

## AUDIT REPORT

VIVIAN RURAL WATER DISTRICT #6 (MCINTOSH CO.)  
MCINTOSH COUNTY, OKLAHOMA

DECEMBER 31, 2014



## KERSHAW CPA & ASSOCIATES, PC

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VIVIAN RURAL WATER DISTRICT #6 (MCINTOSH CO.)  
MCINTOSH COUNTY, OKLAHOMA  
DECEMBER 31, 2014

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VIVIAN RURAL WATER DISTRICT #6 (MCINTOSH CO.)  
MCINTOSH COUNTY, OKLAHOMA  
DECEMBER 31, 2014

BOARD OF DIRECTORS

<u>NAME</u>	<u>POSITION</u>	<u>TERM EXPIRATION</u>
BILL GLICK HC 63, BOX 285 EUFAULA, OK 74432	CHAIRMAN	FEB 2016
LARRY NEWPORT HC 64, BOX 5383 EUFAULA, OK 74432	VICE CHAIRMAN	FEB 2016
JARED EFURD PO BOX 365 EUFAULA, OK 74432	SECRETARY	FEB 2015
STEVE DAWSON HC 63, BOX 125 EUFAULA, OK 74432	MEMBER	FEB 2017
BILLY NEAL HC 62, BOX 80 EUFAULA, OK 74432	MEMBER	FEB 2017

# KERSHAW CPA & ASSOCIATES, PC

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Vivian Rural Water District #6,  
McIntosh County, Oklahoma

### *Report on the Financial Statements*

We have audited the accompanying financial statements of Vivian Rural Water District #6, McIntosh County, as of and for the fiscal year ended December 31, 2014, as listed in the table of contents and the related notes to the financial statements.

### *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 the 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, and in accordance with Oklahoma Statutes. 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 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.

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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 the Vivian Rural Water District #6, McIntosh County as of December 31, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

## *Other Matters*

### *Required Supplementary Information*

Vivian Rural Water District #6, McIntosh County has implemented the general provisions of the Governmental Accounting Standards Board (GASB) Statement No. 34. However the District has not presented the Management's Discussion and Analysis required by the Governmental Accounting Standards Board (GASB) that the GASB has determined is necessary to supplement, although not required to be part of, the basic financial statements.

### *Supplementary and Other Information*

The introductory and the other supplementary information sections listed in the accompanying table of contents are presented for the purpose of additional analysis and are not a required part of the basic financial statements of the District. Such additional 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 26, 2015, on our consideration of the Vivian Rural Water District #6, McIntosh County'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

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*Government Auditing Standards* in considering Vivian Rural Water District #6, McIntosh County's internal control over financial reporting and compliance.

*Kershaw CPA & Associates, P.C.*

Kershaw, CPA & Associates, PC

January 26, 2015

## EXHIBIT A

VIVIAN RURAL WATER DISTRICT #6 (MCINTOSH CO.)  
 MCINTOSH COUNTY, OKLAHOMA  
 STATEMENT OF NET POSITION  
 DECEMBER 31, 2014

	<u>2014</u>	<u>Memorandum Only 2013</u>
<b><u>ASSETS</u></b>		
<b><u>CURRENT ASSETS:</u></b>		
Cash and Cash Equivalents	\$ 276,734	\$ 320,710
Accounts Receivable, Net of Allowance for Doubtful Accounts	21,119	20,698
Accrued Interest Receivable	11	-
Notes Receivable (Note 1)	2,847	400
Prepaid Insurance	6,438	6,376
<b>Total Current Assets</b>	<b>307,149</b>	<b>348,184</b>
<b><u>CAPITAL ASSETS:</u></b>		
Net of accumulated depreciation in the amount of 914,401 and \$869,645, respectively	849,447	745,572
<b>TOTAL ASSETS</b>	<b>1,156,596</b>	<b>1,093,756</b>
<b><u>LIABILITIES &amp; NET POSITION</u></b>		
<b><u>CURRENT LIABILITIES:</u></b>		
Accounts Payable	9,824	11,836
Payroll & Taxes Payable	3,614	3,553
Construction Deposits	-	-
<b>Total Current Liabilities</b>	<b>13,439</b>	<b>15,389</b>
<b>LONG-TERM LIABILITIES</b>	<b>-</b>	<b>-</b>
<b>TOTAL LIABILITIES</b>	<b>13,439</b>	<b>15,389</b>
<b><u>NET POSITION:</u></b>		
Net investment in capital assets	849,447	745,572
Restricted for debt service	-	-
Unrestricted	293,710	332,795
<b>TOTAL NET POSITION</b>	<b>\$ 1,143,157</b>	<b>\$ 1,078,367</b>

