

**OTTAWA COUNTY
RURAL WATER DISTRICT NO. 7
ANNUAL FINANCIAL STATEMENTS
AND ACCOMPANYING
INDEPENDENT AUDITOR'S REPORTS**

For the Year Ended October 31, 2014

**OBER & ASSOCIATES, INC. , PC
CERTIFIED PUBLIC ACCOUNTANTS
124 S. Main Street
Miami, Oklahoma 74354**

OTTAWA COUNTY RURAL WATER DISTRICT NO. 7
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OTTAWA COUNTY RURAL WATER DISTRICT NO. 7
Water Board Officials
October 31, 2014

Board of Directors

Jerry Myers	Chairman
Jim Karleskint	Vice-Chairman
Kathryn Frazee	Secretary
Otis Stoops	Treasurer
Alan Alsbaugh	Director

OTTAWA COUNTY RURAL WATER DISTRICT NO. 7
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended October 31, 2014

Our discussion and analysis of the District's financial performance provides an overview of the District's financial activities for the fiscal year ended October 31, 2014. Please read it in conjunction with the District's financial statements which begin on page 8.

FINANCIAL HIGHLIGHTS

- The assets of the District exceeded its liabilities at October 31, 2014 by \$453,630.81, representing an increase in net position of \$21,557.87 for the year.
- Total operating revenues were \$85,419.75 this year while operating expenses and other net expenses were \$65,541.88, resulting in net income before membership and installation fees of \$19,877.87.
- The District has \$353,424.14 (net of accumulated depreciation) invested in capital assets as of October 31, 2014.

DISTRICT HIGHLIGHTS

- Our customer base has remained stable at approximately 209 customers.

USING THIS ANNUAL REPORT

This annual report consists of two parts; Management's Discussion and Analysis and the Financial Statements. The Financial Statements also include notes that explain in more 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 Statement of Net Position 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). It also provides the basis for computing rate of return, evaluating the capital structure of the District and assessing the liquidity and financial flexibility of the District. All of the current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses and Changes in Net Position. This statement measures the success of the District's operations over the past year and can be used to determine profitability, credit worthiness and whether the District has successfully recovered all its costs through its user fees and other charges. The final required financial 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, and capital and noncapital financing activities and provides answers to such questions as "from where did cash come?," "for what was cash used?," and "what was the change in cash balance during the reporting period?"

OTTAWA COUNTY RURAL WATER DISTRICT NO. 7
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended October 31, 2014

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

One of the most important questions asked about the District's finances is "Is the District, as a whole, better off or worse off as a result of the year's activities?" The Statement of Net Position and Statement of Revenues, Expenses and Changes in Net Position report information about the District's activities in a way that will help answer this question. These two statements report the net position of the District and changes in them. You can think of the District's net position – the difference between assets and liabilities – as one way to measure financial health or financial position. Over time, increases or decreases in the District's net position are one indicator of whether its financial health is improving or deteriorating. However, you will need to also consider other non-financial factors such as changes in economic conditions, population growth and new or changed legislation.

The District's total Net Position increased from last year by \$21,557.87 or about 5.0%. Our analysis below focuses on the District's net position (Table 1) and changes in net position (Table 2) during the year.

	October 31, 2014	October 31, 2013
Current Assets	\$ 187,218.88	\$ 233,497.49
Noncurrent Assets	353,429.14	296,138.14
Total Assets	<u>540,648.02</u>	<u>529,635.63</u>
Current Liabilities	17,138.81	14,112.31
Noncurrent Liabilities	69,878.40	83,450.38
Total Liabilities	<u>87,017.21</u>	<u>97,562.69</u>
Invested in Capital Assets, net of Related Debt	269,973.95	199,771.51
Restricted	17,436.00	17,436.00
Unrestricted	<u>166,220.86</u>	<u>214,865.43</u>
Total Net Position	<u>\$ 453,630.81</u>	<u>\$ 432,072.94</u>

The District's net position reflects its investment in capital assets (e.g. water system, buildings, machinery and equipment) less any related debt used to acquire those assets still outstanding. The District uses these capital assets to provide services to citizens and consumers; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The balance of unrestricted net position may be used to meet the District's ongoing obligations to citizens, customers and creditors. The District's unrestricted net position decreased by \$48,644.57 or 22.6% during the current year.

OTTAWA COUNTY RURAL WATER DISTRICT NO. 7
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended October 31, 2014

Changes in the District's net position can be determined by reviewing the following condensed Statement of Revenue, Expenses and Changes in Net Position for the year.

