

**Financial Statements and Reports of
Independent Certified Public Accountant
Rural Water District No. 9
Rogers County, Oklahoma
September 30, 2013**

TURNER & ASSOCIATES, PLC
Certified Public Accountants
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Rogers County Rural Water District No. 9
Water District Officials
September 30, 2013

Board of Directors

David Patterson	Chairman
Lynn Armstrong	Vice – Chairman
Linda Jerchau	Secretary/Treasurer
Jeremy Erwin	Member
Jerry Ragsdale	Member

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Independent Auditor's Report

Board of Directors
Rural Water District No. 9
Rogers County, Oklahoma

Report on the Financial Statements

We have audited the accompanying financial statements of the Rogers County Rural Water District No. 9, a special revenue fund, of the County of Rogers, as of and for the year ended September 30, 2013, 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 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 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 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 opinions.

As discussed in Note I, the financial statements present only the Rogers County Rural Water District No. 9 and do not purport to, and do not present fairly the financial position of the County of Rogers, Oklahoma, as of September 30, 2013, and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the special revenue fund activities of the Rogers County Rural Water District No. 9, as of September 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted the management's discussion and analysis and budgetary comparison information that 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 who considers it to be an essential part of 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 July 16, 2015, 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 and compliance and 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 *Governmental Auditing Standards* and should be considered in assessing the results of our audit.

TURNER & Associates, PLLC

Vinita, Oklahoma

July 16, 2015



**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 District No. 9
Rogers County, 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 financial statements of the special revenue fund of the Rogers County Rural Water District No. 9, County of Rogers, Oklahoma, as of and for the year ended September 30, 2013, and the related notes to the financial statements which collectively comprise the Rogers County Rural Water District No. 9's financial statements, and have issued our report thereon dated July 16, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Rogers County Rural Water District No. 9'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Rogers County Rural Water District No. 9's internal control. Accordingly, we do not express an opinion on the effectiveness of Rogers County Rural Water District No. 9's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting 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 certain deficiencies in internal control over financial reporting, describe in the accompanying schedule of findings and questioned costs that we consider to be material weaknesses.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses. Finding 2014-1 can be seen at the end of this report.

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 and Other Matters

As part of obtaining reasonable assurance about whether the Rogers County Rural Water District No. 9's financial statements are free of material misstatement, 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 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.

TURNER & Associates, PLLC

Vinita, OK
July 16, 2015

Rogers County Rural Water District No. 9
Statement of Net Position
September 30, 2013

	September 30, 2013	(Memo Only) September 30, 2012
ASSETS		
Current Assets		
Cash and Cash Equivalents	\$ 255,569.39	\$ 223,345.16
Investments	60,668.87	60,569.75
Accounts Receivable, net of allowance	18,142.13	18,941.45
Prepaid Insurance	3,669.61	3,556.53
Total Current Assets	<u>338,050.00</u>	<u>306,412.89</u>
Noncurrent Assets		
Capital Assets:		
Non-depreciable	13,930.00	13,930.00
Depreciable	1,020,929.21	1,059,466.06
Total Capital Assets, net	<u>1,034,859.21</u>	<u>1,073,396.06</u>
Total Assets	<u>1,372,909.21</u>	<u>1,379,808.95</u>
LIABILITIES		
Current Liabilities		
Accounts Payable	10,662.11	32,326.96
Accrued Payables	1,716.09	1,674.09
Total Liabilities	<u>12,378.20</u>	<u>34,001.05</u>
NET POSITION		
Net Investment in Capital Assets	1,034,859.21	1,073,396.06
Unrestricted	<u>325,671.80</u>	<u>272,411.84</u>
Total Net Position	<u>\$ 1,360,531.01</u>	<u>\$ 1,345,807.90</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

Rogers County Rural Water District No. 9
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended September 30, 2013

