

**STEPHENS COUNTY RURAL WATER,
SEWER AND SOLID WASTE
MANAGEMENT DISTRICT NO. 3**

Financial Statements and
Independent Auditor's Report

September 30, 2015

**STEPHENS COUNTY RURAL WATER, SEWER AND
SOLID WASTE MANAGEMENT DISTRICT NO. 3
September 30, 2015**

CONTENTS

Independent Auditor's Report	4-5
Financial Statements	
Statement of Net Position	6
Statement of Revenues, Expenses and Changes in Net Position.....	7
Statement of Cash Flows	8
Notes to Financial Statements	9-13
Supplementary Information	
Management Discussion and Analysis	1-3
Report on Internal Control over Financial	14-15
Reporting and on Compliance and other Matters based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	
Schedule of Findings and Responses	16

**STEPHENS COUNTY RURAL WATER, SEWER AND
SOLID WASTE MANAGEMENT DISTRICT NO.3
Management's Discussion and Analysis
Year ended September 30, 2015**

Our discussion and analysis of Stephens County Rural Water, Sewer and Solid Waste Management District No. 3's (District) financial performance provide an overview of the District's financial activities for the year ended September 30, 2015. Please read this in conjunction with our financial statements which begin on page six.

Using the Audited Financial Statements

The financial statements consist of a series of financial statements. The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position provide information about the activities of the District as a whole and present an overview of the District's finances, while the Statement of Cash Flows presents the sources and uses of cash and cash equivalents for the year.

The purpose of the Stephens County Rural Water, Sewer and Solid Waste Management District No. 3 is to provide rural water and sewer services to residential and commercial users located within the District. Because all of the District's activities are directed toward this purpose, individual fund accounts and fund financial statements are not utilized.

The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position

The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position report information about the District as a whole and provide information in a way that helps users understand whether or not the District's financial condition improved or deteriorated during the period. These statements include all assets and liabilities of the District and are prepared using the accrual method of accounting. All of the current year's revenues and expenses are taken into account, regardless of when cash is received or paid.

These two statements report the District's net position and changes in it that occurred during the year. The difference in assets and liabilities is net position, which is a measure of equity, or financial position. The increase in net position that occurs over time is reported in the Statement of Revenues, Expenses and Changes in Net Position, and is a measure of whether the financial position improved or deteriorated over time.

Management's Discussion and Analysis, Continued:

Current and Prior Year Comparisons

As noted in the following comparative summary of the Statements of Net Position, the decrease in total assets during the year was approximately \$400 and the increase in liabilities was approximately \$26,000. During 2015, the District borrowed an additional \$45,000 and installed new electronic meters requiring a capital outlay of approximately \$154,000.

	<u>2014</u>	<u>2015</u>
Current assets	\$ 336,284	\$ 240,732
Property and equipment	604,971	699,857
Other assets	<u>58,235</u>	<u>58,534</u>
Total Assets	<u>999,490</u>	<u>999,123</u>
Liabilities	181,901	207,992
Net Position	<u>817,589</u>	<u>791,131</u>
Total Liabilities and Net Position	<u>\$ 999,490</u>	<u>\$ 999,123</u>

Following is a summary of the District's 2015 revenues and expenses compared to the prior year 2014:

	<u>2014</u>	<u>2015</u>
<u>Revenues</u>		
Water & sewer	\$ 260,375	\$ 251,471
Interest & other	1,115	1,538
	<u>261,490</u>	<u>253,009</u>
<u>Expenses</u>		
Personnel	109,865	110,555
Depreciation	53,840	59,033
Interest	9,236	6,345
Other Operating	111,615	103,534
	<u>284,556</u>	<u>279,467</u>
Net Income (Loss)	<u>\$ (23,066)</u>	<u>\$ (26,458)</u>

Management's Discussion and Analysis, Continued:

Analysis of Financial Position and Results of Operation

We upgraded our system to radio-read meters this past year. These meters provide a more accurate and detailed usage. They also conserve manhours spent reading meters and have helped to lower water loss percentages.