See Accountant's Audit Report & Notes Which Accompany These Financial Statements

## EXHIBIT B

**VIVIAN RURAL WATER DISTRICT #6 (MCINTOSH CO.)  
MCINTOSH COUNTY, OKLAHOMA  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN NET POSITION  
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2014**

	2014	Memorandum Only 2013
<b><u>OPERATING REVENUES:</u></b>		
Water Sales, Net of Adjustments	\$ 289,566	\$ 281,579
Benefit Units	8,000	5,000
Other User Charges	20,609	25,569
Gain on Conversion/Sale of Assets	400	-
Transfer Fees	550	400
Miscellaneous Operating Income	1,480	1,296
<b>TOTAL OPERATING REVENUES</b>	<b>320,606</b>	<b>313,844</b>
<b><u>OPERATING EXPENSES:</u></b>		
Water Purchased	11,707	10,992
Salaries and Payroll Taxes	57,021	53,353
Vehicle and Travel Expense	13,190	13,937
Accounting	49,799	40,222
Utilities	15,845	17,787
Operating Supplies	16,243	28,283
Repairs & Maintenance	27,020	39,850
Professional Fees	-	-
Insurance and Bonds	13,401	11,657
Administrative Expense	15,967	20,755
Rents	4,875	5,375
Miscellaneous Expenses	73	33
Bad Debts	4,124	3,465
Depreciation	44,756	27,735
<b>TOTAL OPERATING EXPENSES</b>	<b>274,020</b>	<b>273,444</b>
<b>OPERATING INCOME (LOSS)</b>	<b>46,585</b>	<b>40,400</b>
<b><u>NON-OPERATING INCOME:</u></b>		
Interest Income	676	1,017
Grant Income	17,529	432,749
<b>CHANGE IN NET POSITION</b>	<b>64,790</b>	<b>474,166</b>
<b>TOTAL NET POSITION, Beginning of Year</b>	<b>1,078,367</b>	<b>604,202</b>
<b>TOTAL NET POSITION, Prior Year Adjustment</b>	<b>-</b>	<b>-</b>
<b>TOTAL NET POSITION, End of Year</b>	<b>\$ 1,143,157</b>	<b>\$ 1,078,367</b>

See Accountant's Audit Report & Notes Which Accompany These Financial Statements



## EXHIBIT C

VIVIAN RURAL WATER DISTRICT #6 (MCINTOSH CO.)  
 MCINTOSH COUNTY, OKLAHOMA  
 STATEMENT OF CASH FLOWS  
 FOR THE FISCAL YEAR ENDED DECEMBER 31, 2014

	2014	Memorandum Only 2013
<b><u>Cash Flows from Operating Activities:</u></b>		
Receipts from Customers	\$ 317,737	\$ 313,292
Payments to Suppliers for Goods & Services	(174,256)	(190,990)
Payments to Employees & Laborers	(57,021)	(53,353)
Receipts of Customer Utility Deposits, Net of Refunds	-	-
Net Cash Provided (Used) by Operating Activities	<u>86,461</u>	<u>68,949</u>
<b><u>Cash Flows from Capital &amp; Related Financing Activities:</u></b>		
Additions to Capital Assets	(148,630)	(541,064)
Proceeds from Sale of Capital Assets	-	-
Capital Grant Income	17,529	432,749
Principal paid on Debt	-	-
Interest paid on Debt	-	-
Net Cash Provided (Used) by Capital & Related Financing Activities	<u>(131,101)</u>	<u>(108,315)</u>
<b><u>Cash Flows from Investing Activities:</u></b>		
Interest Income	665	1,017
Net Cash Provided (Used) by Investing Activities	<u>665</u>	<u>1,017</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(43,976)	(38,349)
Cash & Cash Equivalents, Beginning of Year	320,710	359,058
Cash & Cash Equivalents, Prior Year Adjustment	-	-
Cash & Cash Equivalents, End of Year	<u><u>\$ 276,734</u></u>	<u><u>\$ 320,710</u></u>
<b><u>Reconciliation of operating income (loss) to net cash provided</u></b>		
<b><u>operating activities:</u></b>		
Operating Income (Loss)	\$ 46,585	\$ 40,400
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities		
Depreciation	44,756	27,735
(Increase)Decrease in Accounts Receivable	(421)	(1,045)
(Increase)Decrease in Note Receivable	(2,447)	493
(Increase)Decrease in Prepaid Insurance	(62)	(166)
Increase(Decrease) in Accounts Payable	(2,011)	1,089
Increase(Decrease) in Payroll Taxes Payable	61	444
Increase(Decrease) in Customer Construction Deposits	-	-
Net Cash Provided (Used) by Operating Activities	<u><u>\$ 86,461</u></u>	<u><u>\$ 68,949</u></u>

