

**Sardis Lake Water Authority
Clayton, Oklahoma**

Financial Statements and
Reports of Independent Auditor

June 30, 2022

Audited by

**BLEDSON, HEWETT & GULLEKSON
CERTIFIED PUBLIC ACCOUNTANTS, PLLLP**

Broken Arrow, Oklahoma

**Sardis Lake Water Authority
Clayton, Oklahoma**

Table of Contents
June 30, 2022

Page

Independent Auditor's Report	1
Statement of Net Position	3
Statement of Revenues, Expenses and Changes in Fund Net Position	4
Statement of Cash Flows	5
Notes to Financial Statements.....	6
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 <i>Government Auditing Standards</i>	13
Schedule of Findings and Questioned Costs.....	15
Corrective Action Plan	16
Schedule of Water Rates and Customer Information (unaudited)	17



BLEDSON, HEWETT & GULLEKSON
CERTIFIED PUBLIC ACCOUNTANTS, PLLP

Eric M. Bledsoe, CPA • Jeffrey D. Hewett, CPA • Christopher P. Gullekson, CPA

P.O. BOX 1310 • 101 N. MAIN ST. • BROKEN ARROW, OK 74013 • (918) 449-9991 • (800) 522-3831 • FAX (918) 449-9779

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Sardis Lake Water Authority
Clayton, Oklahoma

We have audited the accompanying financial statements of the business-type activities of the Sardis Lake Water Authority (the District), Clayton, Oklahoma, as of and for the year ended June 30, 2022, and the related notes to the financial statements which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the District as of June 30, 2022, and the respective changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

The District has not presented the Management's Discussion and Analysis that governmental 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 (GASB), who considers it to be an essential part of the 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.

The prior year "memorandum only" comparative information and the supplementary information on page 17 are presented for the purposes of additional analysis and are not a required part of the basic financial statements of the District. Such 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 August 30, 2022 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.

Bledsoe, Hewett & Gullekson

Bledsoe, Hewett & Gullekson
Certified Public Accountants, PLLLP

August 30, 2022

**Sardis Lake Water Authority
Clayton, Oklahoma
Statement of Net Position
June 30, 2022**

	<u>June 30, 2022</u>	<u>-Memorandum- -Only- June 30, 2021</u>
<u>ASSETS</u>		
Current Assets:		
Cash and Cash Equivalents	\$ 318,231	\$ 203,035
Accounts Receivable	47,039	50,213
Total Current Assets	<u>365,270</u>	<u>253,248</u>
Capital Assets:		
Land	19,500	19,500
Vehicles	32,527	32,527
Office Equipment	2,657	2,657
Water System & Equipment	11,956,169	11,956,169
Less: Accumulated Depreciation	(4,900,128)	(4,599,033)
Total Non-current Assets	<u>7,110,725</u>	<u>7,411,820</u>
Other Assets:		
Note Issuance Costs	111,711	111,711
Less: Accumulated Amortization	(54,618)	(51,825)
Total Other Assets	<u>57,093</u>	<u>59,886</u>
TOTAL ASSETS	<u>\$ 7,533,088</u>	<u>\$ 7,724,954</u>
<u>LIABILITIES</u>		
Current Liabilities:		
Accounts Payable	\$ 7,313	\$ 10,327
Payroll Taxes Payable	3,242	2,641
Accrued Interest Payable	1,722	1,763
Total Current Liabilities	<u>12,277</u>	<u>14,731</u>
Long-Term Debt:		
Note Payable - USDA	<u>2,994,554</u>	<u>3,065,482</u>
Total Liabilities	<u>3,006,831</u>	<u>3,080,213</u>
<u>NET POSITION</u>		
Net Investment in Capital Assets	4,116,171	4,346,338
Restricted for Debt Service	128,808	128,808
Unrestricted	<u>281,278</u>	<u>169,595</u>
Total Net Position	<u>4,526,257</u>	<u>4,644,741</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 7,533,088</u>	<u>\$ 7,724,954</u>

The accompanying notes to the financial statements are an integral part of this statement

**Sardis Lake Water Authority
Clayton, Oklahoma
Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended June 30, 2022**

