

AUDIT REPORT

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

DECEMBER 31, 2017



KERSHAW CPA & ASSOCIATES, PC

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VIVIAN RURAL WATER DISTRICT #6 (MCINTOSH CO.)
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DECEMBER 31, 2017

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VIVIAN RURAL WATER DISTRICT #6 (MCINTOSH CO.)
MCINTOSH COUNTY, OKLAHOMA
DECEMBER 31, 2017

BOARD OF DIRECTORS

<u>NAME</u>	<u>POSITION</u>	<u>TERM EXPIRATION</u>
LARRY NEWPORT 116494 S 4100 RD EUFAULA, OK 74432	CHAIRMAN	FEB 2019
BILLY NEAL 118919 S 4150 RD EUFAULA, OK 74432	VICE CHAIRMAN	FEB 2020
CINDY MONTGOMERY 412478 E 1210 RD EUFAULA, OK 74432	SECRETARY	FEB 2018
STEVE DAWSON 121250 S 4083 RD EUFAULA, OK 74432	MEMBER	FEB 2020
ROBERT STUBBS 118760 S 4150 RD EUFAULA, OK 74432	MEMBER	FEB 2019

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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, 2017, 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, 2017, 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

Management has omitted the Management's Discussion and Analysis 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.

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 30, 2018, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not

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to provide an opinion on the effectiveness of Vivian Rural Water District #6's 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 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 30, 2018

EXHIBIT A

VIVIAN RURAL WATER DISTRICT #6 (MCINTOSH CO.)
 MCINTOSH COUNTY, OKLAHOMA
 STATEMENT OF NET POSITION
 DECEMBER 31, 2017

	<u>2017</u>	<u>Memorandum Only 2016</u>
<u>ASSETS</u>		
<u>CURRENT ASSETS:</u>		
Cash and Cash Equivalents	\$ 429,858	\$ 413,745
Accounts Receivable, Net of Allowance for Doubtful Accounts	24,210	19,247
Accrued Interest Receivable	-	-
Notes Receivable (Note 1)	2,403	4,639
Prepaid Insurance	6,700	6,718
Total Current Assets	<u>463,171</u>	<u>444,349</u>
<u>CAPITAL ASSETS:</u>		
Net of accumulated depreciation in the amount of \$1,019,342 and \$1,023,001, respectively	<u>864,806</u>	<u>799,617</u>
TOTAL ASSETS	<u>1,327,977</u>	<u>1,243,966</u>
<u>LIABILITIES & NET POSITION</u>		
<u>CURRENT LIABILITIES:</u>		
Accounts Payable	11,634	9,719
Payroll & Taxes Payable	2,136	2,141
Construction Deposits	-	-
Total Current Liabilities	<u>13,770</u>	<u>11,861</u>
LONG-TERM LIABILITIES	<u>-</u>	<u>-</u>
TOTAL LIABILITIES	13,770	11,861
<u>NET POSITION:</u>		
Net investment in capital assets	864,806	799,617
Restricted for debt service	-	-
Unrestricted	449,401	432,488
TOTAL NET POSITION	<u>\$ 1,314,207</u>	<u>\$ 1,232,105</u>

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, 2017**

	<u>2017</u>	<u>Memorandum Only 2016</u>
<u>OPERATING REVENUES:</u>		
Water Sales, Net of Adjustments	\$ 301,001	\$ 297,585
Benefit Units	10,500	12,000
Other User Charges	15,947	20,060
Gain on Conversion/Sale of Assets	-	-
Transfer Fees	675	650
Miscellaneous Operating Income	969	881
TOTAL OPERATING REVENUES	<u>329,093</u>	<u>331,176</u>
<u>OPERATING EXPENSES:</u>		
Water Purchased	11,468	12,135
Salaries, Payroll Taxes & Retirement	54,757	57,374
Vehicle and Travel Expense	6,896	9,698
Accounting	48,467	48,467
Utilities	15,800	15,620
Operating Supplies	46,132	33,198
Repairs & Maintenance	26,227	24,777
Professional Fees	661	300
Insurance and Bonds	13,079	13,636
Administrative Expense	14,960	16,328
Rents/Leases	7,225	4,125
Miscellaneous Expenses	22	2,039
Bad Debts	551	(290)
Depreciation	41,176	54,667
TOTAL OPERATING EXPENSES	<u>287,420</u>	<u>292,074</u>
OPERATING INCOME (LOSS)	41,673	39,103
<u>NON-OPERATING INCOME:</u>		
Interest Income	694	684
Insurance Proceeds	32,750	-
CHANGE IN NET POSITION	75,117	39,787
TOTAL NET POSITION, Beginning of Year	1,232,105	1,192,319
TOTAL NET POSITION, Prior Year Adjustment	6,985	-
TOTAL NET POSITION, End of Year	<u><u>\$ 1,314,207</u></u>	<u><u>\$ 1,232,105</u></u>