	October 31, 2014	October 31, 2013
Total Operating Revenues	\$ 85,419.75	\$ 90,832.10
Operating Expenses	(62,049.47)	(54,743.59)
Depreciation Expense	(16,308.00)	(14,967.98)
Other Non-Operating Revenues (Expenses)	12,815.59	(2,784.22)
Membership and Installation Fees	1,680.00	2,000.00
Increase (Decrease) in Net Position	21,557.87	20,336.31
Net Position, Beginning of Year	432,072.94	411,736.63
Net Position, End of Year	<u>\$ 453,630.81</u>	<u>\$ 432,072.94</u>

The District's primary source of revenue is the sale of water which comprises most of the operating revenues. Operating revenues decreased by \$5,412.35 or 6.0% from the prior year.

Total operating expenses increased by \$7,305.88 or 13.3% from the prior year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of October 31, 2014, the District had \$353,424.14 (net of accumulated depreciation) invested in capital assets, including the water storage and distribution system, improvements, machinery and equipment. Net capital assets increased by \$57,291.00 or 19.3% from the prior year.

Debt

The District had two notes payable outstanding as of October 31, 2014. Total long-term obligations decreased by \$12,911.44 during the year as a result of normal repayment of principal on outstanding debt. The balance of the notes, both with USDA Rural Development, was \$83,450.19 at the end of the year.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

A product of an ongoing examination of how the District does business, our budget emphasizes outcomes or results for the community and allows for longer-term financial planning decisions.

In considering the District's budget for the fiscal year 2014/2015, the Board estimates that revenues and expenses in the coming year will approximate actual revenues and expenses for the past fiscal year.

OTTAWA COUNTY RURAL WATER DISTRICT NO. 7
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended October 31, 2014

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Board of Directors at Ottawa County Rural Water District No. 7, P.O. Box 616, Fairland, Oklahoma 74343.

OBER & ASSOCIATES INC., PC

CERTIFIED PUBLIC ACCOUNTANTS

124 South Main
Miami, Oklahoma 74354
918-542-4401

INDEPENDENT AUDITORS REPORT

To the Board of Directors
Ottawa County Rural Water District No.7
Miami, Oklahoma

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Ottawa County Rural Water District No. 7 as of and for the year ended October 31, 2014, and the related notes to the financial statements, which collectively 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.

Accountant's 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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.

We believe that 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 respective financial position of the business-type activities of Ottawa County Rural Water District No. 7 as of October 31, 2014, and the respective changes in financial position and 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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 2 through 5 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 the 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 February 23, 2015 on our consideration of Ottawa County Rural Water District No. 7's internal control over financial reporting and on 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 Ottawa County Rural Water District No. 7's internal control over financial reporting and compliance.

OBER & ASSOCIATES, INC., PC

OBER & ASSOCIATES, INC., PC
CERTIFIED PUBLIC ACCOUNTANTS
February 23, 2015

OTTAWA COUNTY RURAL WATER DISTRICT NO. 7
STATEMENT OF NET POSITION
October 31, 2014

ASSETS

Current Assets:

Cash on hand	\$ 50.00
Cash and cash equivalents	22,839.77
Investments	135,490.35
Restricted investments	17,436.00
Accounts receivable	9,417.15
Interest receivable	686.64
Prepaid Insurance	<u>1,298.97</u>
Total Current Assets	<u>187,218.88</u>

Noncurrent Assets

Capital assets, net of accumulated depreciation	353,424.14
Utility deposits	<u>5.00</u>
Total Noncurrent Assets	<u>353,429.14</u>

Total ASSETS	<u>540,648.02</u>
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LIABILITIES

Current Liabilities:

Accounts payable	3,246.81
Accrued interest payable	320.21
Current Portion of long-term debt	<u>13,571.79</u>
Total Current Liabilities	<u>17,138.81</u>

Noncurrent Liabilities

Notes payable, net of current portion	<u>69,878.40</u>
Total Noncurrent Liabilities	<u>69,878.40</u>
Total LIABILITIES	<u>87,017.21</u>

NET POSITION

Invested in capital assets, net of related debt	269,973.95
Restricted for debt service	17,436.00
Unrestricted	<u>166,220.86</u>
Total NET POSITION	<u>\$ 453,630.81</u>

The accompanying notes are an integral part of these financial statements.

OTTAWA COUNTY RURAL WATER DISTRICT NO. 7
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Year Ended October 31, 2014

Operating Revenues:	
Water charges and fees	\$ 81,924.24
Other income	<u>3,495.51</u>
Total Operating Revenues	<u>85,419.75</u>
Operating Expenses:	
Depreciation	16,308.00
Insurance	2,239.56
Miscellaneous	5,874.14
Office expense	530.00
Operating fees	18,965.00
Operating supplies	6,564.26
Professional fees	10,653.50
Repairs and maintenance	6,282.25
Travel & conference expense	3,087.76
Utilities	<u>7,853.00</u>
Total Operating Expenses	<u>78,357.47</u>
Operating Income (Loss)	7,062.28
Non-Operating Revenues (Expenses):	
Interest income	1,188.76
Lease income	1,300.00
Grant revenue	15,000.00
Interest expense	<u>(4,673.17)</u>
Total Non-Operating Revenues (Expenses)	<u>12,815.59</u>
Income (Loss) before membership and installation fees	19,877.87
Membership and installation fees	<u>1,680.00</u>
Change in net position	21,557.87
Total net position - beginning	<u>432,072.94</u>
Total net position - ending	<u><u>\$ 453,630.81</u></u>

The accompanying notes are an integral part of these financial statements.