We increased water rates for the first time in over four years. Raising costs in all phases of production in the system dictated an increase in rates to help curb the expenses.

Water conservation is still being observed by all customers which helps the district's production of water and helps the customer in the cost of their individual water bills and having water available to them.

2015 has been a good year overall and we hope to continue productive and cooperative years in the future.

Contacting the District's Management

If you have questions about this report or need additional information, contact the District Manager at the District Office by mail at P.O. Box 276, Comanche, Oklahoma, 73529, or by telephone at (580) 439-5931.

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Stephens County Rural Water, Sewer and
Solid Waste Management District No. 3

Report on the Financial Statements

We have audited the accompanying financial statements and related notes to the financial statements of Stephens County Rural Water, Sewer and Solid Waste Management District No. 3 as of and for the year ended September 30, 2015, which collectively comprise the Stephens County Rural Water, Sewer and Solid Waste Management District No. 3'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 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 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 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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 Stephens County Rural Water, Sewer and Solid Waste Management District No. 3 as of September 30, 2015 and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages one through three be presented to supplement the basic financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2015, on our consideration of the Stephens County Rural Water, Sewer and Solid Waste Management District No. 3's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is 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 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* in considering Stephens County Rural Water, Sewer and Solid Waste Management District No. 3's internal control over financial reporting and compliance.



Duncan, Oklahoma
December 7, 2015

**STEPHENS COUNTY RURAL WATER, SEWER AND
SOLID WASTE MANAGEMENT DISTRICT NO. 3
Statement of Net Position
September 30, 2015**

Assets	<u>2015</u>	<u>2014 (Memo only)</u>
Current assets		
Cash and cash equivalents	\$ 127,545	\$ 222,070
Certificates of deposit	84,816	83,911
Accounts receivable	21,501	20,627
Interest receivable	229	229
Prepaid insurance	6,641	9,447
	<u>240,732</u>	<u>336,284</u>
Restricted certificates of deposit		
Rural Development reserve	26,472	26,472
Meter deposits reserve	31,062	30,763
	<u>57,534</u>	<u>57,235</u>
Property, plant and equipment, net	699,857	604,971
Other assets		
Refundable deposits	<u>1,000</u>	<u>1,000</u>
Total assets	<u><u>\$ 999,123</u></u>	<u><u>\$ 999,490</u></u>
Liabilities and Net Position		
Current Liabilities		
Accounts payable	\$ 6,367	\$ 5,218
Accrued compensated absences & payroll	16,126	14,724
Accrued interest payable	266	249
Notes payable - current portion	29,897	20,386
	<u>52,656</u>	<u>40,577</u>
Long-term liabilities		
Meter deposits	31,062	30,763
Notes payable	154,171	130,947
Less: current portion	(29,897)	(20,386)
	<u>155,336</u>	<u>141,324</u>
Net Position		
Invested in capital assets, net of related debt	545,686	474,024
Restricted, nonexpendable	26,472	26,472
Unrestricted	218,973	317,093
	<u>791,131</u>	<u>817,589</u>
Total liabilities and net position	<u><u>\$ 999,123</u></u>	<u><u>\$ 999,490</u></u>

**STEPHENS COUNTY RURAL WATER, SEWER AND
SOLID WASTE MANAGEMENT DISTRICT NO. 3**
Statement of Revenues, Expenses and Changes in Net Position
Year ended September 30, 2015

