

AUDIT REPORT

EVERGREEN RURAL WATER DISTRICT #18
OSAGE COUNTY, OKLAHOMA

JUNE 30, 2017

KERSHAW CPA & ASSOCIATES, PC

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EVERGREEN RURAL WATER DISTRICT #18
OSAGE COUNTY, OKLAHOMA
JUNE 30, 2017

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EVERGREEN RURAL WATER DISTRICT #18
OSAGE COUNTY, OKLAHOMA
JUNE 30, 2017

BOARD OF DIRECTORS

<u>NAME</u>	<u>POSITION</u>	<u>TERM EXPIRATION</u>
MICK RABB	CHAIRMAN	8/2017
MICHAEL MCPHERSON	VICE-CHAIRMAN	8/2019
EMPTY SEAT	SECRETARY	8/2015
ANDREW YATES	BOARD MEMBER	8/2016
STEVE HUGHES	BOARD MEMBER	8/2018

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Evergreen Rural Water District #18
Osage County, Oklahoma

Report on the Financial Statements

We have audited the accompanying financial statements of Evergreen Rural Water District #18, as of and for the fiscal year ended June 30, 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

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making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used, and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Evergreen Rural Water District #18, as of June 30, 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.

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Supplementary and Other Information

The introductory section listed in the accompanying table of contents is presented for the purpose of additional analysis and is 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 September 21, 2017, on our consideration of the Evergreen Rural Water District #18'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 *Government Auditing Standards* in considering Evergreen Rural Water District #18's internal control over financial reporting and compliance.

Kershaw CPA & Associates, P.C.

Kershaw, CPA & Associates, PC

September 21, 2017

EXHIBIT A

EVERGREEN RURAL WATER DISTRICT #18
OSAGE COUNTY, OKLAHOMA
STATEMENT OF NET POSITION
JUNE 30, 2017

	2017	Memo Only 2016
<u>ASSETS</u>		
<u>Current Assets:</u>		
Cash and cash equivalents	\$ 52,188	\$ 56,882
Accounts Receivable	10,329	11,428
Prepaid Insurance	1,887	1,887
Total Current Assets	64,405	70,197
<u>Capital Assets:</u>		
Water System	1,050,922	1,050,922
Extension System	107,992	107,992
Less: Accumulated Depreciation	(475,658)	(447,006)
Total Fixed Assets	683,257	711,909
<u>Other Assets:</u>		
Restricted - Loan reserve (Note 2)	16,687	16,687
Restricted - Interest reserve (Note 2)	3,804	3,513
Loan fees, net of accumulated amortization	613	743
Total Other Assets	21,103	20,942
TOTAL ASSETS	\$ 768,765	\$ 803,049
<u>LIABILITIES & NET POSITION</u>		
<u>Current Liabilities:</u>		
Accounts Payable	\$ 10,375	\$ 8,547
Accrued interest payable	601	512
Current Portion of Long-Term Debt	9,800	9,100
Total Current Liabilities	20,775	18,159
<u>Long-Term Liabilities:</u>		
Notes Payable	96,100	105,200
Less: Current Portion of Long-Term Debt	(9,800)	(9,100)
Total Long-Term Debt	86,300	96,100
TOTAL LIABILITIES	107,075	114,259
<u>NET POSITION:</u>		
Net investment in capital assets	587,157	606,709
Restricted for debt service	20,491	20,200
Unrestricted	54,042	61,881
TOTAL NET POSITION	661,690	688,790
TOTAL LIABILITIES AND NET POSITION	\$ 768,765	\$ 803,049

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

EXHIBIT B

EVERGREEN RURAL WATER DISTRICT #18
OSAGE COUNTY, OKLAHOMA
STATEMENT OF REVENUES, EXPENSES & CHANGES IN NET POSITION
FOR THE TWELVE MONTHS ENDED JUNE 30, 2017

	2017	Memo Only 2016
<u>Operating Revenues:</u>		
Water sales	\$ 106,807	\$ 108,540
Penalties	1,729	2,013
Transfer fees	860	820
Miscellaneous	-	860
Total Operating Revenues	109,396	112,233
<u>Operating Expenses:</u>		
Water purchases	45,180	52,091
Trustee fees	750	750
Insurance	1,609	1,459
Postage and bank charges	108	40
Management fees	43,200	43,200
Transfer charges	780	780
Utilities	1,228	2,019
Maintenance and repair	5,989	3,714
Accounting	1,850	600
Membership fees	181	248
Miscellaneous	506	515
Bad Debt Expense	-	105
Depreciation Expense	28,652	28,954
Amortization expense	130	130
Total Operating Expenses	130,162	134,605
Net Operating Income (Loss)	(20,766)	(22,372)
<u>Non-operating Income (Expense):</u>		
Interest Income	50	41
Interest Expense	(1,763)	(1,580)
Benefit Units	-	1,500
Total Non-operating Income (Expense)	(1,714)	(39)
Change in Net Position	(22,479)	(22,410)
Capital Contributions	-	-
Total Net Position, Beginning of Year	688,790	711,200
Total Net Position, Prior Year Adjustment	(4,621)	-
Total Net Position, End of Year	\$ 661,690	\$ 688,790