OTTAWA COUNTY RURAL WATER DISTRICT NO. 7
STATEMENT OF CASH FLOWS
For the Year Ended October 31, 2014
Increase (Decrease) in Cash and Cash Equivalents

Cash flows from operating activities:

Cash received from customers	\$ 84,819.75
Cash paid to suppliers and operating expenses	<u>(59,819.36)</u>
Net cash provided (used) by operating activities	<u>25,000.39</u>

Cash flows from investing activities:

Additions to water system	(73,599.00)
Interest received on investments	688.27
Proceeds from certificates of deposit	9,311.73
Lease income received	<u>1,300.00</u>
Net cash provided (used) in investing activities	<u>(62,299.00)</u>

Cash flows from financing activities:

Grant revenue received	15,000.00
Principal payments on notes payable	(12,911.44)
Interest paid on notes payable	(4,524.56)
Memberships purchased	<u>1,680.00</u>
Net cash provided (used) in financing activities	<u>(756.00)</u>

Net increase (decrease) in cash and cash equivalents	(38,054.61)
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Beginning cash balance	<u>60,944.38</u>
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Ending cash balance	<u>\$ 22,889.77</u>
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Reconciliation of net income (loss) to cash provided

by operating activities:

Operating income (loss)	\$ 7,062.28
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation	16,308.00
(Increase) Decrease in receivables	(600.00)
(Increase) Decrease in prepaid insurance	12.76
Increase (Decrease) in accounts payable	<u>2,217.35</u>
Total Adjustments	<u>17,938.11</u>
Net cash provided by operating activities	<u>\$ 25,000.39</u>

The accompanying notes are an integral part of these financial statements.

OTTAWA COUNTY RURAL WATER DISTRICT NO. 7
NOTES TO FINANCIAL STATEMENTS
October 31, 2014

Note 1 - Summary of Significant Accounting Policies

Ottawa County Rural Water District No. 7, (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.

The membership consists of approximately 209 users, each entitled one vote. The Board of Directors consists of five (5) members serving one to three-year terms. The vacant Board seats are elected at the annual meeting in February, and following, the Board of Directors meet and elect a chairman, vice-chairman, secretary and treasurer. All Board members serve without pay.

The accounting policies of the District conform to generally accepted accounting principles applicable to governmental units. The District complies with generally accepted accounting principles and applies all relevant Government Accounting Standards Board (GASB) pronouncements. In addition, the District applies Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. The District has elected not to follow FASB pronouncements issued since that date.

1.A. Financial Reporting Entity

The District complies with GASB Statement No. 14, "*The Financial Reporting Entity*." This statement establishes standards for defining and reporting on the financial reporting entity. It defines component units as legally separate organizations for which the elected officials of the primary government are financially accountable and other organizations for which the nature and significance of their relationship with a primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The District considered all potential component units when determining what organizations should be included in the financial statements. Based on these criteria, there are no component units to include in the District's financial statements.

1.B. Basis of Presentation

The accounts of the District are organized into funds, each of which is considered to be a separate accounting entity. The District uses the following fund types:

Proprietary Funds

Enterprise Funds

The District's fund is an enterprise fund. Enterprise funds are proprietary funds used to account

OTTAWA COUNTY RURAL WATER DISTRICT NO. 7
NOTES TO FINANCIAL STATEMENTS
October 31, 2014

Note 1 – Summary of Significant Accounting Policies: continued

1.B. Basis of Presentation: continued

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.

1.C. Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe *which* transactions are recorded within the various financial statements. Basis of accounting refers to *when* transactions are recorded regardless of the measurement focus applied.

Measurement Focus

The proprietary funds utilize an “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net position.

Basis of Accounting

All proprietary funds utilize 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.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund’s principal ongoing operations. The principal operating revenue of the District’s enterprise fund is charges to customers for sales and services. The District also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

1.D. Assets, Liabilities and Net Position

Cash and Cash Equivalents

For the purposes of cash flows, the District considers all cash on hand, demand deposits, and highly liquid investments, with an original maturity of three months or less when purchased, to be cash and cash equivalents.

OTTAWA COUNTY RURAL WATER DISTRICT NO. 7
NOTES TO FINANCIAL STATEMENTS
October 31, 2014

Note 1 – Summary of Significant Accounting Policies: continued

1.D. Assets, Liabilities and Net Position: continued

Fair Value of Financial Instruments

The District's financial statements include cash and investments. The District's estimates of the fair value of all financial instruments do not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying statement of net assets. The carrying amount of these financial instruments approximates fair value because of the short maturity of these instruments.