	2015	2014 (Memo only)
Operating Revenues		
Water and sewer revenue	\$ 251,471	\$ 260,375
Operating Expenses		
Water purchased	162	2,387
Supplies	15,238	7,139
Contract labor	3,100	2,000
Office expense	8,115	5,752
Dues, fees & license	5,831	5,624
Insurance & bonds	12,437	12,214
Professional fees	10,150	11,084
Truck expenses	1,660	2,165
Depreciation	59,033	53,840
Interest expense	6,345	9,236
Utilities & telephone	21,498	22,918
Repairs & maintenance	15,730	27,215
Salaries & wages	86,417	86,107
Employee benefits	17,293	16,881
Payroll taxes	6,845	6,877
Bad debts	146	1,124
Well development		4,800
Board member honorarium	7,300	4,825
Miscellaneous other	2,167	2,368
Total expenses	279,467	284,556
Net Income (Loss) from Operations	(27,996)	(24,181)
Other Revenues (Expenses)		
Interest income	1,538	1,115
Net Income (Loss)	(26,458)	(23,066)
Capital Contributions, member investments	0	575
Change in Net position	(26,458)	(22,491)
Net Position - Beginning of year	817,589	840,080
Net Position - End of year	\$ 791,131	\$ 817,589

**STEPHENS COUNTY RURAL WATER, SEWER AND
SOLID WASTE MANAGEMENT DISTRICT NO. 3
Statement of Cash Flows
Year ended September 30, 2015**

	<u>2015</u>	<u>2014 (Memo only)</u>
Cash Flows from Operating Activities		
Cash receipts from customers	\$ 250,597	\$ 263,944
Cash payments to employees for services	(85,015)	(84,956)
Cash payments to suppliers of goods or services	(112,683)	(104,615)
Cash payments for other operating expenses	<u>(10,735)</u>	<u>(28,809)</u>
Net cash from operating activities	42,164	45,564
Cash Flows from Capital and Related Financing Activities		
Proceeds from bank loan	45,000	
Principal repayment on notes payable	(21,776)	(116,859)
Proceeds from members investment	0	575
Interest paid on notes payable	(6,328)	(9,613)
Purchase of equipment	<u>(153,919)</u>	<u>(1,066)</u>
Net cash used by financing activities	(137,023)	(126,963)
Cash Flows from Investing Activities		
Additions to CD's	(1,204)	
Proceeds from CD Matured		23,200
Interest income	<u>1,538</u>	<u>962</u>
Net cash from investing activities	334	24,162
Net increase (decrease) in cash and cash equivalents	<u>(94,525)</u>	<u>(57,237)</u>
Cash and Cash Equivalents - Beginning of year	<u>222,070</u>	<u>279,307</u>
Cash and Cash Equivalents - End of year	<u><u>127,545</u></u>	<u><u>222,070</u></u>
Reconciliation of operating income to net cash provided by operating activities:		
Net income (loss) from operations	\$ (27,996)	\$ (24,181)
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	59,033	53,840
Interest expense	6,345	9,236
(Increase) decrease in accounts receivable	(874)	3,569
Increase (decrease) in accounts payable and accrued expenses	2,867	3,108
(Increase) decrease in other current assets	<u>2,789</u>	<u>(8)</u>
Net cash provided by operating activities	<u><u>\$ 42,164</u></u>	<u><u>\$ 45,564</u></u>

**STEPHENS COUNTY RURAL WATER, SEWER AND
SOLID WASTE MANAGEMENT DISTRICT NO. 3
Notes to Financial Statements
September 30, 2015**

Note A: Organization and Significant Accounting Policies

Organization and Nature of Activities

The Stephens County Rural Water, Sewer and Solid Waste Management District No. 3 (District) was organized under the laws of Oklahoma as a rural water district on September 19, 1966. The purpose of the District is to provide water and sewer services to owners and occupants within the geographic boundaries of the district it serves in Stephens County, Oklahoma.

Basis of Presentation and Measurement Focus

The financial statements of the District have been prepared on the accrual basis of accounting and, accordingly, include all significant receivables, payables and other liabilities.

All activities of the District are business-type activities, financed in whole or in part by fees charged to member users for water and sewer services. The business-type activity utilizes an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position, financial position, and cash flows. All assets and liabilities (whether current or non current, financial, or non financial) associated with their activities are reported. Proprietary fund equity is classified as net position.

Cash and Cash Equivalents

Cash and cash equivalents consist of demand deposits and certificates of deposit in financial institutions with original maturities of less than ninety days, less and except those amounts set aside as reserve funds pursuant to loan covenants with USDA Rural Development and as reserve funds for customer meter deposits liabilities.

