

AUDIT REPORT

NOWATA COUNTY RURAL WATER DISTRICT #7
NOWATA COUNTY, OKLAHOMA

DECEMBER 31, 2014

KERSHAW CPA & ASSOCIATES, PC

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NOWATA COUNTY RURAL WATER DISTRICT #7
NOWATA COUNTY, OKLAHOMA
DECEMBER 31, 2014

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NOWATA COUNTY RURAL WATER DISTRICT #7
NOWATA COUNTY, OKLAHOMA
DECEMBER 31, 2014

BOARD OF DIRECTORS

<u>NAME</u>	<u>POSITION</u>	<u>TERM EXPIRATION</u>
BRAD KEETON	CHAIRMAN	7/2015
BRANDON KUEHN	VICE CHAIRMAN	7/2016
JIM WOODY	SECRETARY/TREASURER	7/2016
GLEN MANGELS	DIRECTOR	7/2017
HEATHER WEBER	DIRECTOR	7/2017

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Nowata County Rural Water District #7
Nowata County, Oklahoma

Report on the Financial Statements

We have audited the accompanying financial statements of Nowata County Rural Water District #7, 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 Nowata County Rural Water District #7, Nowata 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

Nowata County Rural Water District #7 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 February 18, 2015, on our consideration of the Nowata County Rural Water District #7'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 Nowata County Rural Water District #7's internal control over financial reporting and compliance.

Kershaw CPA & Associates, P.C.

Kershaw, CPA & Associates, PC

February 18, 2015

NOWATA COUNTY RURAL WATER DISTRICT #7
 NOWATA COUNTY, OKLAHOMA
 STATEMENT OF NET POSITION
 DECEMBER 31, 2014

<u>ASSETS</u>	<u>2014</u>	<u>Memo Only 2013</u>
<u>Current Assets:</u>		
Cash and Cash Equivalents	\$ 47,818	\$ 22,181
Investments	224,920	286,162
Accounts Receivable	26,389	26,721
Other Receivables	18,776	30,643
Prepaid Insurance	5,606	6,747
Total Current Assets	<u>323,510</u>	<u>372,454</u>
<u>Capital Assets:</u>		
Water Distribution System & Equipment	2,343,635	2,308,228
Less: Accumulated Depreciation	<u>(1,551,690)</u>	<u>(1,493,853)</u>
Total Capital Assets	<u>791,945</u>	<u>814,375</u>
<u>Other Assets:</u>		
Utility Deposits	<u>575</u>	<u>575</u>
Total Capital Assets	<u>575</u>	<u>575</u>
TOTAL ASSETS	<u><u>\$ 1,116,030</u></u>	<u><u>\$ 1,187,403</u></u>
 <u>LIABILITIES & NET POSITION</u>		
<u>Current Liabilities:</u>		
Accounts Payable	\$ 27,115	\$ 24,861
Current Portion of Long-Term Debt	-	-
Total Current Liabilities	<u>27,115</u>	<u>24,861</u>
<u>Long-Term Liabilities:</u>		
Notes Payable	-	-
Less: Current Portion of Long-Term Debt	-	-
Total Long-Term Debt	<u>-</u>	<u>-</u>
TOTAL LIABILITIES	<u>27,115</u>	<u>24,861</u>
<u>NET POSITION:</u>		
Net investment in capital assets	791,945	814,375
Restricted for debt service	-	-
Unrestricted	<u>296,970</u>	<u>348,167</u>
TOTAL NET POSITION	<u>1,088,915</u>	<u>1,162,542</u>
TOTAL LIABILITIES AND NET POSITION	<u><u>\$ 1,116,030</u></u>	<u><u>\$ 1,187,403</u></u>

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

EXHIBIT B

**NOWATA COUNTY RURAL WATER DISTRICT #7
NOWATA COUNTY, OKLAHOMA
STATEMENT OF REVENUES, EXPENSES & CHANGES IN NET POSITION
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2014**