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

EXHIBIT C

EVERGREEN RURAL WATER DISTRICT #18
OSAGE COUNTY, OKLAHOMA
STATEMENT OF CASH FLOWS
FOR THE TWELVE MONTHS ENDED JUNE 30, 2017

	2017	Memo Only 2016
<u>Cash Flows from Operating Activities:</u>		
Cash Receipts from Customers & Others	\$ 110,495	\$ 112,192
Payments to Suppliers for Goods & Services	(100,919)	(108,987)
Net Cash Provided (Used) by Operating Activities	<u>9,576</u>	<u>3,205</u>
<u>Cash Flows from Capital & Related Financing Activities:</u>		
Additions to Capital Assets	-	-
Proceeds from Sale of Capital Assets	-	-
(Increase)Decrease in reserve funds	(291)	(242)
Issuance of benefit units	-	1,500
Loan Proceeds	-	-
Principal paid on long-term debt	(9,100)	(8,400)
Interest paid on Debt	(1,674)	(1,617)
Net Cash Provided (Used) by Capital & Related Financing Activities	<u>(11,065)</u>	<u>(8,760)</u>
<u>Cash Flows from Investing Activities:</u>		
Interest Income	50	41
Net Cash Provided (Used) by Investing Activities	<u>50</u>	<u>41</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(1,440)	(5,513)
Cash & Cash Equivalents, Beginning of Year	56,882	62,395
Cash & Cash Equivalents, Prior Year Adjustment	(3,254)	-
Cash & Cash Equivalents, End of Year	<u>\$ 52,188</u>	<u>\$ 56,882</u>
<u>Reconciliation of operating income (loss) to net cash provided operating activities:</u>		
Operating Income (Loss)	\$ (20,766)	\$ (22,372)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities		
Depreciation & Amortization	28,782	29,084
(Increase)Decrease in Accounts Receivable	(267)	(41)
(Increase)Decrease in Prepaid Insurance	-	(159)
Increase(Decrease) in Accounts Payable & other liabilities	1,827	(3,308)
Net Cash Provided (Used) by Operating Activities	<u>\$ 9,576</u>	<u>\$ 3,205</u>
Supplemental disclosures of cash flow information:		
Interest paid (cash basis)	\$ 1,674	\$ 1,286
Interest incurred (accrual basis)	<u>\$ 1,763</u>	<u>\$ 1,580</u>

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

EVERGREEN RURAL WATER DISTRICT #18
OSAGE COUNTY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies employed by Evergreen Rural Water District #18 (the District) are consistent with accounting principles generally accepted in the United States of America. Significant policies 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 June 30, 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 June 30, 2017, 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 assets.

A. Financial Reporting Entity:

The District is a rural water distribution system organized pursuant to the provisions of the Oklahoma Rural Water, Sewer and Solid Waste Management Districts Act, as amended 1820.S Supp. 1972, SS1324.1-1324.26 and is operated principally to provide water to its members south of the Pawhuska area of Osage County, Oklahoma.

EVERGREEN RURAL WATER DISTRICT #18
OSAGE COUNTY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

B. 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.

C. Income Taxes:

The District is incorporated under Title 82, Chapter 18, of the Oklahoma Statutes as a Rural Water District. The management of Evergreen Rural Water District #18 believes the District is exempt from Federal income tax under IRC Section 115. This code section states that income to any state or political subdivision is exempt from taxation. Therefore, the District does not file an income tax return.

D. Estimates:

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

E. Membership 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. A membership certificate is issued to each holder of a fully paid membership fee. Membership certificates may be transferred with the approval of the Board of Directors. Benefit units sold are reflected as non-operating income in the period the services are established.

F. Cash and Cash Equivalents:

Cash and cash equivalents include amounts in demand deposits, money market funds, and certificates of deposit with and original maturity of three months or less.

EVERGREEN RURAL WATER DISTRICT #18
OSAGE COUNTY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

G. Property, Plant and Equipment:

The property, plant and equipment is stated, generally, at cost. Depreciation of these assets is computed by the straight-line method over the estimated useful life of the asset. Purchases of capital items in excess of \$350 that increase the capacity or operation efficiency or extends the useful life of any asset are capitalized.

The water distribution system (including the extension) is recorded at cost and depreciated over its estimated useful life using the straight-line method.

