

RURAL WATER DISTRICT #2, GARVIN COUNTY, OKLAHOMA TABLE OF CONTENTS For the fiscal year ended December 31, 2021

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RURAL WATER DISTRICT #2, GARVIN COUNTY, OKLAHOMA LIST OF PRINCIPAL OFFICIALS

For the fiscal year ended December 31, 2021

Board of Directors

Darrell Lewis - Chairman

Dannita McCullough - Vice Chairman

Rick Henry - Secretary/Treasurer

Monty Morris - Director

Curtis Smith - Director

Michelle Brown - Bookkeeper

Derek Taylor - Manager



Certified Public Accountant

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors Rural Water District #2, Garvin County, Oklahoma

Report on the Financial Statements

I have audited the accompanying financial statements and related notes to the financial statements of Rural Water District #2, Garvin County, as of December 31, 2021, and for the year then ended 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. Management is also responsible for 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

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance 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 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, I express no such an 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Basis for Qualified Opinion

The amounts reported in the financial statements for capital assets and accumulated depreciation are based on estimates and may not represent a complete accounting of all capital assets in service as required by accounting principles generally accepted in the United States of America. Capital asset records necessary to provide reasonable assurance that these amounts are not materially misstated are not readily available as explained in Note 1.C.

Opinion

In my opinion, except for the effects of any adjustments that might have been necessary had I been able to obtain sufficient evidence related to capital assets and related accounts, the financial statements referred to above present fairly, in all material respects, the financial position of Rural Water District #2, Garvin County as of December 31, 2021; the changes in financial position; and, cash flows thereof, for the year then ended in conformity with the accounting principles generally accepted in the United States of America.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, I have also issued a report dated March 10, 2022 on my consideration of the Rural Water District #2, Garvin County's internal control over financial reporting and on my 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 my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of my audit.

Pauls Valley, Oklahoma

March 10, 2022

RURAL WATER DISTRICT #2, GARVIN COUNTY, OKLAHOMA STATEMENT OF NET POSITION December 31, 2021

	Business-Type Activities
ASSETS	
Cash and cash equivalents, unrestricted	\$175,914
Cash and cash equivalents, restricted	93,685
Accounts receivable	44,865
Inventory	20,544
Capital assets, net of depreciation	643,135
Total Assets	978,143
LIABILITIES	
Customer deposits	93,685
Accounts payable	7,418
Payroll taxes payable	6,794
Total Liabilities	107,897
NET POSITION	
No. 1. Annual Control of the Control	643,135
Net investment in capital assets Unrestricted	227,111
Total Net Position	\$870,246

RURAL WATER DISTRICT #2, GARVIN COUNTY, OKLAHOMA STATEMENT OF ACTIVITIES

For the fiscal year ended December 31, 2021

Operating Revenues:	
Water	\$353,660
Late fees	10,804
Meter reading charges	20,666
Restore service charges	4,509
Benefit units	19,400
Miscellaneous	5,223
Total Operating Revenues	414,262
Operating Expenses:	
Salaries	212,387
Payroll taxes	16,599
Employee Benefits	7,271
Depreciation	45,116
Insurance	35,633
Materials and supplies	26,839
Repairs and maintenance	37,410
Pickup maintenance and fuel	10,868
Utilities	27,971
Telephone	6,488
Advertising	75
Rent	80
Office expense	8,422
Dues, licenses and fees	19,469
Board member expense	5,720
Professional fees	3,172
Water purchases	28,688
Total Operating Expenses	492,208
Net Operating Income	(77,946)
Non-Operating Revenues (Expenses):	
Interest income	293
Rent income	5,200
Gain on sale of asset	2,016
Net Income	(70,437)
Net position - beginning of year	940,683
Net position - end of year	\$870,246

See accompanying notes to the basic financial statements and Independent Auditor's Report.

RURAL WATER DISTRICT #2, GARVIN COUNTY, OKLAHOMA STATEMENT OF CASH FLOWS For the fiscal year ended December 31, 2021