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, 2017

	2017	Memorandum Only 2016
<u>Cash Flows from Operating Activities:</u>		
Receipts from Customers	\$ 326,366	\$ 331,245
Payments to Suppliers for Goods & Services	(189,560)	(181,149)
Payments to Employees & Laborers	(54,757)	(57,374)
Receipts of Customer Utility Deposits, Net of Refunds	-	-
Net Cash Provided (Used) by Operating Activities	<u>82,049</u>	<u>92,723</u>
<u>Cash Flows from Capital & Related Financing Activities:</u>		
Additions to Capital Assets	(99,379)	(21,900)
Proceeds from Sale of Capital Assets	-	-
Insurance Proceeds	32,750	-
Principal paid on Debt	-	-
Interest paid on Debt	-	-
Net Cash Provided (Used) by Capital & Related Financing Activities	<u>(66,629)</u>	<u>(21,900)</u>
<u>Cash Flows from Investing Activities:</u>		
Interest Income	694	684
Net Cash Provided (Used) by Investing Activities	<u>694</u>	<u>684</u>
Net Increase (Decrease) in Cash and Cash Equivalents	16,113	71,507
Cash & Cash Equivalents, Beginning of Year	413,745	342,238
Cash & Cash Equivalents, Prior Year Adjustment	-	-
Cash & Cash Equivalents, End of Year	<u><u>\$ 429,858</u></u>	<u><u>\$ 413,745</u></u>
<u>Reconciliation of operating income (loss) to net cash provided</u>		
<u>operating activities:</u>		
Operating Income (Loss)	\$ 41,673	\$ 39,103
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities		
Depreciation	41,176	54,667
(Increase)Decrease in Accounts Receivable	(4,963)	2,608
(Increase)Decrease in Note Receivable	2,236	(2,539)
(Increase)Decrease in Prepaid Insurance	18	274
Increase(Decrease) in Accounts Payable	1,915	136
Increase(Decrease) in Payroll Taxes Payable	(6)	(1,527)
Increase(Decrease) in Customer Construction Deposits	-	-
Net Cash Provided (Used) by Operating Activities	<u><u>\$ 82,049</u></u>	<u><u>\$ 92,723</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, 2017

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.)
MCINTOSH COUNTY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

Financial Position

Cash and Cash Equivalents

Cash is comprised of deposits in demand accounts and certificate of deposit accounts. At December 31, 2017, 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, 2017, 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.)
MCINTOSH COUNTY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

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.

VIVIAN RURAL WATER DISTRICT #6 (MCINTOSH CO.)
MCINTOSH COUNTY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

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

VIVIAN RURAL WATER DISTRICT #6 (MCINTOSH CO.)
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NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

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, 2017, the District held deposits of approximately \$429,858 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.

VIVIAN RURAL WATER DISTRICT #6 (MCINTOSH CO.)
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 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2017

- 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, 2017, was as follows:

	Balance at Dec. 31, 2016	Additions	Deductions	Balance at Dec. 31, 2017
Land	\$ 11,563	\$ -	\$ -	\$ 11,563
Water System	1,555,026	60,984	-	1,616,010
Office Equipment	1,488	-	-	1,488
Storage Trailer	1,527	-	-	1,527
Buildings	55,276	-	-	55,276
Operating Equipment	197,738	38,395	(37,850)	198,283
Subtotal	1,822,618	99,379	(37,850)	1,884,147
Less: Accum. Depr.	(1,023,001)	(41,176)	44,835	(1,019,342)
Total Capital Assets				
(Net of Depreciation)	\$ 799,617	\$ 58,203	\$ 6,985	\$ 864,806

The District installed 10,755' of new 4-inch line and purchased a new backhoe, trailer & bucket. The deduction was for the fully-depreciated backhoe & trailer that were stolen during the year. There was also a prior year adjustment to accumulated depreciation to remove over-depreciation for the water system.