Accounts Receivable

Accounts receivable consists primarily of charges for water sales. Management has not established a provision for uncollectible accounts. Such amounts are written off in the month in which management determines they are uncollectible.

Capital Assets

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

All reported capital assets are depreciated on the straight-line basis over the estimated useful lives ranging from ten (10) to fifty (50) years.

Equity Classification

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

- a. Invested in capital assets, net of related debt – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any mortgages, notes, or other borrowings that are attributable to the acquisition, construction or improvement of those assets.
- b. Restricted – Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted – All other net position that does not meet the definitions of “restricted” or “invested in capital assets, net of related debt”.

OTTAWA COUNTY RURAL WATER DISTRICT NO. 7
NOTES TO FINANCIAL STATEMENTS
October 31, 2014

Note 1 – Summary of Significant Accounting Policies: continued

1.D. Assets, Liabilities and Net Position: continued

Use of Estimates

The preparation of financial statements in conformity with U.S. 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.

Recent Accounting Pronouncements

In June 2011, GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* (GASB 63). The objective of GASB 63 is to provide guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures. The pronouncement will improve financial reporting by standardizing the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government's net position. It alleviates uncertainty about reporting those financial statements elements by providing guidance where none previously existed. The provisions of this statement were effective for financial statements for periods beginning after December 15, 2011. The District adopted GASB 63 effective November 1, 2012. The adoption of the statement required the District to adopt the term "net position" as required. In addition, as required by GASB 63, the District determined as of October 31, 2013, there were no items of deferred inflows or outflows of resources, as presently defined, to be reported.

Note 2 – Detailed Notes Concerning Accounts

2.A. Deposits

State statutes govern the District's investment policy. Permissible investments include direct obligations of the United States Government and Agencies; certificates of deposit of savings and loan associations, and bank and trust companies; and savings accounts or savings certificates of savings and loan associations and trust companies. Collateral is required for demand deposits and certificates of deposit for all amounts not covered by federal deposit insurance. Investments are stated at cost. Currently the District invests entirely in certificates of deposit.

Custodial Credit Risk – Deposits: Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District's cash deposits, including interest-bearing certificates of deposit, are maintained in financial institutions. As of October 31, 2014, none of the District's investments were exposed to custodial credit risk because they were either insured or collateralized.

OTTAWA COUNTY RURAL WATER DISTRICT NO. 7
NOTES TO FINANCIAL STATEMENTS
October 31, 2014

Note 2 – Detailed Notes Concerning Accounts: continued

2.A. Deposits: continued

Interest Rate Risk: This is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. 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.

2.B. Accounts Receivable

Aged accounts receivables are as follows:

Current Billings	\$ 2,809.75
30 – 60 days arrears	1,823.00
Over 60 days arrears	<u>4,784.40</u>
Total	<u>\$ 9,417.15</u>

2.C. Changes in Capital Assets

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

	Beginning of Year	Additions	Deletions	End of Year
Water System	\$698,112.65	\$ -	\$ -	\$698,112.65
Tower	<u>58,128.40</u>	<u>73,599.00</u>	<u>-</u>	<u>131,727.40</u>
Total Capital Assets	<u>756,241.05</u>	<u>73,599.00</u>	<u>-</u>	<u>829,840.05</u>
Less: Accumulated Depreciation	<u>(460,107.91)</u>	<u>(16,308.00)</u>	<u>-</u>	<u>(476,415.91)</u>
Total	<u>\$296,133.14</u>	<u>\$ 57,291.00</u>	<u>\$ -</u>	<u>\$353,424.14</u>

OTTAWA COUNTY RURAL WATER DISTRICT NO. 7
NOTES TO FINANCIAL STATEMENTS
October 31, 2014

Note 2 – Detailed Notes Concerning Accounts: continued

2.D. Reserve Account

Per the RECD Loan Resolution Security Agreement, the district is to deposit 10% of the monthly payment into a reserve account until the account equals one hundred and twenty (120) times the 10% amount. These reserve funds are to start no later than twenty-five (25) months after the loan closing.

The amount required to be in the reserve account as of October 31, 2014 is calculated as follows:

Note 91-01-Executed 9/18/80: payment is \$1,197.00/month
 $\$1,197.00 \times 1/10 = \$119.70/\text{month}$
Starting 11/82 to 10/92 – 120 months
 $\$119.70 \times 120 = \$14,364.00$

Note 91-03-Executed 9/18/80: payment is \$256.00/month
 $\$256.00 \times 1/10 = \$25.60/\text{month}$
Starting 11/82 to 10/92 – 120 months
 $\$25.60 \times 120 = \$3,072.00$

Total amount to be in reserve:

Note 91-01	\$ 14,364.00
Note 91-03	<u>3,072.00</u>
Total	<u>\$ 17,436.00</u>

The total amount the district has in reserve on October 31, 2013 is as follows:

Certificates of Deposit	\$ <u>152,926.35</u>
Total	\$ <u>152,926.35</u>

This amount is sufficient to cover the reserve requirement.

