

FINANCIAL STATEMENTS

OF

***RURAL WATER DISTRICT NO. 9
WAGONER COUNTY, OKLAHOMA***

December 31, 2015 and 2014



Clothier & Company CPA's P.C.

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Wagoner County Rural Water District #9
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December 31, 2015

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Rural Water District No. 9
Wagoner County, Oklahoma

We have audited the accompanying financial statements of the business-type activities of Rural Water District No. 9, Wagoner County, Oklahoma, as of December 31, 2015 and 2014, and the related notes to the financial statements, which 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.

Auditors' 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. 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 auditors' 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 of 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 the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Rural Water District No. 9, as of December 31, 2015 and 2014, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other-Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages I-II and 16-17 be presented to supplement the basic financial statements. Such 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and, comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 24, 2016, on our consideration of the District's internal control over financial reporting and on our test of its compliance with certain provision 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Clothier & Company, CPA's, P.C.
March 24, 2016

Rural Water District No. 9, Wagoner County

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2015

Our discussion and analysis of the District's financial performance provides an overview of the District's financial activities for the fiscal year ended December 31, 2015.

USING THIS ANNUAL REPORT

This annual report consists of three parts; Management's Discussion and Analysis, Financial Statements, and Required Supplementary Information. The Financial Statements also includes notes that explain in detail some of the information in the financial statements.

REQUIRED FINANCIAL STATEMENTS

The Financial Statements of the District report information about the District using accounting methods similar to those used by private sector companies. These statements offer short and long term financial information about its activities. The Balance Sheet includes all of the District's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and obligations to creditors (liabilities). All of the current year's revenues and expenses are accounted for in the Statement of Revenues, Expense, and Changes in Fund Balance. This statement measures the success of the District's operations over the past year and can be used to determine whether the District has successfully recovered all its costs through its fees and other charges, profitability, and credit worthiness. The final required statement is the Statement of Cash Flows. The primary purpose of this statement is to provide information about the District's cash receipts and cash payments during the reporting period. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, capital and non-capital financing activities.

BUSINESS ACTIVITIES:

In this review, the total revenue account decreased by \$25,946 due to the excessive amount of rainfall and flooding as well as the increased cost of testing and chemicals. We have seen some improvement; we gained 2 accounts over the previous year. We installed 47 new meters, 3 hydrants replaced, 65 leaks repaired with a total of 1,120 work orders completed. Three 8" valves, in the Filter Galley have been replaced.

The District's expenses decreased \$20,648 over 2014. This decrease is attributed to purchasing materials at a lower cost and in quantity.

FINANCIAL HIGHLIGHTS

Assets	<u>\$4,835,409</u>	Revenues	\$1,025,827
Liabilities	\$3,733,751	Expenses	1,062,164
Fund Balance	<u>1,101,658</u>	Interest Income	<u>3,561</u>
Liabilities & Fund Balance	<u>\$4,835,409</u>	Net Income	<u>(\$32,776)</u>

DISTRICT'S ACTIVITIES

During the fiscal year the District renewed two certificates of deposit for \$113,153 each and maintained the certificate of deposit required by the revenue bond in the amount of \$284,394 to offset against future rate increases.

DISTRICT'S DEBT

The District has a note payable to Well Nelson & Associates, LLC., with payments made to Bank of Oklahoma in monthly installments. BOK makes the yearly principal payments and semi-annual interest payments. The variable interest rate for 2015 was 4.75% and will remain that rate until 2019 when it becomes 5.25%. The District's assets and revenues are pledged as collateral. The balance as of December 31, 2015 was \$3,645,000.

FIXED ASSETS

The District's fixed assets are as follows:

	<u>2015</u>	<u>2014</u>
Water System	\$ 5,693,874	\$ 5,657,891
Office Furniture/Fixtures	60,204	58,765
Trucks & Equipment	472,474	464,629
Land	25,408	25,408
Building & Improvements	217,944	217,944
Accumulated Depreciation	<u>(3,263,336)</u>	<u>(3,073,274)</u>
	<u>\$ 3,206,568</u>	<u>\$ 3,351,363</u>

FUTURE ACTIVITIES OF THE DISTRICT

The 2016 year will see the District focusing on replacing 3-8" and 3-12" valves in the Filter Galley and continuing to update the Plant.

OVERALL OUTLOOK

The quality of the water continues to be good and we continue working to improve the Plant. The District remains financially strong as we continue to make improvements throughout the system, meeting the EPA standards, and paying our bills. The economy continues to affect our efforts. The cost of chemicals, pipe, supplies, etc. continues to increase. This is all out of our control however; it will not stop our progress.