	September 30, 2013	(Memo Only) September 30, 2012
Operating Revenues		
Water Revenues	\$ 179,398.45	\$ 207,728.30
Late Charges	5,774.28	6,916.01
Miscellaneous Operating Revenue	4,198.00	3,932.00
Total Operating Revenues	<u>189,370.73</u>	<u>218,576.31</u>
Operating Expenses		
Water Purchased	79,805.49	96,452.00
Depreciation	38,536.85	39,567.99
Salaries and Wages	28,561.94	28,561.94
Utilities	847.24	905.65
Operating Supplies	-	2,220.00
Repairs and Maintenance	10,513.50	54,693.21
Telephone	1,759.98	2,072.64
Office Expense	5,260.10	4,338.46
Insurance	3,458.77	1,871.27
Professional Fees	3,400.00	3,050.00
Licenses/Subscriptions/Dues	641.07	625.29
Office Expense Reimbursement	2,400.00	2,400.00
Travel Expenses	1,200.00	1,200.00
Payroll Taxes	2,427.94	2,473.99
Miscellaneous Expense	3,688.00	756.00
Total Operating Expenses	<u>182,500.88</u>	<u>241,188.44</u>
Operating Income (Loss)	6,869.85	(22,612.13)
Non-Operating Revenues (Expenses)		
Interest Income	853.26	1,143.82
Capital Contributions		
Memberships	<u>7,000.00</u>	<u>11,000.00</u>
Change in Net Position	14,723.11	(10,468.31)
Net Position, Beginning of Year	1,345,807.90	1,356,276.21
Net Position, End of Year	<u>\$ 1,360,531.01</u>	<u>\$ 1,345,807.90</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

Rogers County Rural Water District No. 9
Statement of Cash Flows
For the Year Ended September 30, 2013

	<u>September 30, 2013</u>	<u>(Memo Only) September 30, 2012</u>
Cash Flows from Operating Activities		
Cash Inflows:		
Payments Received from Customers	\$ 180,197.77	\$ 208,681.90
Other Cash Received	<u>16,972.28</u>	<u>21,848.01</u>
Total Cash Provided	<u>197,170.05</u>	<u>230,529.91</u>
Cash Outflows:		
Payments for Salaries and Benefits	(30,947.88)	(30,993.88)
Payments for Goods and Services	<u>(134,752.08)</u>	<u>(149,973.96)</u>
Total Cash Used	<u>(165,699.96)</u>	<u>(180,967.84)</u>
Net Cash Provided (Used) by Operating Activities	<u>31,470.09</u>	<u>49,562.07</u>
Cash Flows from Noncapital Financing Activities		
Purchase of Capital Assets	<u>-</u>	<u>(20,564.61)</u>
Cash Flows from Investing Activities		
Purchase of Investments	(99.12)	(351.49)
Interest Received from Investments	<u>853.26</u>	<u>1,143.82</u>
Net Cash Provided by Investing Activities	<u>754.14</u>	<u>792.33</u>
Net Cash Inflow (Outflow) from All Activities	32,224.23	29,789.79
Cash and Cash Equivalents at Beginning of Year	223,345.16	193,555.37
Cash and Cash Equivalents at End of Year	<u><u>\$ 255,569.39</u></u>	<u><u>\$ 223,345.16</u></u>
Cash and Cash Equivalents		
Unrestricted Cash and Cash Equivalents	<u><u>\$ 255,569.39</u></u>	<u><u>\$ 223,345.16</u></u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

Rogers County Rural Water District No. 9
Statement of Cash Flows (Continued)
For the Year Ended September 30, 2013

	<u>September 30, 2013</u>	<u>(Memo Only)</u> <u>September 30, 2012</u>
Reconciliation of Operating Income (Loss to Net Cash)		
Provided by Operating Activities:		
Operating Income (Loss):	\$ 6,869.85	\$ (22,612.13)
Depreciation	38,536.85	39,567.99
Memberhips	7,000.00	11,000.00
(Increase) Decrease in:		
Accounts Receivable	799.32	953.60
Prepaid Insurance	(113.08)	(1,607.17)
Increase (Decrease) in:		
Accounts Payable	(21,664.85)	22,217.73
Accrued Payables	42.00	42.05
	<u> </u>	<u> </u>
Net Cash Provided (Used) by Operating Activities	<u><u>\$ 31,470.09</u></u>	<u><u>\$ 49,562.07</u></u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

Rogers County Rural Water District No. 9
Notes to the Financial Statements
For the Year Ended September 30, 2013

The following notes to the financial statements are an integral part of Rural Water District No. 9's financial statements.