OTTAWA COUNTY RURAL WATER DISTRICT NO. 7
NOTES TO FINANCIAL STATEMENTS
October 31, 2014

Note 2 – Detailed Notes Concerning Accounts: continued

2.E. Notes Payable

As of October 31, 2014, the long-term debt payable consisted of the following:

	Balance Nov 1, 2013	Issued	Retired	Balance Oct 31, 2014
o 1980 Note payable to USDA, Rural Development, payable in monthly installments of \$1,197.00, with interest at 5.0%, final payment due Sept 7, 2020.	\$ 79,858.17	\$ -	\$ 10,612.19	\$ 69,245.98
o 1980 Note payable to USDA, Rural Development, payable in monthly installments of \$256.00 with interest at 5%, final payment due Sept 18, 2020.	16,503.46	-	2,299.25	14,204.21
Total Notes Payable	<u>\$ 96,361.63</u>	<u>\$ -</u>	<u>\$ 12,911.44</u>	<u>\$ 83,450.19</u>

These notes are collateralized by the District's investment in the water system.

The schedule of estimated maturities on long-term debt and interest expense for fiscal years ending October 31 is as follows:

	Principal	Interest	Total
2015	\$ 13,571.79	\$ 3,864.21	\$ 17,436.00
2016	14,256.94	3,179.06	17,436.00
2017	14,995.55	2,440.45	17,436.00
2018	15,762.74	1,673.26	17,436.00
2019	16,569.23	866.77	17,436.00
2020	8,293.94	123.19	8,417.13
	<u>\$ 83,450.19</u>	<u>\$ 12,146.94</u>	<u>\$ 95,597.13</u>

OTTAWA COUNTY RURAL WATER DISTRICT NO. 7
NOTES TO FINANCIAL STATEMENTS
October 31, 2014

Note 3 – Other Information

3.A. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. The District purchases commercial insurance to cover these risks, including general and auto liability, property damage, and public officials liability. There were no significant reductions in insurance coverage from the prior year. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years

3.B. Rates and Fees

Standard Water Rates

Minimum monthly charge on first 2,000 gallons	19.00
Price per thousand gallons for next 1,000 gallons	3.05
Price per thousand gallons for next 1,000 gallons	3.05
Price per thousand gallons for next 1,000 gallons	2.80
Price per thousand gallons for gallons over 5,000	1.75

Indian Water Rates

Minimum monthly charge on first 2,000 gallons	16.00
Price per thousand gallons for next 1,000 gallons	3.00
Price per thousand gallons for next 1,000 gallons	3.00
Price per thousand gallons for next 1,000 gallons	2.75
Price per thousand gallons for gallons over 5,000	1.75

3.C. Evaluation of Subsequent Events

The District has evaluated subsequent events through February 23, 2015, the date which the financial statements were available to be issued.

REPORT REQUIRED BY GOVERNMENT AUDITING STANDARDS

OBER & ASSOCIATES INC., PC

CERTIFIED PUBLIC ACCOUNTANTS
124 South Main
Miami, Oklahoma 74354
918-542-4401

**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
Ottawa County Rural Water District No. 7
Miami, 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, the financial statements of the business-type activities of Ottawa County Rural Water District No. 7, as of and for the year ended October 31, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 23, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Ottawa County Rural Water District No. 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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Ottawa County Rural Water District No. 7's internal control. Accordingly, we do not express an opinion on the effectiveness of Ottawa County Rural Water District No. 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 a 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 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 the 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.

To the Board of Directors
Ottawa County Rural Water District No. 7

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether Ottawa County Rural Water District No. 7's financial statements are free from 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.

OBER & ASSOCIATES, INC., PC

OBER & ASSOCIATES, INC., PC
CERTIFIED PUBLIC ACCOUNTANTS
February 23, 2015

OBER & ASSOCIATES INC., PC

CERTIFIED PUBLIC ACCOUNTANTS
124 South Main
Miami, Oklahoma 74354
918-542-4401

February 1, 2015

To the Board of Directors
Ottawa County Rural Water District No. 7
Fairland, Oklahoma

We are pleased to confirm our understanding of the services we are to provide the Ottawa County Rural Water District No. 7 for the year ended October 31, 2014. We will audit the financial statements of the business-type activities, including the related notes to the financial statements, which collectively comprise the basic financial statements of Ottawa County Rural Water District No. 7 as of and for the year ended October 31, 2014. Accounting standards generally accepted in the United States of America provide for certain required supplementary information (RSI), such as management's discussion and analysis (MD&A), to supplement Ottawa County Rural Water District No. 7's 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. As part of our engagement, we will apply certain limited procedures to Ottawa County Rural Water District No. 7's RSI in accordance with auditing standards generally accepted in the United State of America. These limited procedures will consist of inquiries of management regarding 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 will 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. The following RSI is required by generally accepted accounting principles and will be subjected to certain limited procedures, but will not be audited:

