of trade receivables. An aging of accounts receivable is presented below. An allowance for doubtful accounts has been established at this time for the accounts that are over sixty days overdue.

	2018	2017
Current	19,033	15,629
1-30 Days	569	2,034
30-60 Days	252	48
Over 60 Days	823	351
Allowance for Doubtful Accounts	<u>(498)</u>	<u>(498)</u>
Total Accounts Receivables	<u><u>20,179</u></u>	<u><u>17,564</u></u>

NOTE D: LONG TERM LIABILITIES

The District had the following Bonds payable at December 31, 2018:

Payable to	Original Balance	Date Note Matures	Collateral Pledged	Rate of Interest
Revenue Bonds	915,000	2/1/2039	Pledged Revenues	5.25%

The total future scheduled maturities of long-term debt are as follows:

Years ending December 31, :

	PRINCIPAL	INTEREST
Current Portion	<u>15,000</u>	<u>50,802</u>
2020	20,000	50,015
2021	20,000	48,685
2022	20,000	47,355
2023	20,000	46,025
2022-2026	135,000	206,518
2027-2031	185,000	155,733
2032-2036	250,000	90,090
2036-2039	<u>130,000</u>	<u>8,190</u>
	<u>780,000</u>	<u>652,611</u>
TOTAL	<u><u>795,000</u></u>	<u><u>703,413</u></u>

The above bonds are secured by the "Pledged Revenues" (as defined in the bond Indenture) and amounts held by the bond trustee bank. The bonds begin to mature in February 2010 and continue until February 2039. The bonds are

Revenue Bonds Series 2009. The bonds were sold at a discount and are being amortized over the life of the bonds, the annual amount of amortization is 1,702.

NOTE E: MANAGEMENTS USE OF ESTIMATES

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

NOTE F: COMMITMENTS AND CONTINGENCIES

Cherokee County Rural Water District No. 8 currently participates in various grant programs. These grants are subject to audit by the grantor agency or their representatives. Such audits could lead to requests for reimbursement to the grantor agency for services disallowed under the terms of the contract. Presently Cherokee County Rural Water District No. 8 is not aware of any pending requests, and in the opinion of management, any such amounts would not be considered material.

NOTE G: 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.

NOTE H: FINANCE- RELATED LEGAL AND CONTRACTUAL PROVISIONS

Under the provisions of the OWRB Loan Agreement, the District is required to establish, fund and maintain a debt service fund account and a debt reserve account with the trustee bank. The District has complied with these provisions.

NOTE I: 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 J: RESTRICTED ASSETS

Under the provisions of the Revenue Bonds, the District is required to establish, fund and maintain a debt service fund account and a debt reserve account with the trustee bank. As of December 31, 2018, the balance of the debt service fund was \$35,785 and the balance of the debt reserve fund was \$71,669. The Debt Service Fund (Sinking Fund) is funded with semi-annual deposits on or before each January 25 and July 25, beginning July 25, 2009, the amount then required to punctually pay the principal and interest on the Bonds.

NOTE K: REVENUE BONDS PAYABLE

On February 1, 2009, the District issued \$915,000 Revenue Bonds Series 2009, to provide funds to refund certain outstanding indebtedness of the District and to provide improvements to the water system as approved by the District. The District sold the Revenue Bonds at a purchase price of 97% of the principal, plus accrued interest from the date thereof to the date of delivery, said Bonds to bear interest at the average annual rate not to exceed 6.65%.

The Series 2009 Revenue Bonds are secured by the "Pledged Revenues" (as defined in the Bond Indenture) and amounts held by the bond trustee bank. Under the terms of the Bond Indenture Agreement, the District is required to maintain certain deposits with a trustee bank. Such deposits are included as restricted assets in the Statement of Net Assets.