Receipts from customers Payments to suppliers (216,891) Payments to employees (226,260) Receipts from customer meter deposits (8,800) Refunds of customer meter deposits (3,750) Net Cash Provided by Operating Activities CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES Investment in fixed assets (12,291) CASH FLOWS FROM INVESTING ACTIVITIES Investment in come CASH FLOWS FROM INVESTING ACTIVITIES Investment income Sent income Gain on sale of asset Net Cash Provided by Investing Activities (34,148) Net increase (decrease) in cash
Payments to employees (226,260) Receipts from customer meter deposits 6,800 Refunds of customer meter deposits (3,750) Net Cash Provided by Operating Activities (27,350) CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES Investment in fixed assets (12,291) Net Cash Used by Capital and Related Financing Activities (12,291) CASH FLOWS FROM INVESTING ACTIVITIES Investment income 293 Rent income 5,200 Gain on sale of asset Net Cash Provided by Investing Activities 5,493
Payments to employees Receipts from customer meter deposits Refunds of customer meter
Receipts from customer meter deposits Refunds of customer meter deposits Refunds of customer meter deposits Net Cash Provided by Operating Activities CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES Investment in fixed assets (12,291) Net Cash Used by Capital and Related Financing Activities CASH FLOWS FROM INVESTING ACTIVITIES Investment income Rent income Gain on sale of asset Net Cash Provided by Investing Activities 5,493
Refunds of customer meter deposits (3,750) Net Cash Provided by Operating Activities (27,350) CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES Investment in fixed assets (12,291) Net Cash Used by Capital and Related Financing Activities (12,291) CASH FLOWS FROM INVESTING ACTIVITIES Investment income 293 Rent income 5,200 Gain on sale of asset Net Cash Provided by Investing Activities 5,493
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Investment income Rent income Gain on sale of asset Net Cash Provided by Investing Activities 5,200 5,200 6,24148)
Rent income Gain on sale of asset Net Cash Provided by Investing Activities 5,200 5,493
Net Cash Provided by Investing Activities 5,493
Net Cash Provided by Investing Activities 5,493
Net Cash Florided by Investing Netivines
Net increase (decrease) in cash (34,148)
Balance - beginning of the year 303,747
Balance - end of the year \$269,599
The state of the s
Reconciliation of operating income (loss) to net cash provided
by operating activities: Operating income (loss) (\$77,945)
Operating meetine (1888)
Adjustments to reconcile operating income to net cash provided
by operating activities: Depreciation expense 45,116
Depreciation expense
Change in assets and natifices.
Accounts receivable
inventory
Accounts payable
1 a j ton tanes payable
Customer deposits 3,050
Net cash provided by operating activities (\$27,350)

See accompanying notes to the basic financial statements and Independent Auditor's Report.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- A. Financial Reporting Entity
- B. Basis of Presentation
- C. Assets, Liabilities and Equity
- D. Revenue and Expenses
- E. Use of Estimates

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Deposits and Investments Laws and Regulations

NOTE 3. DETAIL NOTES - TRANSACTION CLASSES/ACCOUNTS

- A. Cash and Cash Equivalents
- B. Capital Assets
- C. Notes Payable

NOTE 4. OTHER NOTES

- A. Employee Pension and Other Benefits
- B. Risk Management
- C. Commitments and Contingencies

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1.A. FINANCIAL REPORTING ENTITY

Rural Water District #2, Garvin County, Oklahoma was established pursuant to Title 82 of Oklahoma State Law in July 1966. The purpose of the District is to provide a water distribution system for its members in the Lindsay, Oklahoma area. Members are owners of land located within the District who have subscribed to one or more Benefit Units, provided payments of charges are current on at least one of the Benefit Units. Each member represents one vote of the governing body of the District without any direct ownership in its assets.

The accompanying financial statements include all functions and activities over which the District exercises financial accountability. The District is considered a primary government as defined by the Governmental Accounting Standards Board (GASB) and has no other component units within its reporting entity.

1.B. BASIS OF PRESENTATION

The District is considered a governmental entity as defined by the Governmental Accounting Standards Board (GASB). Its operations are considered proprietary in nature and therefore, the District has adopted a reporting framework similar to that of proprietary type funds. Proprietary fund types utilize the accrual basis of accounting, revenues are recognized when earned and expenses (including depreciation) are recorded when the liability is incurred, or economic asset used.

1.C. ASSETS, LIABILITIES AND EQUITY

Cash and Cash Equivalents

For the purpose of financial reporting, "cash and 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.

Accounts Receivable

Material receivables consist of all revenues earned at year-end and not yet received. Utility charges comprise all of the District's receivables. Due to the past history of immaterial bad debt expenses incurred and the enforcement of the District's cutoff policy, no allowance for doubtful accounts is considered necessary.

Inventory

Inventory includes all inventory on-hand at December 31, 2021 and is valued at cost on the first-in, first-out method.

Capital Assets

Available detailed fixed asset records do not contain a complete detail of all property and equipment still in service and annual physical inventories are not performed to ensure all additions and deletions are properly recorded. Therefore, the amount of property, plant and equipment reported in the financial statements does not represent the historical cost of all fixed assets which are still in service.

Recorded fixed assets are stated at historical cost or estimated historical cost if actual historical cost is not available. The District has determined that assets with a cost of more than \$1,000 will be capitalized. Depreciation of exhaustible fixed assets is charges as an expense against their operations. Accumulated depreciation is reported on the balance sheet, although no detail records exist to support these amounts. Depreciation has been provided over the estimated useful lives using the straight-line method since 1994 and estimated each year before 1994.

