

**RURAL WATER, SEWER, GAS AND SOLID WASTE  
MANAGEMENT DISTRICT NO. 2, SEMINOLE COUNTY  
WEWOKA, OKLAHOMA**

**FINANCIAL STATEMENTS  
AND REPORTS OF INDEPENDENT AUDITOR**

**OCTOBER 31, 2021**

Audited by

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

**BROKEN ARROW, OK**

RURAL WATER, SEWER, GAS AND SOLID WASTE MANAGEMENT  
DISTRICT NO. 2, SEMINOLE COUNTY  
OCTOBER 31, 2021

**BOARD OF DIRECTORS**

**Chairman**

Fred Argo

**Vice-Chairman**

Eddie Neill

**Secretary/Treasurer**

Ralph Morton

**Members**

Reggie Parker

Ronald Stafford

**BOOKKEEPER**

Phallis Taylor

RURAL WATER, SEWER, GAS AND SOLID WASTE MANAGEMENT  
DISTRICT NO. 2, SEMINOLE COUNTY  
OCTOBER 31, 2021

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

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## **INDEPENDENT AUDITOR'S REPORT**

Board of Directors  
Rural Water, Sewer, Gas and Solid Waste  
Management District No. 2, Seminole County  
Wewoka, Oklahoma

### **Report on Financial Statements**

We have audited the accompanying financial statements of the business-type activities of the Rural Water, Sewer, Gas and Solid Waste Management District No. 2, Seminole County (the District), Wewoka, Oklahoma, as of and for the year 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 opinions.

### **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 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.

The prior year "memorandum only" comparative information and 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 January 21, 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 Authority's internal control over financial reporting and compliance.

*Bledsoe, Hewett & Gullekson*

Bledsoe, Hewett & Gullekson  
Certified Public Accountants, PLLLP

January 21, 2022



**BLEDSON, HEWETT & GULLEKSON**  
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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  
Rural Water, Sewer, Gas and Solid Waste  
Management District No. 2, Seminole County  
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 Rural Water, Sewer, Gas and Solid Waste Management District No. 2, Seminole County District No. 2 District), Wewoka, Oklahoma, as of and for the year 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 21, 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 21-1, 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 21, 2022

RURAL WATER, SEWER, GAS AND SOLID WASTE MANAGEMENT  
DISTRICT NO. 2, SEMINOLE COUNTY  
DISPOSITION OF PRIOR YEAR'S SIGNIFICANT DEFICIENCIES  
OCTOBER 31, 2021

20-01 *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.



**Rural Water, Sewer, Gas and Solid Waste Management**  
**District No. 2, Seminole County**  
**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 identified one significant deficiency in the internal controls over financial reporting, item 21-1, which was not considered material.
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:

21-1 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.

**Rural Water, Sewer, Gas and Solid Waste Management  
District No. 2, Seminole County  
Statement of Net Position  
October 31, 2021**

	October 31,	
	2021	(memo only) 2020
<b><u>ASSETS</u></b>		
Current Assets:		
Cash in bank	\$ 87,435	64,390
Investments	143,333	142,703
Prepaid insurance	971	1,009
Accounts receivable	10,672	9,514
Total current assets	242,411	217,616
Capital Assets:		
Water system & improvements	688,552	688,552
Less: accumulated depreciation	(359,240)	(345,376)
Total capital assets (net)	329,312	343,176
Other Assets:		
Security deposit - ORWAAG	1,046	1,046
<b>TOTAL ASSETS</b>	<b>\$ 572,769</b>	<b>561,838</b>
 <b><u>LIABILITIES</u></b>		
Current Liabilities:		
Meter deposits	\$ 22,813	22,113
 <b><u>NET POSITION</u></b>		
Net investment in capital assets	329,312	343,176
Unrestricted assets	220,644	196,549
Total Net Position	549,956	539,725
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$ 572,769</b>	<b>561,838</b>

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

**Rural Water, Sewer, Gas and Solid Waste Management  
District No. 2, Seminole County  
Statement of Revenue, Expenses and Changes in Net Position  
For The Year Ended October 31, 2021**

	<u>2020-21</u>	<u>(memo only) 2019-20</u>
<b>Revenue from Operations:</b>		
Water sales	\$ 103,170	100,563
Late charges	1,806	2,554
Reconnect fees	1,114	1,176
Benefit units	300	525
Miscellaneous	5,820	2,200
Total revenue from operations	<u>112,210</u>	<u>107,018</u>
<b>Expenses from Operations:</b>		
Salaries, taxes and contract labor	17,749	19,665
Depreciation	13,864	13,864
Water purchases	35,871	45,178
Office	3,172	1,173
Insurance and bonds	1,709	1,850
Rent	300	300
Repairs and maintenance	14,777	2,549
Postage and box rental	457	385
Professional fees	1,850	1,600
Contract computer services	2,896	2,837
Miscellaneous	4,325	3,681
Water sampling	3,904	1,400
Dues and fees	1,771	1,513
Total expenses from operations	<u>102,645</u>	<u>95,995</u>
Operating Income (Loss)	9,565	11,023
<b>Non-operating Income:</b>		
Interest earnings	<u>666</u>	<u>1,180</u>
Change in Net Position	10,231	12,203
Total Net Position, beginning of period	<u>539,725</u>	<u>527,522</u>
Total Net Position, end of period	<u>\$ 549,956</u>	<u>539,725</u>