CONTACTING THE DISTRICT

If you have any questions concerning this report or need additional information, contact the District's office at 918-462-3232 or 69760 South 321 Road, Wagoner, OK 74467.

Wagoner County Rural Water District #9
Balance Sheet
December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Current Assets		
Cash & Equivalents	\$ 844,311	\$ 854,086
Accounts Rec. (Net of Allow)	80,100	79,995
Prepaid Expenses	17,678	16,884
Total Current Assets	<u>942,089</u>	<u>950,965</u>
Fixed Assets		
Water Systems	5,693,874	5,657,891
Office Equipment	60,205	58,765
Trucks and Equipment	472,474	464,629
Buildings & Improvements	217,944	217,944
Land	25,408	25,408
Less: Accum. Depreciation	<u>(3,263,337)</u>	<u>(3,073,274)</u>
Total Fixed Assets	<u>3,206,568</u>	<u>3,351,363</u>
Other Assets		
Loan Fees	318,033	318,033
Less: Accumulated Amortization	(164,689)	(145,450)
Cash - Restricted	<u>533,408</u>	<u>468,400</u>
Total Other Assets	<u>686,752</u>	<u>640,983</u>
 Total Assets	 <u>\$ 4,835,409</u>	 <u>\$ 4,943,311</u>

See accompanying footnotes and independent auditors' report.

Wagoner County Rural Water District #9
Balance Sheet
December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Current Liabilities		
Customer Deposits	\$ 26,756	\$ 25,613
Other Payables	1,352	1,304
Accrued Expenses	60,643	61,960
Current Maturities (Note 2)	<u>80,000</u>	<u>75,000</u>
 Total Current Liabilities	 <u>168,751</u>	 <u>163,877</u>
Long Term Liabilities		
Notes Payable (Note 2)	3,645,000	3,720,000
Less: Current Maturities	<u>(80,000)</u>	<u>(75,000)</u>
 Total Long Term Liabilities	 <u>3,565,000</u>	 <u>3,645,000</u>
Fund Balance		
Invested in Capital Assets	(438,432)	(368,637)
Unrestricted	1,006,682	1,034,671
Restricted for Debt Service	<u>533,408</u>	<u>468,400</u>
 Total Fund Balance	 <u>1,101,658</u>	 <u>1,134,434</u>
 Total Liabilities & Fund Balance	 <u>\$ 4,835,409</u>	 <u>\$ 4,943,311</u>

See accompanying footnotes and independent auditors' report.

Wagoner County Rural Water District #9
Statement of Revenues, Expenses, and Changes in Fund Balance
December 31, 2015 and 2014

	2015	2014
Revenue		
Water Sales	\$ 978,437	\$ 1,004,373
Benefit Unit Sales	1,000	6,250
Transfer Fees	6,800	6,500
Ambulance-Pass Through	11,140	11,400
New Services, Collected Bad Debt	28,450	23,250
Total Revenue	<u>1,025,827</u>	<u>1,051,773</u>
Cost of Sales		
Water Purchases	4,208	3,851
Merchant Bank Card Fees	7,047	5,046
Chemicals	52,478	69,831
Heavy Equipment Agreement	2,613	4,080
Maint. Agreement-Office Equip	8,481	5,668
Water Testing	7,695	6,038
Repairs and Supplies	25,297	29,823
Truck	10,771	22,180
Lab Supplies	7,488	2,735
Plant Repairs	24,131	53,371
Ambulance-Pass Through	11,180	11,430
Total Cost of Sales	<u>161,389</u>	<u>214,053</u>
Gross Profit	<u>864,438</u>	<u>837,720</u>
Operating Expenses		
Salaries	272,698	288,817
Payroll Taxes	22,893	23,681
Retirement Expense	7,890	9,142
Insurance-Employee Health	43,269	36,737
Workman's Compensation Ins.	10,786	10,646
Insurance-Plant/Trucks	29,358	33,001
Accounting/Legal	7,005	8,960
Maintenance - Mowing	119	502
DEQ Fees	7,657	7,062
Membership Fees	1,542	1,234
Miscellaneous	187	129
Bank Charges	52	1
Advertising	0	60

See accompanying footnotes and independent auditors' report.