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 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.

EVERGREEN RURAL WATER DISTRICT #18
OSAGE COUNTY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

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. Accounts receivables & doubtful accounts:

The district maintains a strict policy of cutting off and collecting delinquent accounts. Therefore, no provision has been made for bad debts or uncollectible receivables. Any such amounts would be considered immaterial.

K. Memorandum Only

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

NOTE 2 - OTHER ASSETS

Evergreen Rural Water District #18 established two reserve accounts held by the Bank of Oklahoma Trust Department from the Oklahoma Water Resources Board's loan proceeds. The loan reserve account is for the purpose of debt servicing. This amount will remain in the account during the life of the loan to provide funds in the event Evergreen Rural Water District #18 is unable to make a full payment, or for the last payment of the loan. Any funds used from the loan reserve must be replaced.

The interest reserve account was established from interest paid during the construction phase of the project. Interest expense was capitalized during the construction phase and will be depreciated over the estimated life of the asset. Since completion of the construction phase, the interest reserve account is used to accumulate funds for debt service to the Oklahoma Water Resource Board's loan.

NOTE 3 - 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

EVERGREEN RURAL WATER DISTRICT #18
OSAGE COUNTY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

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

See Note 2 above.

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 4 - DEPOSITS AND INVESTMENTS

Custodial Credit Risk

At June 30, 2017, the District held deposits of approximately \$52,188 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.
- b. Certificates of deposits or savings accounts that are either insured or secured with acceptable collateral with

EVERGREEN RURAL WATER DISTRICT #18
OSAGE COUNTY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

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 5 - CAPITAL ASSETS

Capital asset activity, for the fiscal year ended June 30, 2017, was as follows:

	Balance at June 30, 2016	Additions	Deductions	Balance at June 30, 2017
Water System	\$ 1,050,922	\$ -	\$ -	\$ 1,050,922
Extension System	107,992	-	-	107,992
Subtotal	1,158,915	-	-	1,158,915
Less: Accum. Depr.	(447,006)	(28,652)	-	(475,658)
Total Capital Assets (Net of Depreciation)	<u>\$ 711,909</u>	<u>\$ (28,652)</u>	<u>\$ -</u>	<u>\$ 683,257</u>

NOTE 6 - LONG-TERM DEBT

The District has a loan numbered FAP-97-003-L with the Oklahoma Water Resources Board, payable in semi-annual installments, currently at 1.550% interest. The maturity date is September 1, 2024. The water system and its gross revenues serve as collateral. Principal payments commenced on August 15, 2000.

Changes in Long-Term Debt

The following is a summary of changes in long-term debt for the year ended June 30, 2017:

EVERGREEN RURAL WATER DISTRICT #18
OSAGE COUNTY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

	Balance at June 30, 2016	Additions	Deductions	Balance at June 30, 2017
Note Payable - OWRB	\$ 105,200	\$ -	\$ (9,100)	\$ 96,100
Total Long-Term Debt	<u>\$ 105,200</u>	<u>\$ -</u>	<u>\$ (9,100)</u>	<u>\$ 96,100</u>

Debt Services Requirements to Maturity

The annual debt service requirements to maturity, including principal only, for long-term debt, as of June 30, 2017, are as follows:

<u>Long-Term Note - OWRB</u>	
Year Ending June 30,	Principal
2018	\$ 9,800
2019	10,600
2020	11,500
2021	12,400
2022	13,500
2023-2025	38,300
Total	<u>\$ 96,100</u>

NOTE 7 - 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

Restricted amounts are described in Note 2 above.

NOTE 8 - CONTINGENCIES

Litigation

According to management there were no known contingent liabilities at June 30, 2017, which would have a material effect on the financial statements.

EVERGREEN RURAL WATER DISTRICT #18
OSAGE COUNTY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

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 9 - ECONOMIC DEPENDENCE

Evergreen Rural Water District #18 is dependent upon the City of Pawhuska, Oklahoma, for the District's water supply. The contract extends for a term of forty years from February 1, 1999, and may be automatically extended for successive like terms until terminated by the mutual consent of both parties.

NOTE 10 - SUBSEQUENT EVENTS

The District did not have any subsequent events through September 21, 2017, which is the date the financial statements were issued, for events requiring recording or disclosure in the financial statements for the year ending June 30, 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
Evergreen Rural Water District #18
Osage 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 Evergreen Rural Water District #18, as of and for the year ended June 30, 2017, and the related notes to the financial statements, and have issued our report thereon dated September 21, 2017. 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 Evergreen Rural Water District #18'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 Evergreen Rural Water District #18's internal control. Accordingly, we do not express an opinion on the effectiveness of Evergreen Rural Water District #18'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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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 Evergreen Rural Water District #18'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

September 21, 2017