	<u>2014</u>	<u>Memo Only 2013</u>
<u>Operating Revenues:</u>		
Water sales	\$ 254,519	\$ 260,509
Other sales	26,471	5,232
Total Operating Revenues	<u>280,990</u>	<u>265,741</u>
<u>Operating Expenses:</u>		
Water purchases	156,632	133,879
Management fees	39,000	-
Payroll and related expenses	18,221	48,837
Depreciation Expense	57,837	57,340
Repairs and maintenance	51,560	17,825
Contract Labor	12,798	18,033
Insurance	7,800	6,508
Professional fees	4,225	3,700
Utilities	12,649	11,315
Trip fees, returned checks & transfers	490	-
Membership fees	1,959	3,531
Office Supplies & Postage	1,177	4,718
Bad Debt Expense	193	-
Travel	142	13,751
Miscellaneous expense	5,988	1,455
Total Operating Expenses	<u>370,669</u>	<u>320,892</u>
Net Operating Income (Loss)	<u>(89,680)</u>	<u>(55,151)</u>
<u>Non-operating Income (Expense):</u>		
Interest Income	1,052	1,067
Interest Expense	-	-
Benefit Units	15,000	6,500
Total Non-operating Income (Expense)	<u>16,052</u>	<u>7,567</u>
Change in Net Position	(73,627)	(47,584)
Capital Contributions	-	-
Total Net Position, Beginning of Year	1,162,542	1,210,126
Total Net Position, Prior Year Adjustment	<u>-</u>	<u>-</u>
Total Net Position, End of Year	<u><u>\$ 1,088,915</u></u>	<u><u>\$ 1,162,542</u></u>

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

**NOWATA COUNTY RURAL WATER DISTRICT #7
NOWATA COUNTY, OKLAHOMA
STATEMENT OF CASH FLOWS
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2014**

	<u>2014</u>	<u>Memo Only 2013</u>
<u>Cash Flows from Operating Activities:</u>		
Cash Receipts from Customers	\$ 293,189	\$ 237,148
Payments to Suppliers for Goods & Services	<u>(309,438)</u>	<u>(262,779)</u>
Net Cash Provided (Used) by Operating Activities	<u>(16,250)</u>	<u>(25,631)</u>
<u>Cash Flows from Capital & Related Financing Activities:</u>		
Additions to Capital Assets	(35,407)	-
Proceeds from Sale of Capital Assets	-	-
Issuance of benefit units	15,000	6,500
Principal paid on long-term debt	-	-
Interest paid on Debt	-	-
Net Cash Provided (Used) by Capital & Related Financing Activities	<u>(20,407)</u>	<u>6,500</u>
<u>Cash Flows from Investing Activities:</u>		
(Increase)Decrease Investment	61,242	(954)
Interest Income	<u>1,052</u>	<u>1,067</u>
Net Cash Provided (Used) by Investing Activities	<u>62,294</u>	<u>113</u>
Net Increase (Decrease) in Cash and Cash Equivalents	25,637	(19,018)
Cash & Cash Equivalents, Beginning of Year	22,181	41,199
Cash & Cash Equivalents, Prior Year Adjustment	-	-
Cash & Cash Equivalents, End of Year	<u>\$ 47,818</u>	<u>\$ 22,181</u>
<u>Reconciliation of operating income (loss) to net cash provided operating activities:</u>		
Operating Income (Loss)	\$ (89,680)	\$ (55,151)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities		
Depreciation & Amortization	57,837	57,340
(Increase)Decrease in Accounts Receivable	12,199	(28,593)
(Increase)Decrease in Prepaid Insurance	1,140	(65)
Increase(Decrease) in Accounts Payable	<u>2,254</u>	<u>838</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (16,250)</u>	<u>\$ (25,631)</u>

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

NOWATA COUNTY RURAL WATER DISTRICT #7
NOWATA COUNTY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies employed by Nowata County Rural Water District #7 (the District) are consistent with accounting principles generally accepted in the United States of America. Significant polices are described below.

In June 1999, the GASB issued Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments. The statement established a new reporting model for governments that is substantially different from prior reporting standards. The District adopted the new reporting model December 31, 2004, which includes the following segments:

Management's Discussion & Analysis - provides introductory information on basic financial statements and an analytical overview of the District's financial activities. For the year ended December 31, 2014, management has not presented the Management's Discussion and Analysis as required by the Governmental Accounting Standards Board (GASB) and GASB has determined it necessary to supplement, although not required to be part of, the basic financial statements.

Fund financial statements - provide information about the District's proprietary fund. The proprietary fund utilizes the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. The proprietary fund utilizes an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of net income, financial position and cash flows. All assets and liabilities (whether current or non-current) associated with their activities are reported. Proprietary fund equity is classified as net position.

A. Reporting Entity:

Rural Water District No. 7, Nowata County, Oklahoma (the "District") was created under the provisions of Title 82, O.S. 1981, Sections 1324.1-1324.26 inclusive, for the purpose of providing water to the members of the District it serves. Membership in the water district consists of water users who have paid the required membership and connection fees. The District is exempt from federal and state income taxes.