Restricted Assets

Restricted assets include current assets that are legally restricted as to their use. The District currently has restricted assets in the amount of \$93,685, comprised of amounts held by the District for utility deposits (refunded upon termination of service or applied to the final bill).

Equity Classification

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

- a. 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.
- b. Restricted net assets Consists of net assets with constraints placed on the use either by 1) external groups such as creditors, grantors, contributors or laws and regulations of other governments, or 2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".

It is the District's policy to first use restricted net assets prior to the use of unrestricted net assets when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. However, the District currently has no restricted net assets.

1.D. REVENUES AND EXPENSES

Operating Revenue and Expenses

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

Benefit Unit Fees

Benefit unit fees represent a membership/connection fee required of each District member at the time they request service. This nonrefundable fee is designed to cover the estimated cost of connection, tap and related hook-up costs to the District's system. As such, the fees are recorded as operation revenues.

1.E. USE OF ESTIMATES

The preparation of financial statements in conformity GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures (such as estimated useful lives in determining depreciation expense); accordingly, actual results could differ from those estimates.

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

By its nature as a government unit, the District and its component unit are subject to various federal, state and local laws and contractual regulations. An analysis of the District's compliance with significant laws and regulations and demonstration of its stewardship over District resources follows:

2.A. DEPOSITS AND INVESTMENT LAWS AND REGULATIONS

In accordance with State law, all uninsured deposits of municipal funds in financial institutions must be secured with acceptable collateral valued at the lower of market or par. Acceptable collateral includes certain U.S. Government or Government Agency securities, certain State of Oklahoma or political subdivision debt obligations, surety bonds and certain letters of credit. As required by 12 U.S.C.A., Section 1823(e), all financial institutions pledging collateral to the District must have a written collateral agreement approved by the board of directors or loan committee. For the year ended December 31, 2021, the District's deposits were fully insured or collateralized.

NOTE 3. DETAIL NOTES-TRANSACTION CLASSES/ACCOUNTS

The following notes present detail information to support the amounts reported in the basic financial statements for its various assets, liabilities, equity, revenues and expenditures/expenses.

3.A. CASH AND CASH EQUIVALENTS

Custodial Credit Risk

At December 31, 2021, the District held deposits of approximately \$269,599 at financial institutions. The District's cash deposits, including the interest-bearing certificates of deposit, are entirely covered by the 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 the 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. 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, bonds 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 obligation 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.).

There were no investments held at December 31, 2021.

3.B. CAPITAL ASSETS

Capital assets activity resulting from accrual basis transactions for the fiscal year ended December 31, 2021, was as follows:

	Balance at January 1, 2021	Additions	Disposals	Balance at December 31, 2021
Capital assets being depreciated:	,		•	
Building	\$101,625			\$101,625
Office equipment and furniture	42,929			\$42,929
Machinery and equipment	164,923	45,432	(41,362)	\$168,993
Utility property and improvements	1,397,642	4,722		\$1,402,364
Total capital assets at historical cost	1,707,119	50,154	(41,362)	1,715,911
Less accumulated depreciation for:				
Building	41,675	2,539		44,214
Office equipment and furniture	41,188	1,577		42,765
Machinery and equipment	76,629	21,822	(5,516)	92,935
Utility property and improvements	873,683	19,179		892,862
Total accumulated depreciation	1,033,175	45,117	(5,516)	1,072,776
Capital assets, net	\$673,944	\$5,037	(\$35,846)	\$643,135

3.C. NOTES PAYABLE

On April 14, 2021, the District was granted a loan from American Exchange Bank in the amount of \$37,425, pursuant to the Paycheck Protection Program (PPP) under Division A, Title 1 of the CARES Act, which was enacted March 27, 2021. The loan, which was in the form of a note, matures on April 14, 2022, and bears interest at a rate of 1%. The note may be prepaid prior to maturity with no prepayment penalties. Funds from the loan may be used for payroll costs, costs used to continue group health care benefits, mortgage payments, rent, utilities, and interest on other debt obligations incurred prior to February 15, 2021. The District used the entire loan amount for qualifying expenses. Under the terms of the PPP, certain amounts of the loan may be forgiven if used for qualifying expenses described in the CARES Act. This loan was forgiven on November 10, 2021.

NOTE 4 - OTHER NOTES

4.A. EMPLOYEE PENSION AND OTHER BENEFITS

The District provides pension benefits through a Simple IRA. As of December 31, 2021, the District provided a benefit to each employee in the amount of 3% of each employee's gross income. The District provides no other deferred compensation or other post-employment benefits to employees of the District.