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

**Rural Water, Sewer, Gas and Solid Waste Management  
District No. 2, Seminole County  
Statement of Cash Flows  
For Year Ended October 31, 2021**

	<u>2020-21</u>	<u>(memo only) 2019-20</u>
Cash Flows from Operating Activities:		
Receipts from customers	\$ 111,852	108,067
Payments to vendors	<u>(88,843)</u>	<u>(82,018)</u>
Total cash flows from operating activities	<u>23,009</u>	<u>26,049</u>
Cash Flows from Capital and Related Financing Activities:		
Investments (purchased) liquidated	<u>(630)</u>	<u>(1,137)</u>
Cash Flows from Investing Activities:		
Interest revenue	<u>666</u>	<u>1,180</u>
Net increase (decrease) in cash	23,045	26,092
Cash and cash equivalents, beginning of period	<u>64,390</u>	<u>38,298</u>
Cash and cash equivalents, end of period	<u>\$ 87,435</u>	<u>64,390</u>
 <u>Reconciliation of operating income (loss) to net cash provided by operating activities:</u>		
Operating Income	\$ 9,565	11,023
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation Expense	13,864	13,864
(Increase) decrease in accounts receivable	(1,158)	249
(Increase) decrease in prepaid insurance	38	113
Increase (decrease) in meter deposits	<u>700</u>	<u>800</u>
Net Cash Provided by Operating Activities	<u>\$ 23,009</u>	<u>26,049</u>

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

**Rural Water, Sewer, Gas and Solid Waste Management  
District No. 2, Seminole County  
Notes to Financial Statements  
October 31, 2021**

**Note A – Significant Accounting Policies**

Basis of Accounting

The accrual basis of accounting is followed for all accounts. Revenues are recorded when earned and accrued liabilities are recognized when incurred. This policy is in accordance with generally accepted accounting principles.

The District follows GASB Statement No. 34 “Basic Financial Statements and Management’s Discussion and Analysis for State and Local Government.” This statement establishes financial reporting requirements for state and local governments throughout the United States. It creates information and restructures much of the information that governments have presented in the past.

Cash

The District’s accounts are with the Security State Bank, Wewoka, Oklahoma and First United Bank, Wewoka, Oklahoma, and are detailed as follows:

	October 31,	
	2021	2020
Revenue account	\$ 87,569	64,390
Less: outstanding checks	(134)	0
Total	\$ 87,435	64,390

Investments

The bookkeeper is authorized by the Board of Directors to invest certain amounts of money from available funds. The types of investments available are specified in and limited by Oklahoma Statutes, which includes certificates of deposit and governmental securities. Investments are recorded on the financial records and in the financial statements at cost. Income from investments is recorded when collected.

**Rural Water, Sewer, Gas and Solid Waste Management  
District No. 2, Seminole County  
Notes to Financial Statements  
October 31, 2021**

Investments – cont'd

The District had the following outstanding investments at October 31, 2021:

Security State Bank, Wewoka, Oklahoma	
Certificate of deposit no. 2979	\$ 57,492
Certificate of deposit no. 2977	35,502
Certificate of deposit no. 2819	38,703
Certificate of deposit no. 2918	<u>11,636</u>
Total	<u>\$143,333</u>

Other Assets

The District purchased a security deposit with ORWAAG of \$1,046. The District made the deposit in lieu of an annual fee of \$25 for membership with ORWAAG. The deposit is interest bearing and will pay at the T-bill plus 3% interest rate one time per year.

Accounts Receivable

Billings for accounts receivable at October 31, 2021 were \$10,672. Allowance for doubtful accounts was not computed on this balance because uncollectibles do not have a material effect on the balance sheet.

Capital Assets

Capital assets are valued at cost, depreciation is computed by use of the straight line method. The estimated useful lives of these assets are as follows:

Water system	40 years
Water meters	10 years
Equipment	5-7 years

Federal Income Tax

The District is exempt from Federal and State income taxes.

**Rural Water, Sewer, Gas and Solid Waste Management  
District No. 2, Seminole County  
Notes to Financial Statements  
October 31, 2021**

**Collateral Pledged**

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

**Long-Term Debt**

There was no long-term debt at October 31, 2021.

**Memorandum Totals**

The “memo only” captions above the total columns means that totals are presented for overview information purposes only.

**Note B – Insurance and Surety Bond Coverage**

At October 31, 2021, the District had appropriate coverage against all major perils.

**Note C – Accumulated Unpaid Vacation and Sick Pay**

At October 31, 2021, no determination of the aggregate dollar value of vacation or sick pay had been made.

**Note D – Pending Litigation**

District officials are not aware of any pending or threatened litigation, claims or assessments or un-asserted claims or assessments against the District.

**Note E – Subsequent Events**

Management has evaluated subsequent events through January 21, 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.