	2021-22	-Memorandum- -Only- 2020-21
Operating Revenues:		
Water Sales	\$ 656,424	\$ 536,009
Deposits	15,625	31,628
Refunds and reimbursements	970	11,087
Total Operating Revenues	<u>673,019</u>	<u>578,724</u>
Operating Expenses:		
Salaries and taxes	124,163	119,357
Chemicals	56,285	41,553
Fuel and vehicles	5,038	4,361
Insurance	34,028	34,738
Plant supplies	7,429	3,029
Dues and fees	2,505	2,625
Testing and DEQ fees	12,995	12,825
Maintenance and repairs	101,446	68,392
Office and postage	8,059	7,770
Professional fees	6,600	3,450
Utilities and telephone	71,396	61,426
Depreciation	301,095	300,475
Amortization	2,793	2,793
Total Operating Expenses	<u>733,832</u>	<u>662,794</u>
Operating Income (Loss)	(60,813)	(84,070)
Non-operating Revenues (Expenses):		
Grant proceeds	0	14,000
Interest income	168	151
DEQ fine	0	(16,170)
Interest expense on debt	(57,839)	(59,192)
Total Non-operating Revenues (Expenses)	<u>(57,671)</u>	<u>(61,211)</u>
Change in Net Position	(118,484)	(145,281)
Total Net Position, beginning of period	<u>4,644,741</u>	<u>4,790,022</u>
Total Net Position, end of period	<u><u>\$ 4,526,257</u></u>	<u><u>\$ 4,644,741</u></u>

The accompanying notes are an integral part of this statement

**Sardis Lake Water Authority
Clayton, Oklahoma
Statement of Cash Flows
For the Year Ended June 30, 2022**

	2021-22	-Memorandum- -Only- 2020-21
Cash Flows from Operating Activities:		
Cash received from water sales	\$ 675,223	\$ 565,470
Cash received from reimbursements	970	9,660
Cash paid to employees	(123,562)	(118,176)
Cash payments to suppliers for goods and services	(308,795)	(242,927)
Net cash used by operating activities	<u>243,836</u>	<u>214,027</u>
Cash Flows from Capital and Related Financing Activities:		
Capital assets purchased	0	(49,500)
DEQ fine paid	0	(16,170)
Grant proceeds - Choctaw Nation	0	14,000
Principal payments on debt	(70,928)	(69,593)
Interest payments on debt	(57,880)	(59,215)
Net cash provided by capital and related financing activities	<u>(128,808)</u>	<u>(180,478)</u>
Cash Flows from Investing Activities:		
Investment income	168	151
Net cash provided by investing activities	<u>168</u>	<u>151</u>
Net change in cash	115,196	33,700
Cash and cash equivalents, beginning of period	<u>203,035</u>	<u>169,335</u>
Cash and cash equivalents, end of period	<u><u>\$ 318,231</u></u>	<u><u>\$ 203,035</u></u>
Reconciliation of operating income to net cash used by operating activities:		
Change in net assets from operating income	\$ (60,813)	\$ (84,070)
Noncash and nonoperating items included in change in net assets:		
Depreciation and amortization	303,888	303,268
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	3,174	(3,594)
Increase (decrease) in accounts payable	(3,014)	(2,758)
Increase (decrease) in payroll taxes payable	601	1,181
Net cash provided by operating activities	<u><u>\$ 243,836</u></u>	<u><u>\$ 214,027</u></u>

The accompanying notes to the financial statements are an integral part of this statement

**SARDIS LAKE WATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR YEAR ENDED JUNE 30, 2022**

Note 1 – Summary of Significant Accounting Policies:

1-A. *Reporting Entity*

The Sardis Lake Water Authority (the “District”) is an Oklahoma public trust and was formed pursuant to a Declaration of Trust dated June 21, 1989, and amended by the Amendment to Declaration of Trust dated January 28, 1993, under the provisions of Title 60, Oklahoma Statutes 2011, 176 et seq., for the benefit of Pushmataha County, Oklahoma, and the instrument creating such authority has been heretofore filed with the County Clerk of Pushmataha County, Oklahoma, and the Secretary of State of the State of Oklahoma; in addition, notice of filing such instrument with the Secretary of State has been given to the Office of the State Auditor and Inspector, as required by law.