I. Summary of Significant Accounting Policies

Rural Water District No. 9, Rogers County, Oklahoma (the "District") was created under the provisions of Title 82, O.S. 1981, Sections 1324.1-1324.26 inclusive, for the purpose of providing water to the members of the District it serves. Membership in the water district consists of water users who have paid the required membership and connection fees. The District is exempt from federal and state income taxes.

The membership consists of approximately 429 users, each entitled to one vote. The Board of Directors consists of five members serving three-year terms. The vacant Board seats are elected at the annual meeting, and following, the Board of Directors meet and elect a chairman, vice-chairman and secretary/treasurer. All Board members serve without pay.

A. Financial Reporting Entity

Rural Water District No. 9 is an independent, self-contained reporting entity with no associated component units. The District's fund is an enterprise fund. Enterprise funds are proprietary funds used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector.

B. Measurement Focus, Basis of Accounting and Basis of Presentation – Fund Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with Generally Accepted Accounting Principles (GAAP) promulgated in the United States of America. The accounting and financial reporting treatment is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operation are included on the statement of net position. The operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets. Depreciation expense is provided for capital assets based upon estimated useful lives.

Financial activity is accounted for on the flow of economic resources measurement focus using the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. The District complies with generally accepted accounting principles and applies all relevant Government Accounting Standards Board (GASB) pronouncements. In addition, the District applies Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. The District has elected not to follow FASB pronouncements issued since that date.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District is the sale of water. Operating expenses for enterprise funds include the cost of sales and services and administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Memorandum Only – Total Column

The total column on the financial statements is captioned "Memo Only" to indicate that it is present only to facilitate financial analysis. Data in this column does not present assets and liabilities, revenues collected and expenditures paid in conformity with the statutory basis of accounting. Neither is such data comparable to a consolidation. Inter-fund eliminations have not been made in the aggregation of this data.

Rogers County Rural Water District No. 9
Notes to the Financial Statements
For the Year Ended September 30, 2013

I. Summary of Significant Accounting Policies (continued)

C. Assets, Liabilities and Net Position

1. Cash and Cash Equivalents

For purposes of the statement of cash flows, the District considers all cash on hand, demand deposits, and highly liquid investments, with an original maturity of three months or less when purchased, to be cash and cash equivalents.

2. Investments

Investments consist of one certificate of deposit maturing in the following fiscal year with interest added to the CD at maturity.

3. Fair Value of Financial Instruments

The District's financial statements include cash and investments. The District's estimates of the fair value of all financial instruments do not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying balance sheet. The carrying amount of these financial instruments approximates fair value because of the short maturity of these instruments.

4. Inventory of Supplies and Materials

Inventory is stated at cost using the first-in, first-out method. Inventories, which consist of materials and supplies used for repairs to the system, are recorded under the purchases method where materials and supplies are recorded as an expense immediately when purchased. The District has determined that any materials and supplies on hand at year end are immaterial and have not been recorded as inventory.

5. Accounts Receivable

Accounts receivable consists primarily of charges for water sales. Management has established a provision for uncollectible accounts in the amount of \$500.

6. Capital Assets

The water storage and delivery system and furniture and equipment are recorded at cost. Donated capital assets are reported at estimated fair market value at the date of donation. District policy has set the capitalization threshold for reporting capital assets at \$1,000.

Additions and improvements that significantly extend the useful life of an asset are capitalized. The cost of normal maintenance and repairs are expensed as incurred.

All reported capital assets are depreciated on the straight-line basis over the estimated useful lives ranging from five to fifty years, except for land, which is not depreciable.