See Accountant's Audit Report & Notes Which Accompany These Financial Statements

VIVIAN RURAL WATER DISTRICT #6 (MCINTOSH CO.)  
MCINTOSH COUNTY, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2014

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Vivian Rural Water District #6 (McIntosh County) was organized under the laws of the State of Oklahoma, in accordance with Title 82 of the Oklahoma Statutes. The District operates and maintains water treatment and distribution systems within McIntosh County, for the use and benefit of members of the District.

Enterprise Fund Accounting

The accompanying financial statements reflect the District's financial condition, results of operations and cash flows within the framework of "enterprise fund" accounting. As defined, enterprise funds are established to account for the financing of self supporting activities of governmental units which render services on a user charge basis to the general public.

Basis of Accounting

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

The preparation of financial statements in conformity with 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.

Budgetary Data

The District does not prepare an annual budget.

VIVIAN RURAL WATER DISTRICT #6 (MCINTOSH CO.)  
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DECEMBER 31, 2014

Financial Position

Cash and Cash Equivalents

Cash is comprised of deposits in demand accounts and certificate of deposit accounts. At December 31, 2014, all deposits were fully insured by FDIC.

Capital Assets

Capital assets are valued at cost, and depreciation is computed using the straight-line method. The estimated useful life of these assets is detailed as follows:

	<u>Life</u>
Building	40 Years
Water System	10-20 Years
Equipment	3-5 Years
Office Equipment	5 Years
Storage Trailer	5 Years

Capitalization Policy

Purchases of capital items in excess of \$350.00 that increase the capacity or operation efficiency or extend the useful life of any asset are capitalized. Repairs and maintenance are expensed as incurred.

Inventory

The District does not maintain inventory records of parts or supplies, but charges these purchases to maintenance or supplies as they are received.

Notes Receivable

For the year ended December 31, 2014, the District has a few note receivables from miscellaneous customers. These receivables are for miscellaneous charges including large bills due to water leaks and payments for membership fees. The District agreed to transfer the balance due to a note receivable so that the customers would not incur late charges.

VIVIAN RURAL WATER DISTRICT #6 (MCINTOSH CO.)  
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DECEMBER 31, 2014

Long-Term Debt

Long-term debt is reported at face value, net of applicable discounts and deferred loss on refunding. Costs related to the issuance of debt are deferred and amortized over the lives of various debt issues.

Equity Classification

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

1. 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 bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets and adjusted for any deferred inflows and outflows of resources attributable to capital assets and related debt.
2. Restricted – Consists of restricted assets reduced by liabilities and deferred inflows or resources related to those assets, with restriction constraints placed on the use either by (a) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (b) law through constitutional provisions or enabling legislation.
3. Unrestricted - Net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

It is the District's policy to first use restricted net resources prior to the use of unrestricted net resources when an expense is incurred for purposes for which both restricted and unrestricted net resources are available.

Revenues, expenditures & expenses

Operating revenues and expenses for proprietary funds result from providing services and producing and delivering goods and/or services. They also include all revenues and expenses not related to capital and related financing, noncapital financing, or investing activities.

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Governmental Accounting Standards Board Statement No. 34

In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments. Certain of the significant changes in the Statement include the following:

1. For the first time the financial statement should include:
  - a. A Management Discussion and Analysis (MD&A) section providing analysis of the District's overall financial position and results of operations. However, the District has chosen not to present the required MD&A for the current year.
  - b. Financial statements prepared using full accrual accounting for all of the District's activities, except for including the General capital assets or infrastructure (lines, pump stations, etc.).
2. A change in the fund financial statements to focus on major funds.

These and other changes are reflected in the accompanying financial statements (including the notes to the financial statements). The District has elected to implement the general provisions of the Statement and report infrastructure acquired after December 31, 2003 as provided by GASB standards.

Income Tax

As a political subdivision of the State of Oklahoma, the District is exempt from income taxes.

Memorandum Totals

The "memorandum only" captions above the total columns mean that totals are presented for overview information purposes only.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

As a local government unit, the District is subject to various federal, state, and local laws and contractual regulations. In

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NOTES TO FINANCIAL STATEMENTS  
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accordance with Government Auditing Standards, the auditor has issued a report on his consideration of the District's internal control over financial reporting and tested its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in compliance with Government Auditing Standards and should be read in conjunction with this report in considering the results of the audit.