The purpose of this Trust is to institute, furnish, provide and supply to the inhabitants, owners and occupants of property and to industrial, commercial and mercantile establishments and enterprises, located in Pushmataha, Latimer, LeFlore and Pittsburg counties, any or all improvements, services and physical facilities, except gas and electric utilities, for the safeguarding of public health, the protection of persons and property and the conservation and implementation of public welfare, of such kinds and characters that the same may be an authorized or proper function of the beneficiary of this trust, or any component thereof, or by law made subject to the supervision of its governing body or of its officers, which said improvements, services and physical facilities may be supplementary or wholly extraneous to any such improvement, service or physical facility that presently is, or hereafter may be furnished, provided or supplied by or under the supervision of the Beneficiary or any component thereof.

The financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government’s accounting policies are described below.

The accounting policies of the District conform to Generally Accepted Accounting Principles (GAAP) as applicable to governmental units. The Proprietary fund applies Financial Accounting Standards Board (FASB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict Governmental Accounting Standards Board (GASB) pronouncements, in which case, GASB prevails.

**SARDIS LAKE WATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR YEAR ENDED JUNE 30, 2022**

Note 1 – Summary of Significant Accounting Policies (cont'd):

1-A. *Reporting Entity* (cont'd)

In evaluating how to define the Sardis Lake Water Authority, for financial reporting purposes, management has considered if it is a component unity of a primary government.

The Board of Trustees of this Trust shall at all times consist of not less than five (5) members, nor more than fifteen (15). The Board of Directors of Rural Water District No. 1, Pushmataha County, Oklahoma, shall recommend two (2) individuals who serve on said Board to serve as Trustees on this trust. The Board of Directors of Rural Water District No. 5, Pushmataha County, Oklahoma, shall recommend two (2) individuals who serve on said Board to serve as Trustees on this Trust. The Board of Directors of Rural Water District No. 2, Latimer County, Oklahoma, shall recommend two (2) individuals who serve on said Board to serve as Trustees on this Trust. The Board of Trustees of the Clayton Public Works Authority shall recommend two (2) individuals who serve on said Board to serve as Trustees on this Trust. An individual recommended to serve as Trustee on this Trust may not represent more than one of the above-mentioned organizations at the same time. Each Trustee shall serve a four-year term. The Board of County Commissioners of the Beneficiary may, at any time, upon a majority vote of said Board, remove any Trustee from office, without cause, the objective of this provision being to insure at all times the control of this Trust by said Board of County Commissioners of said Beneficiary.

1-B. *Basis of Accounting:*

The District uses the accrual basis of accounting. Under the accrual method of accounting, revenues are recognized when they are earned, and their expenses are recognized when they are incurred. Interest and other expenses paid during construction are capitalized to the extent they exceed interest earnings.

1-C. *Estimates:*

Management uses estimates and assumptions in preparing financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosures of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were assumed in preparing the financial statements.

**SARDIS LAKE WATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR YEAR ENDED JUNE 30, 2022**

Note 1 – Summary of Significant Accounting Policies (cont'd):

1-D. *Cash and Cash Equivalents:*

The District considers cash and cash equivalents in proprietary funds to be cash on hand and demand deposits.

1-E. *Receivables*

Accounts Receivable consist of the utilities billed that have not been collected at June 30, 2022.

1-F. *Inventory of Supplies*

Inventory of supplies is not reported on the financial statements of the District. The amount of inventory on hand is not material to the financial statements.

1-G. *Departure from GAAP*

The District has elected to omit the Management Discussion & Analysis, which is required supplementary information necessary to supplement the financial statements as determined by accounting principles generally accepted in the United States. The Management Discussion & Analysis is not required to be part of the financial statements and as such, does not affect our opinion on the financial statements presented.

1-H. *Capital Assets*

Purchased or constructed capital assets in excess of \$500 are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Water System	40 to 50
Office Equipment	3 to 10
Equipment	5 to 50
Vehicles	3 to 5

**SARDIS LAKE WATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR YEAR ENDED JUNE 30, 2022**

Note 1 – Summary of Significant Accounting Policies (cont'd):

I-J. Retained Earnings

Unreserved retained earnings represent the net assets available for future operations or distribution. Reserved retained earnings represent the net assets that have been legally identified for specific purpose.