Wagoner County Rural Water District #9

Statement of Revenues, Expenses, and Changes in Fund Balance-Continued

	2015	2014
Office Supplies	8,198	4,980
Postage	7,605	8,199
Schools & Training	550	912
Bad Debts	6,464	4,592
Telephone/Cell	9,188	9,074
Security System	543	288
Utilities	45,147	48,505
Depreciation	190,063	194,165
Amortization	19,239	19,239
Bonus	2,400	0
Drug Testing	58	151
Loan Service Fees	0	1,000
Board Training	1,110	1,810
Manager Expense	131	178
Line Projects	1,009	0
Total Operating Expenses	<u>695,161</u>	<u>715,079</u>
Operating Income	<u>169,277</u>	<u>122,641</u>
Other Revenue (Expenses)		
Interest Income	3,561	3,296
Grant Income	0	0
Interest Expense	(205,614)	(208,177)
Total Other Income	<u>(202,053)</u>	<u>(204,881)</u>
Net Change in Fund Balance	\$ <u><u>(32,776)</u></u>	\$ <u><u>(82,240)</u></u>

See accompanying footnotes and independent auditors' report.

Wagoner County Rural Water District #9
Statement of Cash Flows
December 31, 2015 and 2014

	2015	2014
Cash Flows From Operating Activities:		
Cash received from customers	\$ 1,014,582	\$ 1,044,232
Cash received from other sources	11,140	11,400
Cash paid to employees	(272,698)	(288,817)
Cash paid to suppliers	(160,246)	(213,281)
Other operating payments	(215,224)	(208,281)
Net Cash Flows from Operating Activities	<u>377,554</u>	<u>345,253</u>
Cash Flows From Capital and Related Financing Activities:		
Proceeds from issuance of debt	0	0
Payment of debt	(75,000)	(75,000)
Acquisition and construction of capital assets	(45,268)	(57,472)
Payment of Interest	(205,614)	(208,177)
Net Cash (Used) By Capital and Related Financing Activities	<u>(325,882)</u>	<u>(340,649)</u>
Cash Flows From Investing Activities:		
Decrease (Increase) in restricted cash	(65,008)	54,676
Receipt of interest and dividends	3,561	3,296
Net Cash Provided (Used) By Investing Activities	<u>(61,447)</u>	<u>57,972</u>
Net Increase (Decrease) In Cash	(9,775)	62,576
Cash Beginning of Year	854,086	791,510
Cash End of Year	<u>\$ 844,311</u>	<u>\$ 854,086</u>
Reconciliation of Operating Income to Net Cash Flows from Operating Activities:		
Operating income (loss)	\$ 169,277	\$ 124,655
Add depreciation/amortization expense	209,302	213,404
(Increase)/Decrease in Current Assets:		
Accounts receivables, net	(105)	3,859
Prepaid expenses	(794)	4,204
Increase/(Decrease) in Current Liabilities:		
Accounts payable	48	(412)
Accrued expenses	(1,317)	(1,229)
Customer deposits	1,143	772
Net Cash Flows from Operating Activities	<u>\$ 377,554</u>	<u>\$ 345,253</u>

See accompanying footnotes and independent auditors' report.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2015

NOTE 1 - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Rural Water District No. 9 is a political subdivision of the State of Oklahoma organized in August of 1978, with its office located in Wagoner County, Oklahoma. The District was formed to furnish water service to the residents of the district by constructing and maintaining a water system.

Method of Accounting

The accrual method of accounting is utilized in reporting financial information in accordance with U. S. generally accepted accounting principles (GAAP). The accrual basis of accounting records revenue in the period in which earned rather than when received and records expenses in the period incurred rather than when paid. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. Although the District had the option to apply FASB pronouncements issued after that date to its business-type activities, it has chosen not to do so.

Cash and Cash Equivalents

For the purposes of preparing the statement of cash flows, cash on hand, cash in savings and checking, and certificates of deposit with an original maturity of three months or less, are considered cash equivalents.

Funds on Deposits

The district maintains the following accounts for funds deposited with a fully insured bank:

Operations and Maintenance – The gross revenues of the District are deposited to this account and the bills of the District are generally paid. Excess revenues are transferred to savings as needed.

Savings Account - A cash reserve is set aside in this account for unforeseen catastrophes, extensions and improvements to the water system.

Reserve Account – A reserve is set aside in this account for unforeseen catastrophes, extensions or improvements to the water system, and payments on the loan.

Debt Service – The District transfers money into this account monthly to satisfy loan requirements. The Trust company then makes semi-annual payments to the bondholders.

Construction Fund – The loan proceeds were placed in this account to pay for line projects and the new tower project. The District submits invoices to the Trust company for payment.

Property and Equipment

Property and equipment are recorded at cost, with depreciation provided on a straight-line method over the estimated useful lives of the assets.