Finance-related Legal & Contractual Provisions

The District does not have any loans which would require reserve accounts or budget preparation.

Deficit Fund Balance or Retained Earnings

As indicated in the financial statements, there are no fund balance or retained earnings deficits for the District for this fiscal year.

NOTE 3 - CASH AND INVESTMENTS

Custodial Credit Risk

At December 31, 2014, the District held deposits of approximately \$276,734 at financial institutions. The District's cash deposits, including interest-bearing certificates of deposit are covered by Federal Depository Insurance (FDIC) or direct obligation of the U.S. Government insured or collateralized with securities held by the District or by its agent in the District's name.

Investment Interest Rate Risk

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.

Investment Credit Risk

The District has no policy that limits its investment choices other than the limitation of state law as follows:

- a. Direct obligations of the U.S. Government, its agencies and instrumentalities to which the full faith and credit of the U.S. Government is pledged, or obligations to the payment of which the full faith and credit of the State is pledged.

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- b. Certificates of deposits or savings accounts that are either insured or secured with acceptable collateral with in-state financial institutions, and fully insured certificates of deposit or savings accounts in out-of-state financial institutions.
- c. With certain limitation, negotiable certificates of deposit, prime bankers' acceptances, prime commercial paper and repurchase agreements with certain limitations.
- d. County, municipal or school district tax supported debt obligations, bond or revenue anticipation notes, money judgments, or bond or revenue anticipation notes of public trusts whose beneficiary is a county, municipality or school district.
- e. Notes or bonds secured by mortgage or trust deed insured by the Federal Housing Administrator and debentures issued by the Federal Housing Administrator, and in obligations of the National Mortgage Association.
- f. Money market funds regulated by the SEC and in which investments consist of the investments mentioned in the previous paragraphs (a.-d.).

NOTE 4 - CAPITAL ASSETS

Capital asset activity, for the fiscal year ended December 31, 2014, was as follows:

	Balance at Dec. 31, 2013	Additions	Deductions	Balance at Dec. 31, 2014
Land	\$ 11,563	\$ -	\$ -	\$ 11,563
Water System	1,389,150	107,105	-	1,496,256
Office Equipment	1,488	-	-	1,488
Storage Trailer	1,527	-	-	1,527
Buildings	55,276	-	-	55,276
Operating Equipment	156,213	41,525	-	197,738
Subtotal	1,615,217	148,630	-	1,763,848
Less: Accum. Depr.	(869,645)	(44,756)	-	(914,401)
Total Capital Assets				
(Net of Depreciation)	<u>\$ 745,572</u>	<u>\$ 103,875</u>	<u>\$ -</u>	<u>\$ 849,447</u>

The District completed the CDBG Well Project and purchased a new vehicle.

NOTE 5 - LONG-TERM DEBT

As of December 31, 2014, the District has no long-term debt.

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NOTES TO FINANCIAL STATEMENTS  
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Changes in Long-Term Debt

The following is a summary of changes in long-term debt for the year ended December 31, 2014:

	Balance at December 31, 2013	Additions	Deductions	Balance at December 31, 2014
Long-Term Liabilities	\$ -	\$ -	\$ -	\$ -
Total Long-Term Debt	\$ -	\$ -	\$ -	\$ -

NOTE 6 - FUND EQUITY

As described in Note 1 above, equity is classified as net position and displayed in three components:

1. Net investment in capital assets
2. Restricted
3. Unrestricted

The District currently has no restricted amounts.

NOTE 7 - CONTINGENCIES

Litigation

According to management there were no known contingent liabilities at December 31, 2014, which would have a material effect on the financial statements.

Federally Assisted Programs

In the normal course of operations, the District participates in various federal or state/loan programs from year to year. The grant/loan programs are often subject to additional audits by agents of the granting or loaning agency, the purpose of which is to ensure compliance with the specific conditions of the grant or loan. Any liability of reimbursement that may arise as a result of these audits cannot be reasonably determined at this time, although it is believed the amount, if any, would not be material.

NOTE 8 - GROUNDWATER RIGHTS

The District has three groundwater lease and dedication agreements with Ross and Wanda Neal. The first is for an 80-acre tract of land



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for a term of 99 years from the 7<sup>th</sup> day of April 1982. The second is for an 80-acre tract of land for a term of 83 years from the 7<sup>th</sup> day of November 1998. The third is for a 30-acre tract of land for a term of 82 years from the 7<sup>th</sup> day of November 2000. The price of these leases is \$500 per 40 acres per year due November 7<sup>th</sup> of each year. The District agreed to pay 20 cents for every 1,000 gallons of water pumped. The beginning date of the metering and purchase by the District at 20 cents per thousand gallons is March 6, 2001.