Note 2 – Cash and cash Equivalents:

2-A. Cash Deposits

As of June 30, 2022, the carrying amount of the District's bank balance was \$318,231 and the respective bank balances totaled \$323,105. Of the bank total, all was insured through the Federal Depository Insurance Corporation (FDIC).

The table presented below is designed to disclose the level of custody credit risk assumed by the District based upon how its deposits were insured at June 30, 2022.

Category – 1 Insured by FDIC or collateralized with securities held by the District or by its agent in its name

Category – 2 Uninsured but collateralized with securities held by the pledging financial institution's trust department or agent in the District's name

Category – 3 Uninsured and uncollateralized

<u>Types of Deposit</u>	<u>Bank Balance</u>	<u>Carrying Balance</u>	<u>1</u>	<u>2</u>	<u>3</u>	<u>Market Value</u>
Demand Deposits:						
Shamrock Bank	<u>\$ 323,105</u>	<u>318,231</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>318,231</u>

**SARDIS LAKE WATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR YEAR ENDED JUNE 30, 2022**

Note 3 – Change in Debt:

At June 30, 2022, debt is as follows:

Rural Development:

Loan # 91-05-

Date of Note – 03/25/2013, Term – 40 years
Current Principal Amount - \$1,216,994
Interest Rate (Fixed) – 1.875
Payment - \$4,358 monthly

Loan # 91-06-

Date of Note – 03/25/2013, Term – 40 years
Current Principal Amount - \$1,511,510
Interest Rate (Fixed) – 1.875%
Payment - \$5,412 monthly

Loan # 91-07-

Date of Note – 02/20/2015, Term – 40 years
Current Principal Amount - \$236,736
Interest Rate (Fixed) – 2.25
Payment - \$857 monthly

Loan # 91-08-

Date of Note – 02/20/2015, Term – 40 years
Current Principal Amount - \$29,314
Interest Rate (Fixed) – 2.25%
Payment - \$107 monthly

Summary of Note Balances:

Note Balances at June 30, 2021	\$3,065,482
Issued	0
Retired	<u>(70,928)</u>
Note Balances at June 30, 2022	<u>\$2,994,554</u>

**SARDIS LAKE WATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR YEAR ENDED JUNE 30, 2022**

Note 3 – Change in Debt (cont'd):

The scheduled maturities for the next five years, and in five-year increments thereafter, are detailed as follows:

Year	Loan 91-05	Loan 91-06	Loan 91-07	Loan 91-08	Totals
2023	\$ 29,732	36,919	5,009	631	72,291
2024	30,294	37,618	5,123	645	73,680
2025	30,867	38,329	5,239	660	75,095
2026	31,451	39,054	5,358	675	76,538
2027	32,046	39,793	5,480	690	78,009
2028-32	169,553	210,539	29,326	3,694	413,112
2033-37	186,203	231,215	32,816	4,133	454,367
2038-42	204,490	253,922	36,719	4,625	499,756
2043-47	224,571	278,858	41,086	5,176	549,691
2048-52	246,625	306,243	45,974	5,790	604,632
2053-56	31,162	39,020	24,606	2,595	97,383
Total	<u>\$ 1,216,994</u>	<u>1,511,510</u>	<u>236,736</u>	<u>29,314</u>	<u>2,994,554</u>

The District was once in default on the Rural Development notes, and thus established a reserve account as required by the loan agreement. The reserve requirement payment is 10% of the monthly payments, which totals \$1,079 per month. The balance at June 30, 2022 was \$70,646.