NOTE L CHANGES IN CAPITAL ASSETS

Capital asset activity for business type activities for the year ended December 31, 2018 was as follows:

	Balance January 1, 2018	Additions	Reductions	Balance December 31, 2018
Capital Assets being Depreciated				
Land	2,000	-	-	2,000
Buildings and Building Improvements	9,829	-	-	9,829
Infrastructure	2,607,965	4,573	-	2,612,538
Equipment	166,641	12,500	-	179,141
Total Capital Assets being Depreciated	<u>2,786,435</u>	<u>17,073</u>	<u>-</u>	<u>2,803,508</u>
Less Accumulated Depreciation	<u>887,479</u>	<u>75,178</u>	<u>-</u>	<u>962,657</u>
Governmental Activities, Capital Assets, Net	<u>1,898,956</u>	<u>(58,105)</u>	<u>-</u>	<u>1,840,851</u>

Capital asset activity for business type activities for the year ended December 31, 2017 was as follows:

	Balance January 1, 2017	Additions	Reductions	Balance December 31, 2017
Capital Assets being Depreciated				
Land	2,000	-	-	2,000
Buildings and Building Improvements	9,829	-	-	9,829
Infrastructure	2,595,582	12,383	-	2,607,965
Equipment	124,429	42,212	-	166,641
Total Capital Assets being Depreciated	<u>2,731,840</u>	<u>54,595</u>	<u>-</u>	<u>2,786,435</u>
Less Accumulated Depreciation	<u>813,026</u>	<u>74,453</u>	<u>-</u>	<u>887,479</u>
Governmental Activities, Capital Assets, Net	<u>1,918,814</u>	<u>(19,858)</u>	<u>-</u>	<u>1,898,956</u>

SUPPLEMENTARY

INFORMATION

ROBERT ST. PIERRE C.P.A., P.C.

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL 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
Cherokee County Rural Water District No. 8
Tahlequah, 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 Cherokee County Rural Water District No. 8 as of and for the year ended December 31, 2017 and 2018, and the related notes to the financial statements, which collectively comprise Cherokee County Rural Water District No. 8's basic financial statements and have issued our report thereon dated July 12, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Cherokee County Rural Water District No 8'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 Cherokee County Rural Water District No 8's internal control. Accordingly, we do not express an opinion on the effectiveness of Cherokee County Rural Water District No 8'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 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. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned cost that we consider to be reportable conditions. 2018-1

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Cherokee County Rural Water District No. 8'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.

Cherokee County Rural Water District No. 8's Response to Findings

Cherokee County Rural Water District No. 8's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Cherokee County Rural Water District No. 8'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.



Robert St. Pierre C.P.A., P.C.
Certified Public Accountant
July 12, 2019

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

2018-1

Criteria: The segregation of duties and responsibilities between different individuals for custody of assets, recordkeeping for those assets, and reconciliation of those asset accounts is an important control activity needed to adequately protect the entity's assets and ensure accurate financial reporting.

Condition: Presently the same individual that is responsible for billing and adjustments; posts payment to subsidiary accounts receivable ledgers and reconciles the monthly bank statements. In addition, only limited oversight is provided over this individual in the conduct of their daily functions. This condition was also reported in 2017.

Cause: The entity's limited size and staffing resources have made it difficult for management to provide sufficient staffing to fully segregate incompatible duties in a cost-effective manner.

Effect or Potential Effect: Without sufficient segregation of duties, the risk significantly increases that errors and fraud related to the membership and other billing and collection activities, including misappropriation of assets, could occur and not be detected within a timely basis.

Recommendation: Management and the board should consider a formal evaluation of their risks associated with this lack of duties segregation over assets. In response to the Identified risks, consideration should be given to identifying and implementing compensating duties to act as controls that could help mitigate the risks associated with lack of segregation of duties, such as management performing review procedures for the reconciliation of accounts.

Responsible Official's Response: The organization concurs with the recommendation, and will strive to implement procedures and compensating duties to help mitigate the risks associated with the lack of segregation of duties.