

**Seminole County Rural Water, Sewer and
Solid Waste Management District No. 1
Wewoka, Oklahoma**

Financial Statements and
Reports of Independent Auditor

For The Year Ended October 31, 2021

Audited by

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

BROKEN ARROW, OK

**Seminole County Rural Water, Sewer and Solid
Waste Management District No. 1
Wewoka, Oklahoma**

Board of Directors
October 31, 2021

Chairman

Scott Johnson

Vice Chairman

Ruth Reich

Secretary/Treasurer

Janice Bryant

Bookkeeper

Phallis Taylor

**Seminole County Rural Water, Sewer and
Solid Waste Management District No. 1
Wewoka, Oklahoma**

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October 31, 2021

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Seminole County Rural Water, Sewer and
Solid Waste Management District No. 1
Wewoka, Oklahoma

Report on Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Seminole County Rural Water, Sewer and Solid Waste Management District No. 1 (the District), Wewoka, Oklahoma, as of and for the years ended October 31, 2021 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

As discussed in Note A, the District prepares its financial statements on the basis of cash receipts and disbursements method, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

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 October 31, 2021, 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 10, 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

January 10, 2022



BLEDSON, HEWETT & GULLEKSON
CERTIFIED PUBLIC ACCOUNTANTS, PLLLP

Eric M. Bledsoe, CPA
Jeffrey D. Hewett, CPA
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**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
Seminole County Rural Water, Sewer and Solid Waste
Management District No. 1
Wewoka, 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 Seminole County Rural Water, Sewer and Solid Waste Management District No. 1 (District), Wewoka, Oklahoma, as of and for the years ended October 31, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 10, 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.

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. We did identify certain deficiencies in the internal controls, described in the accompanying schedule of audit results as item 2021-1, which is not considered 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.

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*.

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

January 10, 2022

**Seminole County Rural Water, Sewer and Solid
Waste Management District No. 1
Wewoka, Oklahoma**

Disposition of Prior Year's Significant Deficiencies
October 31, 2021

2020-1 Internal Control – Segregation of Duties

Finding – Presently the same individual performs all accounting functions; receives utility service related payments and is responsible for service billing and adjustment, also makes bank deposits, writes checks and reconciles the monthly bank statements and prepares monthly financial reports. This is considered a lack of segregation of duties.

Recommendation – While it may not be cost effective to hire additional administrative staff that would be necessary in order to adequately segregate the responsibilities, the District should consider a formal evaluation of their risks associated with this lack of segregation of duties. In response to the identified risks, consideration should be given to identifying and implementing controls that could help mitigate the risks associated with the lack of segregation of duties.

Disposition – This continues to be a finding.

**Seminole County Rural Water, Sewer and
Solid Waste Management District No. 1
Wewoka, Oklahoma**
Schedule of Audit Results
October 31, 2021

Section 1 – Summary of Auditor’s Results:

1. An unmodified opinion report was issued on the financial statements.
2. The audit reported one significant deficiency, item 2021-1, in the internal controls, which was not considered a material weakness.
3. The audit disclosed no instances of noncompliance which are material to the financial statements

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

2021-1 Internal Control – Segregation of Duties

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

Condition - Presently the same individual performs all accounting functions; receives utility service related payments and is responsible for service billing and adjustment, also makes bank deposits, writes checks and reconciles the monthly bank statements and prepares monthly financial reports.

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

Effect or Potential Effect – Without sufficient segregation of duties, the risk significantly increases that errors and fraud related to the accounting functions, including misappropriation of assets, could occur and not be detected within a timely basis.

Recommendation - While it may not be cost effective to hire additional administrative staff that would be necessary in order to adequately segregate the responsibilities, the District should consider a formal evaluation of their risks associated with this lack of segregation of duties. In response to the identified risks, consideration should be given to identifying and implementing controls that could help mitigate the risks associated with the lack of segregation of duties.

Management Response – Management agrees with this finding, and will provide adequate staffing once annual collections increase enough to justify the extra expense.

**SEMINOLE COUNTY RURAL WATER, SEWER AND SOLID
WASTE MANAGEMENT DISTRICT NO. 1
STATEMENT OF NET POSITION - CASH BASIS
OCTOBER 31, 2021**

	OCTOBER 31,	
<u>ASSETS</u>	2021	2020
Current Assets:		
Cash-		
Operating account	\$ 79,192	79,691
Restricted Assets:		
Cash-		
Reserve fund	4,753	4,745
Capital Assets:		
Water and sewer system	915,087	912,094
Land	2,300	2,300
Total capital assets	917,387	914,394
Less accumulated depreciation	(599,512)	(578,770)
Total capital assets (net)	317,875	335,624
Total Assets	\$ 401,820	420,060
<u>LIABILITIES AND NET POSITION</u>		
Current Liabilities:		
Current maturities of long-term debt	\$ 7,191	7,054
Long-Term Debt, less current maturities:		
Notes payable	43,520	50,711
Total Liabilities	50,711	57,765
Net Position:		
Temporarily Restricted	4,753	4,745
Unrestricted	346,356	357,550
Total net position	351,109	362,295
Total Liabilities and Net Position	\$ 401,820	420,060