1. Management's Discussion and Analysis.

Audit Objectives

The objective of our audit is the expression of opinions as to whether your basic financial statements are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit will be conducted in accordance with auditing standards generally accepted in the United States of America and the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and will include tests of the accounting records of the Ottawa County Rural Water District No. 7 and other procedures we considered necessary to enable us to express such opinions. We cannot provide assurance that unmodified opinions will be expressed. Circumstances may arise in which it is necessary for us to modify our opinions or add emphasis-of-matter or other-matter paragraphs. If our opinions on the financial statements are other than unmodified, we will discuss the reasons with you in advance. If, for any reason, we are unable to complete the audit or are unable to form or have not formed opinions, we may decline to express opinions or to issue a report as a result of this engagement.

We will also provide a report (that does not include an opinion) on internal control related to the financial statements and compliance the provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a material effect on the financial statements as required by *Government Auditing Standards*. The reports on internal control and compliance will each include a paragraph that states that the purpose of the report is solely to describe the scope of testing of internal control over financial reporting and compliance, and the result of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance, and the report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering internal control over financial reporting and compliance. The paragraph will also state that the report is not suitable for any other purpose. If during our audit we become aware that Ottawa County Rural Water District No. 7 is subject to an audit requirement that is not encompassed in the terms of this engagement, we will communicate to management and those charged with governance that an audit in accordance with U.S. generally accepted auditing standards and the standards for financial audits contained in *Government Auditing Standards* may not satisfy the relevant legal, regulatory, or contractual requirements.

Management Responsibilities

Management is responsible for the financial statements and all accompanying information as well as all representations contained therein. As part of the audit, we will assist with preparation of your financial statements and related notes. These nonaudit services do not constitute an audit under *Government Auditing Standards* and such services will not be conducted in accordance with *Government Auditing Standards*. You agree to assume all management responsibilities relating to the financial statements and related notes and any other nonaudit services we provide. You will be required to acknowledge in the written representation letter our assistance with preparation of the financial statements and related notes and that you have reviewed and approved the financial statements and related notes prior to their issuance and have accepted responsibility for them. Further, you agree to oversee the nonaudit services by designating an individual, preferably from senior management, who possess suitable skill, knowledge, or experience; evaluate the adequacy and results of the services; and accept responsibility for them.

Management is responsible for establishing and maintaining effective internal controls, including evaluating and monitoring ongoing activities, to help ensure that appropriate goals and objectives are met; following laws and regulations; and ensuring that management is reliable and financial information is reliable and properly reported. Management is also responsible for implementing systems designed to achieve compliance with applicable laws, regulation, contracts, and grant agreements. You are responsible for the selection and application of accounting principles, for the preparation and fair presentation of the financial statements in conformity U.S. generally accepted accounting principles, and for compliance with applicable laws and regulations and the provisions of contracts and grant agreements.

Management is also responsible for making all financial records and related information available to us and for the accuracy and completeness of that information. You are also responsible for providing us with (1) access to all information of which you are aware that is relevant to the preparation and fair presentation of the financial statements, (2) additional information that we may request for the purpose of the audit, and (3) unrestricted access to persons within the government from whom we determine it necessary to obtain audit evidence.

Your responsibilities include adjusting the financial statements to correct material misstatements and for confirming to us in the representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

You are responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us about all known or suspected fraud affecting the government involving (1) management, (2) employees who have significant roles in internal control, and (3) others where the fraud could have a material effect on the financial statements. Your responsibilities include informing us of your knowledge of any allegations of fraud or suspected fraud affecting the government received in communications from employees, former employees, grantors, regulators, or others. In addition, you are responsible for identifying and ensuring that the entity complies with applicable laws, regulations, contracts, agreements, and grants for taking timely and appropriate steps to remedy any fraud and noncompliance with provisions of laws, regulations, contracts or grant agreement, or abuse that we may report.

Management is responsible for establishing and maintaining a process for tracking the status of audit findings and recommendations. Management is also responsible for identifying for us previous financial audits, attestation engagements, performance audits or other studies related to the objectives discussed in the Audit Objectives section of this letter. This responsibility includes relaying to us corrective actions taken to address significant findings and recommendations resulting from those audits, attestation engagements, performance audits, or other studies. You are also responsible for providing management's views on our current findings, conclusions, and recommendations, as well as your planned corrective actions, for the report, and for the timing and format for providing that information.

Audit Procedures--General

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested. 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 will plan and perform the audit to obtain reasonable rather than absolute assurance about whether the financial statements are free of material misstatement, whether from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the entity or to acts by management or employees acting on behalf of the entity. Because the determination of abuse is subjective, *Government Auditing Standards* do not expect auditors to provide reasonable assurance of detecting abuse.