B. Basis of Presentation:

The accounts of the District are organized on the basis of proprietary fund type, specifically enterprise fund. The activities of this fund are accounted for with a separate set of

NOWATA COUNTY RURAL WATER DISTRICT #7
NOWATA COUNTY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

self-balancing accounts that comprise the District's assets, liabilities, net position, revenues and expenses. Enterprise Funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges, and the measurement of financial activity focuses on net income measurement similar to the private sector.

C. Basis of Accounting:

The financial statements are presented on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenditures are recorded when the liability is incurred.

D. Cash and Cash Equivalents:

For purposes of the statement of cash flows, the District considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

E. Capital Assets:

The water storage and delivery system and furniture and equipment are recorded at cost. Donated capital assets are reported at estimated fair market value at the date of donation.

Depreciation of these assets is computed using the straight-line method over the estimated useful life of the asset ranging from five to forty years.

F. Capitalization Policy:

Purchases of capital items in excess of \$500.00 that increase the capacity or operation efficiency or extend the useful life of any asset are capitalized. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

G. Annual Budget

The District is not legally required to prepare an annual budget.

H. 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

NOWATA COUNTY RURAL WATER DISTRICT #7
NOWATA COUNTY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

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.

I. 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.

J. Benefit Units

Members purchase benefit units for the right to obtain services from the Water District. Fees paid for benefit units are considered donations to the Water District and are nonrefundable. Benefit units sold are reflected as non-operating income in the period the water services are established.

K. Estimates:

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

NOWATA COUNTY RURAL WATER DISTRICT #7
NOWATA COUNTY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

L. Memorandum Only

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 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 long-term debt agreements which would have budgetary or reserve requirements.

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 - CUSTODIAL CREDIT RISK RELATED TO DEPOSITS

Custodial Credit Risk

At December 31, 2014, the District held deposits of approximately \$272,738 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:

NOWATA COUNTY RURAL WATER DISTRICT #7
NOWATA COUNTY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

- 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.
- 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 December 31, 2013	Additions	Deductions	Balance at December 31, 2014
Water Distribution System	\$2,282,825	\$ 34,607	\$ -	\$2,317,433
Tower and Pump Sites	4,370	-	-	4,370
Building	6,395	800	-	7,195
Furniture & Fixtures	14,637	-	-	14,637
Total Capital Assets	<u>2,308,228</u>	<u>35,407</u>	<u>-</u>	<u>2,343,635</u>
Less: Accum. Depr.				
Water Distribution System	(1,473,093)	(57,528)	-	(1,530,621)
Tower and Pump Sites	(3,004)	(109)	-	(3,114)
Building	(3,117)	(200)	-	(3,317)
Furniture & Fixtures	(14,637)	-	-	(14,637)
Total Accum. Depr.	<u>(1,493,853)</u>	<u>(57,837)</u>	<u>-</u>	<u>(1,551,690)</u>
Net Capital Assets	<u>\$ 814,375</u>	<u>\$ (22,430)</u>	<u>\$ -</u>	<u>\$ 791,945</u>

NOTE 5 - LONG-TERM DEBT

The District has no long-term debt.

NOWATA COUNTY RURAL WATER DISTRICT #7
 NOWATA COUNTY, OKLAHOMA
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2014

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

NOTE 7 - CONTINGENCIES

Litigation

According to the District's management, there is no pending litigation.

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 - ECONOMIC DEPENDENCE

Nowata County Rural Water District #7 is dependent upon the City of Coffeyville, Kansas, for the District's water supply.

NOTE 9 - NET WORKING CAPITAL

The net working capital of the District is defined as current assets (assets used to settle current liabilities) less current liabilities (liabilities that will be settled within one year).

	2014	2013
Current assets	\$ 304,734	\$ 372,454
Current liabilities	27,115	24,861
Net working capital	\$ 277,619	\$ 347,593

NOTE 10 - WATER RATES

The following water rates were effective as of December 31, 2014:

No Water (minimum bill)	\$18.00
1 st 5,000 Gallons	\$ 5.00 per 1,000 (or fraction thereof)
Over 5,000 Gallons	\$ 4.50 per 1,000 (or fraction thereof)
Initial Membership Fee	\$2,000.00

NOWATA COUNTY RURAL WATER DISTRICT #7
NOWATA COUNTY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE 11 - SUBSEQUENT EVENTS

The District did not have any subsequent events through February 18, 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
Nowata County Rural Water District #7
Nowata 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 Nowata County Rural Water District #7, 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 February 18, 2015. The Nowata County Rural Water District #7 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 Nowata County Rural Water District #7'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 Nowata County Rural Water District #7's internal control. Accordingly, we do not express an opinion on the effectiveness of Nowata County Rural Water District #7'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.

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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 Nowata County Rural Water District #7'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

February 18, 2015