The District has a groundwater lease and dedication agreement with Bessie Lara, (now her successor, Donna Lane). The lease is for a 40-acre tract of land for a term of 87 years from the 7<sup>th</sup> day of November 1994. The price of the lease is \$500 per year due November 7<sup>th</sup> of each year.

The District has three groundwater lease and dedication agreements with The Eugene Chandler Trust. The leases are for 3 separate tracts of land for a term of 100 years from the 16<sup>th</sup> day of February 2007 for the first two leases and from the 16<sup>th</sup> day of February 2009 for the third lease. The price of each of the leases is \$250 per year all due the 16<sup>th</sup> of February each year. The District agreed to pay 20 cents for every 1,000 gallons of water pumps. The beginning date of the metering and purchase by the District at 20 cents per thousand gallons is to be determined between the parties.

The District has a groundwater lease and dedication agreement with E.H. George and Deborah Kay George. The lease is for a 274-acre tract of land for a term of 100 years from the 2<sup>nd</sup> day of November 2010. The price of the lease is \$1,750 per year due November 2<sup>nd</sup> of each year. The District agreed to pay 20 cents for every 1,000 gallons of water pumps. The beginning date of the metering and purchase by the District at 20 cents per thousand gallons is to be determined between the parties.

NOTE 9 - ACCUMULATED UNPAID VACATION AND SICK LEAVE BENEFITS

Accumulated unpaid vacation and sick leave benefits have not been shown as a liability in the financial statements. The District's position is that any accrued benefits are not significant and would not materially affect the financial statements.

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NOTE 10 - CDBG WELL PROJECT

The District was approved for a Community Development Block Grant (CDBG) in the amount of \$274,999 from the Oklahoma Department of Commerce. The CDBG Well Project is to be funded as follows:

CDBG Grant	\$274,999.00
Vivian RWD #6 Matching Funds	220,935.00
Indian Health Services Funds	<u>175,279.00</u>
Total Project Costs	<u>\$671,213.00</u>

As of December 31, 2014, the District has received and expended all of the grant money and the project has been completed.

NOTE 11 - SUBSEQUENT EVENTS

The District did not have any subsequent events through January 26, 2015, which is the date the financial statements were issued, for events requiring recording or disclosure in the financial statements for the year ending December 31, 2014.

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## 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  
Vivian Rural Water District #6,  
McIntosh County, Oklahoma

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, and in accordance with Oklahoma Statutes, the financial statements of the Vivian Rural Water District #6, McIntosh County, as of and for the year ended December 31, 2014, and the related notes to the financial statements, and have issued our report thereon dated January 26, 2015. The Vivian Rural Water District #6, McIntosh County has implemented the general provisions of the Governmental Accounting Standards Board (GASB) Statement No. 34, except that the District did not present the required MD&A.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Vivian Rural Water District #6, McIntosh County'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 Vivian Rural Water District #6, McIntosh County's internal control. Accordingly, we do not express an opinion on the effectiveness of Vivian Rural Water District #6, McIntosh County'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 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

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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 the Vivian Rural Water District #6, McIntosh County's financial statements are free of material misstatement, we performed tests of 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

This report is intended 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.

*Kershaw CPA & Associates, P.C.*  
Kershaw, CPA & Associates, PC

January 26, 2015

VIVIAN RURAL WATER DISTRICT #6 (MCINTOSH CO.)  
MCINTOSH COUNTY, OKLAHOMA  
SCHEDULE OF WATER RATES AND CUSTOMERS  
DECEMBER 31, 2014

Water Rates

1 <sup>st</sup> 1,000 gallons	=	\$17.50 Minimum Bill
Next 1,000 gallons	=	\$4.00 per 1,000 gallons
Next 1,000 gallons	=	\$4.05 per 1,000 gallons
Next 1,000 gallons	=	\$4.10 per 1,000 gallons
Next 1,000 gallons	=	\$4.15 per 1,000 gallons
6,000 gallons & Over	=	\$4.25 per 1,000 gallons

Total Gallons Purchased	54,757,967
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Total Gallons Sold	37,597,490
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Percentage of Loss	31.34%
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Customers

The Vivian Rural Water District #6 had 778 customers at the close of this fiscal year.

Current membership/tap fee \$500 per membership sign-up.

Membership Transfer fee \$25