Because of the inherent limitations of an audit, combined with the inherent limitations of internal control, and because we will not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us, even though the audit is properly planned and performed in accordance with U.S. generally accepted auditing standards and *Government Auditing Standards*. In addition, an audit is not designed to detect immaterial misstatements or violations of laws or governmental regulations that do not have a direct and material effect on the financial statements. However, we will inform the appropriate level of management of any material errors, any fraudulent financial reporting, or misappropriation of assets that come to our attention. We will also inform the appropriate level of management of any violations of laws or governmental regulations that come to our

attention, unless clearly inconsequential. Our responsibility as auditors is limited to the period covered by our audit and does not extend to later periods for which we are not engaged as auditors.

Our procedures will include tests of documentary evidence supporting the transactions recorded in the accounts, and may include tests of the physical existence of inventories, and direct confirmation of receivables and certain other assets and liabilities by correspondence with selected individuals, funding sources, creditors, and financial institutions. We will request written representations from your attorneys as part of the engagement, and they may bill you for responding to this inquiry. At the conclusion of our audit, we will also require certain written representations from you about your responsibilities for the financial statements; compliance with laws, regulations, contracts, and grant agreements; and other responsibilities required by generally accepted auditing standards.

Audit Procedures-Internal Controls

Our audit will include obtaining an understanding of the entity and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. Tests of controls may be performed to test the effectiveness of certain controls that we consider relevant to preventing and detecting errors and fraud that are material to the financial statements and to preventing and detecting misstatements resulting from illegal acts and other noncompliance matters that have a direct and material effect on the financial statements. Our tests, if performed, will be less in scope than would be necessary to render an opinion on internal control and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to *Government Auditing Standards*.

An audit is not designed to provide assurance on internal control or to identify significant deficiencies. However, during the audit, we will communicate to management and those charged with governance internal control related matters that are required to be communicated under AICPA professional standards and *Government Auditing Standards*.

Audit Procedures-Compliance

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will perform tests of the Ottawa County Rural Water District No. 7's compliance with the provisions of applicable laws, regulations, contracts, agreements, and grants. However, the objective of our audit will not be to provide an opinion on overall compliance and we will not express such an opinion in our report on compliance issued pursuant to *Government Auditing Standards*.

Engagement Administration, Fees, and Other

We understand that your employees will prepare all cash or other confirmations we request and will locate any invoices selected by us for testing.

We will provide copies of our reports to the Oklahoma State Auditor and Inspector; however management is responsible for distribution of the reports and the financial statements. Unless restricted by law or regulation, or containing privileged and confidential information, copies of our reports are to be made available for public inspection.

The audit documentation for this engagement is the property of Ober & Associates, Inc., PC and constitutes confidential information. However, pursuant to authority given by law or regulation, we may be requested to make certain audit documentation available to the Oklahoma State Auditor and Inspector or its designee, a federal agency providing direct or indirect funding, or the U.S. Government Accountability Office for purposes of a quality review of the audit, to resolve audit findings, or to carry out oversight responsibilities. We will notify you of any such request. If requested, access to such audit documentation will be provided under the supervision of Ober & Associates, Inc., PC personnel. Furthermore, upon request, we may provide copies of selected audit documentation to the aforementioned parties. These parties may intend, or decide, to distribute the copies or information contained therein to others, including other governmental agencies.

The audit documentation for this engagement will be retained for a minimum of five years after the report release date or for any additional period requested by the Oklahoma State Auditor and Inspector. If we are aware that a federal awarding agency or auditee is contesting an audit finding, we will contact the parties contesting the audit finding for guidance prior to destroying the audit documentation.

John D. Ober is the engagement partner and is responsible for supervising the engagement and signing the reports or authorizing another individual to sign them.

Our fee for these services will be at our standard hourly rates plus out-of-pocket costs (such as report reproduction, typing, postage, travel, copies, telephone, etc.) except that we agree that our gross fee, including expenses, will not exceed \$1,700.00. Our standard hourly rates vary according to the degree of responsibility involved and the experience level of the personnel assigned to your audit. If we elect to terminate our services for nonpayment, our engagement will be deemed to have been completed upon written notification of termination, even if we have not completed our report. You will be obligated to compensate us for all time expended and to reimburse us for all out-of-pocket cost through the date of termination. The above fee is based on anticipated cooperation from your personnel and the assumption that unexpected circumstances will not be encountered during the audit. If significant additional time is necessary, we will discuss it with you and arrive at a new fee estimate before we incur the additional costs.

Our audit engagement ends on delivery of our audit report. Any follow-up services that might be required will be a separate, new engagement. The terms and conditions of that new engagement will be governed by a new, specific engagement letter for that service.

We appreciate the opportunity to be of service to the Ottawa County Rural Water District No. 7 and believe this letter accurately summarizes the significant terms of our engagement. If you have any questions, please let us know. If you agree with the terms of our engagement as described in this letter, please sign the enclosed copy and return it to us.