4.B. RISK MANAGEMENT

Rural Water District No. 2, Garvin Co., is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District continues to carry commercial insurance for these risks, including general and auto liability, and property damage liability. Settled claims resulting from these risks have not exceeded the commercial insurance coverage in any of the past three fiscal years.

4.C. COMMITMENTS AND CONTINGENCIES

Commitments

Water Contracts

Rural Water District #2, Garvin County, Oklahoma has a water lease contract with Robert Preston Bunch, which sets the cost of water purchased by the District. At December 31, 2021, the contract allows a purchase price of \$.49 per thousand gallons pumped. The lease allows an increase in the price paid by the District if the District raises rates charged to its members. The lease also states an \$80 rental fee is to be paid each year per contract. The contract dated April 19, 2021, is a forty-year lease with the option to renew at the agreement of both parties.

The District also has a water lease contract with Robert Chandler, which sets the cost of water purchased from him. At December 31, 2021, the contract allowed a purchased price of \$.49 per thousand gallons pumped. The lease allows an increase in price paid by the District if the District raises its rates charged to its members. The lease also states an \$80 rental fee is to be paid each year and that water purchased plus the rental fee can never be less than \$400 per year, whether water is used or not. The lease extended through December 2022. A new 20-year lease was signed with Robert and Tammy Chandler on January 7, 2022 with the same terms as listed above for the previous lease.

The District has another water lease contract with Ronnie and Betty Ann Chandler, which sets the cost of water purchased from them. At December 31, 2021, the contract allowed a purchased price of \$.49 per thousand gallons pumped. The lease allows an increase in price paid by the District if the District raises its rates charged to its members. The lease also states an \$80 rental fee is to be paid each year. The lease extends through May 2033.

The District has another water lease contract with Joy M. and Linda S. Newby, which sets the cost of water purchased from them. At December 31, 2021, the contract allowed a purchased price of \$.49 per thousand gallons pumped. The lease allows an increase in price paid by the District if the District raises its rates charged to its members. The lease also states an \$80 rental fee is to be paid each year. The lease extends through December 2052.

A contract with Lindsay Public Works Authority, which sets the cost of water purchased by the District is also in effect. At December 31, 2021, the contract allowed the District to purchase a maximum of 1,500,000 gallons per month at a cost of \$2.49 per thousand gallons. The contract also requires the District to pay a minimum charge of \$75 per month. The contract extends through May 2046 at which time the contract may be extended another five years if all parties consent.

Contingencies

The District is not involved with any legal proceedings, which normally occur in the course of governmental operations at this time. Therefore, the financial statements do not include accruals or provisions for loss contingencies.

While legal proceedings cannot be foreseen, the District feels that any settlement or judgment not covered by insurance would not have a material adverse effect on the financial condition of the District.

Certified Public Accountant



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

March 10, 2022

Board of Directors Rural Water District No. 2 Garvin County, Oklahoma

I have audited the financial statements of Rural Water District #2, Garvin County (the District) as of and for the year ended December 31, 2021 and have issued my report thereon dated March 10, 2022. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The auditor's report for the year ended December 31, 2021, is qualified due to the lack of records related to the value of the capital assets.

Internal Control over Financial Reporting

In planning and performing my audit, I considered the District's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Rural Water District #2, Garvin County's internal control. Accordingly, I do not express an opinion on the effectiveness of the District's internal control over financial reporting.

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 control 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 charges with governance.

My consideration of internal control was for the limited purpose described in the preceding paragraph 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 have not been identified. However, as described in the accompanying schedule of findings and questioned costs, I identified a certain deficiency in internal control that I consider to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, I 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 my audit and, accordingly, I 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*.

Rural Water District #2, Garvin Co., Oklahoma March 10, 2022

Response to Findings

The District's response to the finding identified in my audit is described in the accompanying schedule of findings and questioned costs. This response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I 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 District's internal control over compliance. This report is an integral part of an 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.

Kristi L. Dobbins, CPA

RURAL WATER DISTRICT #2, GARVIN COUNTY, OKLAHOMA SCHEDULE OF FINDINGS AND RESPONSES YEAR ENDED DECEMBER 31, 2021

Material Weakness Communicated in Prior Year:

Material Weakness in Internal Control Over Financial Reporting: Inadequate Segregation of Duties:

Criteria: An adequate internal control structure does not exist because of the small size of the entity, nor is there adequate segregation of duties. A good internal control system would provide for separation of duties and responsibilities in financial matters between various employees.

Condition: The same individual receiving payments for utility billings is the same individual doing the billing, making the deposits and maintaining accounts receivable.

Cause: The entity's size and budget make it difficult to fully segregate the duties.

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

Recommendation: The best protection is to maintain sufficient bond on those handling cash to cover losses should they occur.

Board's Response: The board has evaluated the need and decided that the cost to achieve segregation of duties would exceed the benefits that would be derived from it.