Rogers County Rural Water District No. 9
Notes to the Financial Statements
For the Year Ended September 30, 2013

I. Summary of Significant Accounting Policies (continued)

C. Assets, Liabilities and Net Position (continued)

7. Equity Classifications

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

- a. Net Investment in Capital Assets --- Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any mortgages, notes, or other borrowings that are attributable to the acquisition, construction or improvement of those assets.
- b. Restricted net position --- Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position --- All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

8. Use of Estimates

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

9. Annual Budget-to-Actual Comparison

The District is not legally required to prepare an annual budget. Therefore, an annual budget-to-actual comparison as required by GASB 34 is not presented.

10. Recent Accounting Pronouncements

In November 2010, GASB issued Statement No. 61, *The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34* (GASB 61). GASB 61 modifies certain requirements for inclusion of component units in the financial reporting entity. For organizations that were previously required to be included as component units by meeting the fiscal dependency criterion, a financial benefit or burden relationship also needs to be present between the primary government and that organization for it to be included in the reporting entity as a component unit. Further, for organizations that do not meet the financial accountability criteria for inclusion as component units but that, nevertheless, should be included because the primary government’s management determines that it would be misleading to exclude them, GASB 61 clarifies the matter in which that determination should be made and the types of relationships that generally should be considered in making the determination.

GASB 61 amends the criteria for reporting component units as if they were part of the primary government (that is, blending) in certain circumstances. For component units that currently are blended based on the “substantially the same governing body” criterion, it additionally requires that (1) the primary government and the component unit have a financial benefit or burden relationship or (2) management (below the level of the elected officials) of the primary government have operational responsibility for the activities of the component unit.

Rogers County Rural Water District No. 9
Notes to the Financial Statements
For the Year Ended September 30, 2013

I. Summary of Significant Accounting Policies (continued)

C. Assets, Liabilities and Net Position (continued)

10. Recent Accounting Pronouncements (continued)

The District adopted GASB 61 on October 1, 2012, which did not have a significant impact on the District's financial statements.

In June 2011, GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* (GASB 63). The objective of GASB 63 is to provide guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures. The pronouncement will improve financial reporting by standardizing the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government's net position. It alleviates uncertainty about reporting those financial statement elements by providing guidance where none previously existed. The provisions of this statement were effective for financial statements for periods beginning after December 15, 2011. The District adopted GASB 63 effective July 1, 2012. The adoption of the statement required the District to adopt the term "net position" as required. In addition, as required by GASB 63, the District determined as of June 30, 2013, there were no items of deferred inflows or outflows of resources, as presently defined, to be reported.

In March 2012, GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities* (GASB 65). The objective of GASB 65 is to establish accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets or liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The provisions of this statement were effective for financial statements for periods beginning after December 15, 2012.

11. Subsequent Events

Management has evaluated subsequent events through July 16, 2015, 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.

II. Detailed Notes Concerning the Funds

A. Cash and Investments

Custodial Credit Risk – Deposits: Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District's cash deposits, including interest-bearing certificates of deposit, are maintained in financial institutions. The District does not have a deposit policy for custodial credit risk. As of September 30, 2013 none of District's deposits were exposed to custodial credit risk.

Interest rate risk: This is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Rogers County Rural Water District No. 9
Notes to the Financial Statements
For the Year Ended September 30, 2013

II. Detailed Notes Concerning the Funds (continued)

B. Accounts Receivable

Following is an aged schedule of accounts receivable as of September 30, 2013:

<u>0-30 Days</u>	<u>31-60 Days</u>	<u>61-90 Days</u>	<u>Over 90 Days</u>	<u>Total</u>
\$ 16,078.73	\$ 1,986.14	\$ 390.84	\$ 186.42	\$ 18,642.13

C. Changes in Capital Assets

Capital asset activity for the year was as follows:

<u>Description</u>	<u>Balance 9/30/12</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 9/30/13</u>
Land	\$ 13,930.00	\$ -	\$ -	\$ 13,930.00
Water Distribution System	1,559,084.97	-	-	1,559,084.97
Furniture and Equipment	8,437.20	-	-	8,437.20
Total	1,567,522.17	-	-	1,567,522.17
Accumulated Depreciation	(508,056.11)	(38,536.85)	-	(546,592.96)
Net Depreciable Assets	1,059,466.06	(38,536.85)	-	1,020,929.21
Net Capital Assets	\$ 1,073,396.06	\$ (38,536.85)	\$ -	\$ 1,034,859.21

D. Long-Term Debt

The District has no long term debt.