Property, Plant and Equipment

Property, plant and equipment are stated at historical cost basis less accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Estimated useful lives generally range from five to forty years. The District capitalizes property and equipment for which the purchase cost is at least \$1,600.

Income Tax Status

The District is exempt from income taxes under Internal Revenue Code Section 115(a).

**STEPHENS COUNTY RURAL WATER, SEWER AND
SOLID WASTE MANAGEMENT DISTRICT NO. 3
Notes to Financial Statements
September 30, 2015**

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosed 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.

Allowance for Doubtful Accounts

The District has established an allowance for doubtful accounts which represents five percent of the total accounts receivable from users at the financial statement date.

Comparative Data

The financial statements include certain prior-year summarized comparative information. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended September 30, 2014 from which the summarized information was derived.

Subsequent Events

Management has evaluated subsequent events through December 7, 2015, the date the financial statements were available to be issued.

Note B: Deposits in Financial Institutions

Deposits in financial institutions are presented in the statement of net assets as follows:

Cash and Cash Equivalents	\$127,545
Certificates of Deposit	84,816
Rural Development Reserve	26,472
Meter Deposit Reserve	31,062
Total Deposits	<u>\$269,895</u>

Deposits at September 30, 2015 include certificates of deposit, which total \$142,350. The certificates bear interest from .20 to 1.30 percent per annum, and mature within five years after the year ended September 30, 2015. The District's policy is to maintain all deposits in accounts that do not exceed the limits of FDIC insurance coverage.

**STEPHENS COUNTY RURAL WATER, SEWER AND
SOLID WASTE MANAGEMENT DISTRICT NO. 3
Notes to Financial Statements
September 30, 2015**

At September 30, 2015, the carrying amount of the District's cash and certificates of deposit in financial institutions was \$269,895 and the bank balances were \$273,424. The District's policy is to require collateralization of deposits in excess of FDIC insurance coverage. The deposits held at financial institutions can be categorized according to three levels of risk, as follows:

- Category 1 Deposits which are insured or collateralized with securities held by the District or by its agent in the District's name.
- Category 2 Deposits which are collateralized with securities held by the pledging financial institution's trust department or agent in the District's name.
- Category 3 Deposits which are not insured or collateralized.

All deposits at September 30, 2015 were covered by FDIC insurance and are therefore classified as Category 1.

Note C: Accounts Receivable

Accounts receivable, stated at \$21,501, consists of amounts receivable for water and sewer charges in the amount of \$22,633 less \$1,132 allowance for doubtful accounts.

Note D: Restricted Deposits

The Rural Development reserve in the amount of \$26,472 represents deposits set aside pursuant to loan covenants with Rural Development. The reserve requirement is one year's debt service for principal and interest on Rural Development notes payable.

The Meter Deposits reserve in the amount of \$31,062 represents deposits set aside to satisfy the liability for meter deposits collected from customers.

**STEPHENS COUNTY RURAL WATER, SEWER AND
SOLID WASTE MANAGEMENT DISTRICT NO. 3
Notes to Financial Statements
September 30, 2015**

Note E: Property, Plant and Equipment

Property, plant and equipment consists of the following at September 30, 2014 and 2015, respectively:

	2014	Additions	Dispositions	2015
Water and sewer distribution systems	\$ 1,620,507	\$ 152,019	\$ (24,187)	\$ 1,748,339
Wells and pumps	32,987			32,987
Equipment and vehicle	81,637	1,900	(12,658)	70,879
Buildings	98,459			98,459
Land	145,624			145,624
	<u>1,979,214</u>	<u>153,919</u>	<u>(36,845)</u>	<u>2,096,288</u>
Less: Accumulated Depreciation	(1,374,243)	(59,033)	36,845	(1,396,431)
Total property, plant and equipment	<u>\$ 604,971</u>	<u>\$ 94,886</u>	<u>\$ 0</u>	<u>\$ 699,857</u>

Note F: Notes Payable

Notes payable include two mortgage loans in favor of United States Department of Agriculture (USDA) through Rural Development (formerly Farmers Home Administration). Rural Development loans have an initial term of forty years and bear interest at five percent per annum. Following is a summary of the Rural Development notes payable at September 30, 2015:

Note Number	Date	Annual Debt Service	2014 Balance	2015 Balance
9205	11/5/1992	\$ 13,500	\$ 54,199	\$ 43,157
9104	2/24/1983	12,972	76,748	67,400

Rural Development loans are secured by all property, plant and equipment of the District (except vehicles), in addition to revenues generated by the water and sewer systems.