Very truly yours,

OBER & ASSOCIATES, INC., PC

Ober & Associates, Inc., PC

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RESPONSE:

This letter correctly sets forth the understanding of the Ottawa County Rural Water District No. 7.

By: _____

Jerry W. Myers

Title: _____

Chairman

Date: _____

2-23-15

OTTAWA COUNTY RURAL WATER DISTRICT NO. 7
Miami, Oklahoma

February 23, 2015

Ober & Associates, Inc., PC
Certified Public Accountants
124 South Main
Miami, Oklahoma 74354

This representation letter is provided in connection with your audit of the financial statements of Ottawa County Rural Water District No. 7, which comprise the respective financial position of the business-type activities as of October 31, 2014, and the respective changes in financial position and, where applicable, cash flows for the period then ended, and the related notes to the financial statements, for the purpose of expressing opinions as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, as of February 23, 2015 the following representations made to you during your audit.

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated February 1, 2015, including our responsibility for the preparation and fair presentation of the financial statements and for preparation of the supplementary information in accordance with the applicable criteria.
2. The financial statements referred to above are fairly presented in conformity with U.S. GAAP and include all properly classified funds and other financial information of the primary government and all component units required by generally accepted accounting principles to be included in the financial reporting entity.
3. We acknowledge our responsibility for 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.
4. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
5. Significant assumptions we used in making accounting estimates are reasonable.

6. Related party relationships and transactions, including revenues, expenditures/expenses, loans transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.
7. All events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed. No events, including instances of noncompliance, have occurred subsequent to the balance sheet date and through the date of this letter that would require adjustment to or disclosure in the aforementioned financial statements or in the schedule of findings and responses.
8. The effects of all known actual or possible litigation, claims, and assessments have been accounted for and disclosed in accordance with U.S. GAAP.
9. Guarantees, whether written or oral, under which the District is contingently liable, if any, have been properly recorded or disclosed.

Information Provided

10. We have provided you with:
 - a. Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters
 - b. Additional information that you have requested from us for the purpose of the audit.
 - c. Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
 - d. Minutes of the meetings of the Board of Trustees or summaries of actions of recent meetings for which minutes have not yet been prepared.
11. All material transactions have been recorded in the accounting records and are reflected in the financial statements.
12. We have disclosed to you the results of our assessment of the risk that the financial statements may be material misstated as a result of fraud.
13. We have no knowledge of any fraud or suspected fraud affecting the entity involving:
 - Management,
 - Employees who have significant roles in internal control, or
 - Others where fraud could have a material effect on the financial statements.
14. We have no knowledge of any allegations of fraud or suspected fraud affecting the entity's financial statements communicated by employees, former employees, regulators, or others.

15. We have no knowledge of instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or abuse, whose effect should be considered when preparing financial statements.
16. We have disclosed to you all known actual or possible litigation, claims, and assessments whose effects should be considered when preparing the financial statements.
17. We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware.

Government-specific

18. We have made available to you all financial records and related data.
19. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
20. We have a process to track the status of any audit findings and recommendations.
21. We have identified to you any previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
22. We have provided our views on reported findings, conclusions, and recommendations, as well as our planned corrective actions, for the report.
23. The District has no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or equity.
24. We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits and debt contracts; and we have identified and disclosed to you all laws, regulations and provisions of contracts and grant agreements that we believe have a direct and material effect on the determination of financial statement amounts or other financial data significant to the audit objectives, including legal and contractual provisions for reporting specific activities in separate funds.
25. There are no violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.
26. As part of your audit, you assisted with preparation of the financial statements and related notes. We have designated an individual with suitable skill, knowledge, or experience to oversee your services and have made all management decisions and performed all management functions. We have reviewed, approved, and accepted responsibility for those financial statements and related notes.
27. The District has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral other than those which we have stated to you.

28. The District has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
29. We have followed all applicable laws and regulations in adopting, approving, and amending budgets.
30. The financial statements include all component units as well as joint ventures with an equity interest, and properly disclosed all other joint ventures and other related organizations.
31. The financial statements properly classify all funds and activities.
32. All funds that meet the quantitative criteria in GASB Statement Nos. 34 and 37 for presentation as major are identified and presented as such and all other funds that are presented as major are particularly important to financial statement users.
33. Components of net position (net invested in capital assets, restricted; and unrestricted) and equity amounts are properly classified and, if applicable, approved.
34. Provisions for uncollectible receivables have been properly identified and recorded.
35. Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.
36. Revenues are appropriately classified in the statement of activities within program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.
37. Deposits and investment securities are properly classified as to risk, and are properly disclosed.
38. Capital assets, including infrastructure assets, are properly capitalized, reported, and, if applicable, depreciated.
39. We have appropriately disclosed the District's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available and have determined that net position is properly recognized under the policy.
40. We acknowledge our responsibility for the required supplementary information (RSI). The RSI is measured and presented within prescribe guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.

Signature: Jerry W. Myers

Title: Chairman

Date: 2-23-15