III. Other Information

A. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. The District purchases commercial insurance to cover these risks, including general and auto liability, property damage, and public officials liability. There were no significant reductions in insurance coverage from the prior year. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Rogers County Rural Water District No. 9
Notes to the Financial Statements
For the Year Ended September 30, 2013

III. Other Information (continued)

B. Rates and Fees

Water usage and rates for Roger County RWD No. 9 are illustrated in the chart below.

Minimum Usage	Maximum Usage	Fixed Rate	Plus, Per/1000
	1000	15.20	
1001	3000	15.20	3.10
3001	5000	21.40	3.30
5001	7000	28.00	3.50
7001	9000	35.00	3.70
9001	11000	42.40	3.90
11001	13000	50.20	4.10
13001	and up	58.40	4.50

Late payment penalties higher of \$5.00 or 10% of unpaid balance.

Membership Fee	1,000.00
NSF Charge	3.00
Reconnect	40.00
Transfer	25.00

**Rogers County Rural Water District No. 9
Schedule of Findings and Responses
For the Year Ended September 30, 2013**

FINDINGS - FINANCIAL STATEMENT AUDIT

2013-1 Material Adjusting Journal Entries

Criteria:

The District's management is responsible for internal controls over accounting and financial reporting. This responsibility includes the design and implantation of controls over the fair and complete presentation of the District's annual financial statements in accordance with generally accepted accounting principles (GAAP) from trial balances derived from the government's accounting records. For trial balances to be both complete and accurate, the government must have effective internal controls over recording, processing, summarizing, and adjusting accounting data. As evidence of effective internal controls over accounting and financial reporting, there should generally be few, if any, material adjustments to the trial balances required that are detected and corrected solely as a result of the financial statement audit. In other words, government management should not rely on the external auditor to detect and correct material misstatements in the books and records as part of its internal control, but rather should have its own procedures designed and in place that are independent of the external auditor to provide reasonable, although not absolute, assurance that material misstatements will be detected and corrected in its trial balances prior to audit.

Condition:

The District's trial balances for the year ended September 30, 2013, required a number of material adjusting journal entries in order for the financial statements to be prepared in accordance with GAAP. These necessary adjusting entries, identified solely as a result of the financial statement audit, included such adjustments as the following: adjusting depreciation expense and adjusting prepaid insurance. This was the same finding in 2012.

Cause:

The District's accounting and financial reporting staff does not possess the necessary knowledge, expertise and education, relative to the complex nature of applying GAAP applicable to state and local governments, sufficient to provide reasonable assurance that the trial balances used for preparing the GAAP financial statements are complete and accurate prior to audit. As a result, management has had to rely on the external auditors to identify and correct a number of material misstatements in the trial balances.

Effect:

As a result of this condition, without assistance from its external auditors, the District lacks the necessary internal controls over the completeness and accuracy of the trial balances that are used in the preparation of its financial statements in accordance with GAAP. This condition can result in undetected and uncorrected material misstatements in the financial statements that are not detected by management and may also not be detected by the financial statement audit. In addition, if management's intentions are to continue to rely on the external auditor to detect and correct material misstatements, this condition could place the auditor in a questionable position regarding auditor independence since management is responsible for the completeness and accuracy of the financial statements.

Recommendation:

The District should consider designing and implementing sufficient internal controls over the completeness and accuracy of trial balances by obtaining the necessary knowledge, expertise, and continuing education to apply GAAP in the development of working trial balances that will be used to prepare the government's annual financial statements. This could be achieved through employment of qualified accounting staff or the outsourcing of these control activities to a qualified accounting firm other than the external auditor.

Client Response:

The District plans to make adjusting journal entries after year-end.