Wagoner County Rural Water District No. 9

Income Tax

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

Benefit Units

Residents wishing water service are required to purchase a benefit unit at \$1,000. In accordance with Article 6, Section 3 of the By Laws, consideration paid for benefit units is considered a donation.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that effect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2 - LONG TERM DEBT

Notes payable to Well Nelson & Associates, LLC., with payments made to Bank of Oklahoma in monthly installments. BOK makes the yearly principal and semi-annual interest payments. The interest is variable and increases every five years. The interest rate on the note was 4.75% for 2015, the next increase is in 2019 to 5.25%. District revenues are pledged as collateral as well as assets. The balance as of December 31, 2015 was \$3,645,000. The note matures August 1, 2038. Funds not used to pay off loans were and are being used to replace deteriorated water lines and build a new water tower.

The following are the current maturity and debt service requirements:

	<u>Maturities</u>	<u>Debt Service</u>
2016	\$80,000	\$282,300
2017	85,000	283,500
2018	90,000	284,462
2019	95,000	285,188
2020	100,000	285,200
2021-2025	575,000	1,416,700
2026-2030	745,000	1,412,615
2031-2035	980,000	1,412,123
2036-2038	895,000	1,007,988
	<u>\$3,645,000</u>	<u>\$6,670,075</u>

NOTE 3 – RENTERS DEPOSITS

The District adopted a policy that requires renters to pay a deposit of \$100. When they leave the property, they are refunded the deposit or it may be applied to water bills they owe. These deposits are deposited in a separate checking account and the refunds are paid out of this account. If the deposit is used to pay a water bill, the District writes a check from this account to the operations and maintenance account.

Wagoner County Rural Water District No. 9

NOTE 4 – ACCOUNTS RECEIVABLE

	<u>2015</u>	<u>2014</u>
Due for Water Services	\$86,510	\$85,941
Due for Ambulance Pass Through	1,000	980
Allowance For Doubtful Accounts	<u>(7,410)</u>	<u>(6,926)</u>
Total Accounts Receivable	<u><u>\$80,100</u></u>	<u><u>\$79,995</u></u>

NOTE 5 - CONCENTRATION OF CREDIT RISK

The District maintains deposits at First Bank & Trust located in Wagoner, Oklahoma. The Federal Deposit Insurance Corporation insures deposits up to \$500,000 at each institution for all interest-bearing accounts. The District has a letters of credit with FHL Bank of Topeka for \$850,000 through First Bank & Trust of Wagoner. As of December 31, 2015 cash on deposit totaled \$1,053,786 (\$200,000 Rate Stabilization Fund included, \$300 cash on hand not included). Deposits are categorized into three levels of custodial risk as follows:

1. Uncollateralized.
2. Collateralized with securities held by the pledging financial institution, or,
3. Collateralized with securities held by the pledging financial institution's trust department or agent but not in the depositor's name.

The District's deposits were categorized as follows at December 31, 2015:

	<u>Balance</u>	<u>Insured</u>	<u>Category 1</u>	<u>Category 2</u>	<u>Category 3</u>
First Bank checking	\$347,555	\$250,000	\$0	\$97,555	\$0
First Bank CD's	510,701	250,000	0	260,701	0
First Bank Renter's	26,738	0	0	26,738	0
First Bank Savings	223,420	0	0	223,420	0
Bank of Oklahoma	<u>269,005</u>	<u>0</u>	<u>269,005</u>	<u>0</u>	<u>0</u>
	<u><u>\$1,377,420</u></u>	<u><u>\$500,000</u></u>	<u><u>\$269,005</u></u>	<u><u>\$608,415</u></u>	<u><u>\$0</u></u>

Restricted cash in the amount of \$533,408 is included in the balance above.

Wagoner County Rural Water District No. 9

NOTE 6 – PROPERTY AND EQUIPMENT

Property and equipment activity for the year ended December 31, 2015 was as follows:

	Cost	Additions/ Deletions	Accumulated Depreciation	Book Value 12/31/15	Book Value 12/31/14
Water Plan & System	\$5,657,891	\$35,983	(\$2,677,977)	\$3,015,897	\$3,135,789
Office Furniture/Fixtures	58,765	1,440	(55,388)	4,817	4,541
Trucks & Equipment	464,629	7,845	(389,492)	82,982	100,318
Land	25,408	0	0	25,408	25,408
Building & Improvements	217,944	0	(140,480)	77,464	85,307
	<u>\$6,424,637</u>	<u>\$45,268</u>	<u>(\$3,263,337)</u>	<u>\$3,206,568</u>	<u>\$3,351,363</u>

NOTE 7 – OTHER INFORMATION

At December 31, 2015 the water rates in effect were as follows:

0 - 1,000 gallons	\$35.00	Minimum
1,000 - 9,999 gallons	\$3.50	per 1,000 gallons
10,000 gallons & above	\$4.00	per 1,000 gallons
Multi-User rates:		
0 - 10,000 gallons	\$100.00	Minimum
10,000+	\$10.00	per 1,000 gallons

The Board of Directors are as follows:

Term Expires:

Jim Stevens - Chairman	2018
Bob Biting - Vice Chairman	2018
Pat Seck - Secretary	2016
Elzie Gray - Director	2017
Mike Cucchiara - Director	2017

NOTE 8 – SUBSEQUENT EVENT

Rural Water District No. 9 has evaluated subsequent events through the date which the financial statements were available to be issued with none found.



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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
Rural Water District No. 9
Wagoner County, Oklahoma

We have audited, in accordance with auditing standards generally accepted in the United States of American 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 business-type activities of Rural Water District No. 9 Wagoner County, Oklahoma, as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statements, which collective comprise Rural Water District No. 9's basic financial statements, and have issued our report thereon dated March 24, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered 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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District'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 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 over financial reporting 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 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 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.

A handwritten signature in cursive script that reads "Clothier & Company CPA's".

Clothier & Company, CPA's, P.C.

March 24, 2016

Required Supplemental Information

Wagoner County Rural Water District #9
Budget to Actual (Unaudited)
December 31, 2015

	ORIGINAL	FINAL	ACTUAL	VARIANCE
REVENUES:				
Water Sales & Penalties	1,030,000	1,030,000	972,593	(57,407)
Benefit Unit/New Serv/Trans	24,500	24,500	36,250	11,750
Interest	3,000	3,000	3,561	561
Ambulance-Pass Through	11,000	11,000	11,140	140
Miscellaneous Income	1,000	1,000	5,844	4,844
Total Revenue	1,069,500	1,069,500	1,029,388	(40,112)
EXPENDITURES:				
Water Purchased - GRDA	4,000	4,000	4,208	208
Merchant Bank Card Fee	5,350	5,350	7,047	1,697
Chemicals	75,000	75,000	52,478	(22,522)
Maintenance Agreements/Repairs	9,500	9,500	11,094	1,594
Water Testing	7,500	7,500	7,695	195
Field Repairs/Supplies	30,000	30,000	25,297	(4,703)
Truck Expenses	15,000	15,000	10,771	(4,229)
Lab Supplies	3,000	3,000	7,488	4,488
Plant Repairs	50,000	50,000	24,131	(25,869)
Salary Expense	280,000	280,000	272,698	(7,302)
Payroll Taxes	24,000	24,000	22,893	(1,107)
Retirement Expense	9,000	9,000	7,890	(1,110)
Medical Insurance-Employee	39,000	39,000	43,269	4,269
Workers Comp	11,500	11,500	10,786	(714)
Plant System/Truck Insurance	35,000	35,000	29,358	(5,642)
Professional Fees	10,000	10,000	7,005	(2,995)
Supplies/Lawn Mower/Cleanup	550	550	119	(431)
ORWA/Association Fees	1,500	1,500	1,542	42
DEQ Fees	7,500	7,500	7,657	157
Miscellaneous	300	300	187	(113)
NSF/Bank Charges	50	50	52	2
Office Supplies	5,800	5,800	8,198	2,398
Postage	7,500	7,500	7,605	105
Training Session/Exams/Travel	950	950	550	(400)
Telephone/Cell Phone	8,400	8,400	9,188	788
Security	350	350	543	193
Utilities	49,800	49,800	45,147	(4,653)
Advertising	250	250	0	(250)
Employee Bonuses	2,400	2,400	2,400	0
Medical/Drug Screening	200	200	58	(142)
Board Training/Conferences	2,000	2,000	1,110	(890)

See accompanying notes and independent auditors' report.

Managers Expense	300	300	131	(169)
Line Projects/Water Towers	20,000	20,000	1,009	(18,991)
Debt Payments	282,000	282,000	280,614	(1,386)
Ambulance - City of Wagoner	11,000	11,000	11,180	180
Bad Debts	3,000	3,000	6,464	3,464
Total Expenditures	<u>1,011,700</u>	<u>1,011,700</u>	<u>927,862</u>	<u>(83,838)</u>
Net Income (Loss)	<u>57,800</u>	<u>57,800</u>	101,526	
Less: Depreciation/Amortization			(209,302)	
Add: Principal payment			<u>75,000</u>	
Change in Fund Balance			<u>(32,776)</u>	

See accompanying notes and independent auditors' report.