In July, 2015, the District borrowed \$45,000 from a bank to fund a portion of the electronic meters replacement project. The promissory note, secured by a bank certificate of deposit, provides for 60 monthly payments of \$815.32, including interest at 3.290% per annum; maturity is July 15, 2020.

Combined debt service requirements on all loans are as follows:

Due Fiscal Year Ending Sept. 30	Principal	Interest	Total
2016	\$ 29,897	\$ 6,359	\$ 36,256
2017	31,284	4,971	36,255
2018	32,729	3,526	36,255
2019	27,292	2,087	29,379
2020	19,964	1,101	21,065
2021-2022	13,005	345	13,350
	<u>\$ 154,171</u>	<u>\$ 18,389</u>	<u>\$ 172,560</u>

Interest paid during the year ended September 30, 2015 was \$6,328.

**STEPHENS COUNTY RURAL WATER, SEWER AND
SOLID WASTE MANAGEMENT DISTRICT NO. 3
Notes to Financial Statements
September 30, 2015**

Note G: Risk Management

The District is exposed to various risks of loss related to limited torts; theft of, damage to and destruction of assets; errors and omissions and natural disasters for which the District carries commercial insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

The following coverage was in effect pursuant to ORWA Assurance Group Protection Plan, Agreement number 10288 for the policy period ending June 1, 2016:

General liability, aggregate	\$1,000,000
Buildings and personal property	1,257,981
Automobile, comprehensive and collision	19,950
Automobile liability, aggregate	1,000,000
Employment practices liability, aggregate	1,000,000
Errors or omissions liability	1,000,000
Employee dishonesty, blanket	10,000

Workers compensation insurance is also provided pursuant to an annual contract with ORWA.

Note H: Retirement Plan

During the year ended September 30, 2003, the District implemented a SEP-IRA plan (a defined contribution plan) for its eligible employees. Employees are eligible for participation upon reaching age 21 and having performed services for the District in at least two years of the most recent five year period. The District contributed a total of \$4,212 to employee SEP accounts during the year ended September 30, 2015.

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
Stephens County Rural Water, Sewer
and Solid Waste Management District No. 3

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 Stephens County Rural Water, Sewer and Solid Waste Management District No. 3, as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise Stephens County Rural Water, Sewer and Solid Waste Management District No. 3's basic financial statements, and have issued our report thereon dated December 7, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Stephens County Rural Water, Sewer and Solid Waste Management District No. 3's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Stephens County Rural Water, Sewer and Solid Waste Management District No. 3's internal control. Accordingly, we do not express an opinion on the effectiveness of the Stephens County Rural Water, Sewer and Solid Waste Management District No. 3'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. 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Stephens County Rural Water, Sewer and Solid Waste Management District No. 3's financial statements are free from material misstatements, 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*.

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.



Duncan, Oklahoma
December 7, 2015

**STEPHEN'S COUNTY RURAL WATER, SEWER AND
SOLID WASTE MANAGEMENT DISTRICT NO. 3
Schedule of Findings and Responses
Year ended September 30, 2015**

Finding – Due to limited staff, the Organization does not have adequate segregation of financial duties to achieve optimal internal control. One person performs multiple functions that are normally separated for good internal control.

Response – Due to limited funding and budget considerations, it is not practical to hire additional staff at this time. To compensate for this deficiency, we utilize the services of an outside accountant to compile financial statements; additionally, our Board actively participates in performing oversight functions and making management decisions.