VIVIAN RURAL WATER DISTRICT #6 (MCINTOSH CO.)
MCINTOSH COUNTY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 5 - LONG-TERM DEBT

As of December 31, 2017, the District has no long-term debt.

Changes in Long-Term Debt

The following is a summary of changes in long-term debt for the year ended December 31, 2017:

	Balance at December 31, 2016	Additions	Deductions	Balance at December 31, 2017
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, 2017, 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.

VIVIAN RURAL WATER DISTRICT #6 (MCINTOSH CO.)
MCINTOSH COUNTY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

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 for a term of 99 years from the 7th day of April 1982. The second is for an 80-acre tract of land for a term of 83 years from the 7th day of November 1998. The third is for a 30-acre tract of land for a term of 82 years from the 7th day of November 2000. The price of these leases is \$500 per 40 acres per year due November 7th 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 7th day of November 1994. The price of the lease is \$500 per year due November 7th 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 16th day of February 2007 for the first two leases and from the 16th day of February 2009 for the third lease. The price of each of the leases is \$250 per year all due the 16th 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 2nd day of November 2010. The price of the lease is \$1,750 per year due November 2nd 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 - WATER TOWER LEASE

On November 1, 2017, the District entered into a lease agreement with the Heirs of Leah Barnett, thru a United States Department of Interior Bureau of Indian Affairs Business Lease, for the following property, for the purpose of a water tower only:

VIVIAN RURAL WATER DISTRICT #6 (MCINTOSH CO.)
MCINTOSH COUNTY, OKLAHOMA
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Legal: Lot 4, Section 2, Township 9 North, Range 15 East, McIntosh County, State of Oklahoma. More particularly described as: Beginning at a point 50 feet South of the centerline of State Highway Number 9 and 500 feet East of the West line of said Lot 4; thence East 100 feet; thence South 100 feet; thence West 100 feet; thence North 100 feet to the point of beginning.

The lease is for the term of 5 years beginning November 1, 2017, with an option to renew said lease for an additional 5 year term, provided the District is not in default. This option shall be exercised by the District giving written notice of their intent to renew, sixty (60) days prior to the expiration of the primary term. The annual rental is \$600.00 with the total of \$3,000.00 being paid in the first year.

NOTE 10 - 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.

NOTE 11 - RETIREMENT PLAN

In December 2014, the District voted to provide a retirement plan for the full-time employee. The amount to be contributed will be equal to 3% of the gross salary and will be contributed to a Simple IRA with Waddell & Reed. The total contribution for 2017 was \$1,500.00.

NOTE 12 - SUBSEQUENT EVENTS

The District did not have any subsequent events through January 30, 2018, 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, 2017.

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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*

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, 2017, and the related notes to the financial statements, and have issued our report thereon dated January 30, 2018. Management has omitted the MD&A required by accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, 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

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Kershaw CPA & Associates, P.C.

Kershaw, CPA & Associates, PC

January 30, 2018

VIVIAN RURAL WATER DISTRICT #6 (MCINTOSH CO.)
MCINTOSH COUNTY, OKLAHOMA
SCHEDULE OF WATER RATES AND CUSTOMERS
DECEMBER 31, 2017

Water Rates

1 st 1,000 gallons	=	\$19.50 Minimum Bill
Next 1,000 gallons	=	\$4.31 per 1,000 gallons
Next 1,000 gallons	=	\$4.36 per 1,000 gallons
Next 1,000 gallons	=	\$4.41 per 1,000 gallons
Next 1,000 gallons	=	\$4.46 per 1,000 gallons
Next 1,000 gallons	=	\$4.57 per 1,000 gallons
7,000 gallons & Over	=	\$4.68 per 1,000 gallons

Total Gallons Purchased	57,673,467
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Total Gallons Sold	35,514,580
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Percentage of Loss	38.42%
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Customers

The Vivian Rural Water District #6 had 779 customers at the close of this fiscal year.

Current membership/tap fee \$1,000 per membership sign-up.

Membership Transfer fee \$25