Note 4 – Changes in Capital Assets:

Description	6/30/2021	Additions	Retirements	6/30/2022
Land	\$ 19,500	-	-	19,500
Vehicles	32,527	-	-	32,527
Office Equipment	2,657	-	-	2,657
Water Treatment Plant	2,501,429	-	-	2,501,429
Waterlines	6,928,121	-	-	6,928,121
Water Towers	662,126	-	-	662,126
Clarifier	1,864,493	-	-	1,864,493
Total Capital Assets	12,010,853	-	-	12,010,853
Less:				
Accumulated Depreciation	(4,599,033)	(301,095)	-	(4,900,128)
Net Capital Assets	<u>\$ 7,411,820</u>	<u>(301,095)</u>	<u>-</u>	<u>7,110,725</u>

**SARDIS LAKE WATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR YEAR ENDED JUNE 30, 2022**

Note 5 – Insurance:

The District's facilities are insured under a blanket property and general liability insurance policy. The District also has insurance coverage on its vehicles.

Note 6 – Contingent Liabilities/Litigation:

The District is party to various legal proceedings which normally occur in governmental operations. These legal proceedings are not likely to have a material adverse impact on the financial statements of the District.

Note 7 – Other Items of Note

In 2014-15, the District was awarded two additional loans from Rural Development in the total amount of \$299,000, all of which was received in the 2014-15 fiscal year. In addition, the District obtained two grants from Rural Development in the total amount of \$1,377,700, which were received in the 2014-15 and 2015-16 fiscal years, and additional grants from the Choctaw Nation in the amount of \$222,640. These funds were used for system improvements and expansion, and the construction of a water clarifier for the District. This major construction program was started in the 2014-15 fiscal year, and was substantially completed in 2015-16, with an additional \$1,589,883 being added to capital assets for these projects. In 2016-17, the District received an additional \$99,999 ORWB REAP Grant, which was used to replace pumps. In 2017-18, the District received \$15,000 from the Choctaw Nation to fund the purchase of an intake pump. In 2018-19, the District received a \$45,000 OWRB Emergency Grant for a filter system addition. In 2019-20, the District received \$10,692 from the Choctaw Nation for a new pump and motor, and a \$9,325 grant from KEDDO for a pump motor. In 2020-21, the District received \$14,000 from the Choctaw Nation for a high service pump.

Note 8 – Subsequent Events

At the end of the 2021-22 fiscal year, the District's water clarifier needed to be repaired. The District approved a loan agreement with The Choctaw Nation of Oklahoma in the amount of \$66,033, at 0% interest. Loan proceeds were received on August 2, 2022. There is a chance that this loan will be forgiven by the Choctaw Nation of Oklahoma. If it is not, it will be shown on the 2022-23 fiscal year audit as long-term debt.



BLEDSON, HEWETT & GULLEKSON

CERTIFIED PUBLIC ACCOUNTANTS, PLLLP

Eric M. Bledsoe, CPA • Jeffrey D. Hewett, CPA • Christopher P. Gullekson, CPA

P.O. BOX 1310 • 101 N. MAIN ST. • BROKEN ARROW, OK 74013 • (918) 449-9991 • (800) 522-3831 • FAX (918) 449-9779

**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**

Board of Directors
Sardis Lake Water Authority
Clayton, Oklahoma

We have audited, 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, the accompanying financial statements of the Sardis Lake Water Authority (the District), Clayton, Oklahoma, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated August 30, 2022.

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 in order to determine our auditing procedures that are appropriate 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 District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

Our consideration of the internal control over financial reporting 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 were not identified. However, as described in the accompanying schedule of findings and responses, we identified a certain deficiency in the internal controls that we considered to be a material weakness.

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 District'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. We consider the deficiency described in the accompanying schedule of findings and responses as item 22-1 to not be a material weakness.

Compliance

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 grants, 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*.

District's Response to Findings

The District's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. The District'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.

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 or on 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.

Bledsoe, Hewett & Gullekson

Bledsoe, Hewett & Gullekson
Certified Public Accountants, PLLLP

August 30, 2022

SARDIS LAKE WATER AUTHORITY
Schedule of Audit Results
June 30, 2022

Section 1 – Summary of Auditor’s Results:

1. An unmodified opinion report was issued on the financial statements.
2. The audit disclosed a reportable condition in the internal controls, item 22-1, which was not considered a material weakness.
3. The audit disclosed no instances of noncompliance.

Section 2 – Findings relating to the financial statements required to be reported in accordance with GAGAS:

22-1 – Lack of Segregation of Duties

Condition-

The inherent limitations resulting from a small number of employees performing functions that would normally be divided among employees were a larger number available prevent a proper segregation of accounting functions, which is necessary in order to assure adequate internal accounting controls.