The accompanying notes are an integral part of the financial statements

**SEMINOLE COUNTY RURAL WATER, SEWER AND SOLID
WASTE MANAGEMENT DISTRICT NO. 1
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - CASH BASIS
FOR YEAR ENDED OCTOBER 31, 2021**

	<u>2020-21</u>	<u>-Memorandum- -Only- 2019-20</u>
Revenue from Operations:		
Water sales	\$ 69,498	66,459
Sewer services	64,424	37,747
Late charges	5,127	3,635
Cut-off & connect charges	2,249	1,463
Benefit units	925	625
Miscellaneous	3,748	3,946
Total revenue from operations	<u>145,971</u>	<u>113,875</u>
Expenses from Operations:		
Contracted labor	37,692	38,425
Contracted computer services	2,064	2,039
Depreciation	20,742	20,277
Water purchases	36,950	33,517
Sewer maintenance	34,423	18,407
Office & postage	2,907	1,399
Insurance	1,718	1,906
Utilities	1,365	660
Inspection	4,129	2,250
Miscellaneous	337	1,105
Professional fees	1,850	1,600
Repairs & maintenance	9,934	7,592
Bank charges	417	510
Dues & fees	695	1,185
Total expenses from water operations	<u>155,223</u>	<u>130,872</u>
Net Income (Loss) from Operations	(9,252)	(16,997)
Other Income:		
Interest earnings	<u>55</u>	<u>89</u>
Other Expenses:		
Interest paid on debt	<u>(1,989)</u>	<u>(2,120)</u>
Increase (decrease) in Net Position	(11,186)	(19,028)
Net Position, beginning of period	<u>362,295</u>	<u>381,323</u>
Net Position, end of period	<u><u>\$ 351,109</u></u>	<u><u>362,295</u></u>

The accompanying notes are an integral part of the financial statements

**Seminole County Rural Water, Sewer and Solid
Waste Management District No. 1
Wewoka, Oklahoma**

Notes to Financial Statements
For the Years Ended October 31, 2021

Note A – Significant Accounting Policies

Basis of Accounting

The cash basis of accounting is followed for all accounts. Revenues are recorded when received and expenditures are recognized when paid. This basis of accounting is not in accordance with generally accepted accounting principles.

Cash

The District's accounts are with First United Bank and Security State Bank, Wewoka, Oklahoma, and at October 31, 2021, are detailed as follows:

Maintenance and operation account (checking)	\$ 79,192
Reserve account	<u>4,753</u>
Total	<u>\$ 83,945</u>

Investments

All investments are stated at cost, which approximates market value unless otherwise indicated. The District had no outstanding investments at October 31, 2021.

Restricted Assets

In accordance with the loan agreement with Rural Development, the District is required to maintain a reserve fund in an amount equal to one year's loan payments. Accordingly, the District was required to have \$4,753 in the reserve account at October 31, 2021. The balance in the reserve account was \$4,753 at October 31, 2021.

**Seminole County Rural Water, Sewer and Solid
Waste Management District No. 1
Wewoka, Oklahoma**

Notes to Financial Statements
For the Years Ended October 31, 2021

Note A – Significant Accounting Policies – cont’d

Capital Assets

Any items purchased or constructed in excess of \$1,000 and a useful life of over two years is considered a capital asset by the District, and will be depreciated over a specific time. Capital assets are valued at cost, depreciation is computed by use of the straight-line method. The estimated useful lives for capital assets are detailed as follows:

Water System	40 years
Sewer System	40 years
Office and Other Equipment	10 years

Federal Income Tax

The District is exempt from all federal and state income taxes.

Collateral Pledged

It appears that all funds were adequately insured by the \$250,000 of FDIC coverage as of October 31, 2021.

Note B – Long-term Debt

At October 31, 2021, long-term debt is summarized as follows:

Note 92-01, 5.00% mortgage payable to Rural Development, \$389 per month, October 27, 1999, maturing in 2032	\$ 38,314
Promissory note, 0% mortgage payable to Dept. of Commerce, \$365 per month, November 1, 2004, maturing in 2024	<u>12,397</u>
Totals	<u>\$ 50,711</u>

**Seminole County Rural Water, Sewer and Solid
Waste Management District No. 1
Wewoka, Oklahoma**

Notes to Financial Statements
For the Year Ended October 31, 2021

Note B – Long-term Debt – cont'd

The estimated maturities for this debt are as follows:

	<u>Rural Development</u>	<u>Department of Commerce</u>
2021 – 22	\$ 2,816	4,375
2022 – 23	2,960	4,375
2023 – 24	3,112	3,647
2024 – 25	3,271	0
2025 – 26	3,438	0
2026 – 31	20,018	0
2031 – 36	<u>2,699</u>	<u>0</u>
Total	<u>\$ 38,314</u>	<u>12,397</u>

Note C – Insurance and Surety Bond Coverage

The District appears to have had adequate insurance to cover all major perils at October 31, 2021.

Note D – Subsequent Events

Management has evaluated subsequent events through January 10, 2022, which is the date the financial statements were available to be issued and have determined that no additional information needs to be added to the financial statements.