Criteria-

An organization should ensure that there is a proper segregation of duties regarding cash collections and the payment of expenses.

Cause-

The District is not large enough to justify the hiring of additional personnel.

Effect-

There is always the possibility that not all collections are actually receipted or deposited, and the possibility that funds expended are not used for actual District obligations.

Recommendation-

The current procedures should not be changed. However, there should be additional personnel instilled into the collection, receipt, deposit, reconciliation and payment procedures when this becomes economically possible.

Response-

Response to this finding is attached.

SARDIS LAKE WATER AUTHORITY

Clayton, Oklahoma

Telephone 918-569-4685

Fax 918-569-4685

Post Office Box 430
Clayton, OK 74536-0430

Corrective Action Plan

June 30, 2022

USDA Rural Development
RR 4 Box 1118
Atoka, OK 74525-9803

Sardis Lake Water Authority, Clayton, Oklahoma, respectfully submits the following corrective action plan for the year ended June 30, 2022.

Independent Public Accounting Firm:

Bledsoe, Hewett & Gullekson CPAs, PLLLP
P. O. Box 1310
Broken Arrow, OK 74013-1310

Audit Period: July 1, 2021 to June 30, 2022

The Findings from the June 30, 2022 Schedule of Findings and Questioned Costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

B. Findings – Financial Statements Audit

Reportable Conditions

22-1 Segregation of Duties:

Sardis Lake Water Authority is working on the problem as funds are available. This is a common finding in water districts with only one office employee. We are delegating some duties to board members for better segregation.

SARDIS LAKE WATER AUTHORITY
Schedule of Water Rates and Customers
-Unaudited Information-
June 30, 2022

Water Rates:

Commercial-

0 – 1,000 gallons	=	\$125.00 minimum bill
1,000 – 5,000 gallons	=	\$8.30 per 1,000 gallons
Over 5,000 gallons	=	\$8.80 per 1,000 gallons

Residential-

0 – 1,000 gallons	=	\$31.93 minimum bill
1,000 – 5,000 gallons	=	\$7.77 per 1,000 gallons
Over 5,000 gallons	=	\$8.42 per 1,000 gallons

Wholesale-

0.00399 per 1,000 gallons

Customers:

Total Receipts-

	<u>2021-22</u>	<u>2020-21</u>
Latimer Co. RWD #2	\$ 219,909	\$ 129,266
Pushmataha Co RWD #1	133,016	123,195
Clayton PWA	68,922	70,543
Pushmataha Co RWD #5	56,398	40,925
All other customers	<u>178,179</u>	<u>172,080</u>
	<u>\$ 656,424</u>	<u>\$ 536,009</u>

The District had 262 customers at the close of the fiscal year.

Current membership/tap fee is \$1500 per meter sign up.



BLEDSON, HEWETT & GULLEKSON
CERTIFIED PUBLIC ACCOUNTANTS, PLLLP

Eric M. Bledsoe, CPA
Jeffrey D. Hewett, CPA
Christopher P. Gullekson, CPA

P.O. BOX 1310 • 121 E. COLLEGE ST. • BROKEN ARROW, OK 74013 • (918) 449-9991 • (800) 522-3831 • FAX (918) 449-9779

September 6, 2022

Board of Directors
Sardis Lake Water Authority
Clayton, Oklahoma

The following section contains the exceptions relayed to management that are control deficiencies, which are not included or referred to in the audit report, but which we feel needs to be communicated to you so appropriate action may be taken to correct this deficiency.

Board Meeting Dates

We observed that the 2022 calendar of meeting dates was not received by the Pushmataha County Clerk's Office until December 17, 2021. Oklahoma Statutes require that each governing board provide written notice to the county clerk of all upcoming meetings for each calendar year by December 15th of the previous year. We recommend you consult with your attorney regarding this issue.

We take this opportunity to thank you and your professional staff for the outstanding cooperation and invaluable assistance you gave us during our recent onsite audit work.

Sincerely,

Eric M. Bledsoe

For

Bledsoe, Hewett & Gullekson
Certified Public Accountants, PLLLP