

RURAL WATER DISTRICT NO. 1, POTTAWATOMIE COUNTY, KANSAS

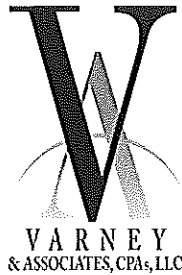
Wamego, Kansas

FINANCIAL STATEMENTS

WITH

INDEPENDENT AUDITOR'S REPORT

December 31, 2014 and 2013



February 5, 2015

Board of Directors
Rural Water District No. 1, Pottawatomie County, Kansas
Wamego, Kansas

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the business-type activities of Rural Water District No. 1, Pottawatomie County (the District) as of and for the years ended December 31, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the District's basic 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 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 audits. 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 audits to obtain reasonable assurance about whether the financial statements are free from 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities as of December 31, 2014 and 2013, and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

February 5, 2015
Rural Water District No. 1, Pottawatomie County, Kansas
(Continued)

Other-Matters

Management has omitted 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated DATE on our consideration of the District'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 the District's internal control over financial reporting and compliance.

Varny & Associates, CPAs, LLC

Certified Public Accountants
Manhattan, Kansas

RURAL WATER DISTRICT NO. 1, POTTAWATOMIE COUNTY, KANSAS
Wamego, Kansas
STATEMENTS OF NET POSITION
December 31,

	2014	2013
ASSETS		
Current Assets		
Cash	\$ 3,247,700	\$ 2,520,624
Certificates of deposits	2,939,972	3,954,949
Accounts receivable	56,909	38,912
Inventory	71,336	45,638
Total Current Assets	\$ 6,315,917	\$ 6,560,123
Capital assets	\$ 6,811,049	\$ 5,473,432
Less: Accumulated depreciation	(2,927,952)	(2,820,796)
Capital Assets - Net	\$ 3,883,097	\$ 2,652,636
TOTAL ASSETS	\$ 10,199,014	\$ 9,212,759
LIABILITIES AND NET POSITION		
Current Liabilities		
Accounts payable	\$ 231,525	\$ 15,206
Customer overpayments	36,289	25,216
Fees collected on behalf of City of Manhattan	23,100	-
Other accrued expenses	1,485	561
Total Current Liabilities	\$ 292,399	\$ 40,983
Net Position		
Net Investment in capital assets	\$ 3,883,097	\$ 2,652,636
Unrestricted	6,023,518	6,519,140
TOTAL NET POSITION	\$ 9,906,615	\$ 9,171,776
TOTAL LIABILITIES AND NET POSITION	\$ 10,199,014	\$ 9,212,759

Financial Statements

RURAL WATER DISTRICT NO. 1, POTTAWATOMIE COUNTY, KANSAS
Wamego, Kansas
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the Years Ended December 31,

	<u>2014</u>	<u>2013</u>
OPERATING REVENUES		
Water sales	\$ 1,027,077	\$ 869,299
Customer extra hook-up charge	109,626	69,291
Late charges	19,505	16,410
Other charges	22,584	20,263
Total Operating Revenues	<u>\$ 1,178,792</u>	<u>\$ 975,263</u>
OPERATING EXPENSES		
Salaries	\$ 166,795	\$ 163,779
Depreciation and amortization	141,770	140,360
Repair and maintenance	106,566	80,844
Utilities	97,039	92,201
Equipment and supplies	125,971	84,601
Insurance	21,547	17,778
Office supplies	16,829	9,019
Payroll expense	24,085	24,744
Employee benefits	5,004	4,913
Vehicle expense	13,391	14,534
Miscellaneous	1,740	921
Water protection fee	12,929	13,904
Chemicals and supplies	5,170	3,070
Director's compensation	5,900	9,818
Maintenance - Wells	7,922	13,313
Customer reimbursement	1,825	1,650
Engineering fees	47,549	75,407
Travel and education	586	909
Dues and subscriptions	2,038	1,848
Water sample testing fees	1,595	365
Legal and accounting	4,710	8,136
Total Operating Expenses	<u>\$ 810,961</u>	<u>\$ 762,114</u>
OPERATING INCOME	\$ 367,831	\$ 213,149
NON-OPERATING REVENUE (EXPENSES)		
Interest income	<u>30,708</u>	<u>38,859</u>
NET INCOME BEFORE CONTRIBUTIONS	\$ 398,539	\$ 252,008
CONTRIBUTIONS		
Capital contributions from members	<u>336,300</u>	<u>339,400</u>
CHANGE IN NET POSITION	<u>\$ 734,839</u>	<u>\$ 591,408</u>
BEGINNING NET POSITION	<u>\$ 9,171,776</u>	<u>\$ 8,580,368</u>
ENDING NET POSITION	<u><u>\$ 9,906,615</u></u>	<u><u>\$ 9,171,776</u></u>

The accompanying notes are an integral part of these financial statements.
See Independent Auditor's Report.

RURAL WATER DISTRICT NO. 1, POTTAWATOMIE COUNTY, KANSAS

Wamego, Kansas

STATEMENTS OF CASH FLOWS

For the Years Ended December 31,

	<u>2014</u>	<u>2013</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 1,183,895	\$ 970,194
Cash paid to suppliers	(300,702)	(450,391)
Cash paid to employees	(165,871)	(164,455)
Interest income	30,708	38,859
Net Cash Provided by (Used in) Operating Activities	<u>\$ 748,030</u>	<u>\$ 394,207</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Change in certificates of deposit	<u>\$ 1,014,977</u>	<u>\$ (35,520)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of capital assets	\$ (43,164)	\$ (58,529)
Purchase of construction in progress	(1,329,067)	-
New benefit units	336,300	339,400
Net Cash Provided by (Used in) Capital and Related Financing Activities	<u>\$ (1,035,931)</u>	<u>\$ 280,871</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>\$ 727,076</u>	<u>\$ 639,558</u>
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>2,520,624</u>	<u>1,881,066</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 3,247,700</u>	<u>\$ 2,520,624</u>
Reconciliation of operating net income (loss) to net cash provided by (used in) operating activities		
Operating net income	\$ 398,539	\$ 252,008
Adjustments to reconcile operating net income (loss) to net cash provided by (used in) operating activities		
Depreciation	141,770	140,360
Decrease (increase) in accounts receivable	(17,997)	(5,069)
Decrease (increase) in inventory	(25,698)	(330)
Increase (decrease) in accounts payable	227,392	7,914
Increase (decrease) in fees collected on behalf of City of Manhat	23,100	-
Increase (decrease) in accrued expenses	924	(676)
Net Cash Provided by (Used in) Operating Activities	<u>\$ 748,030</u>	<u>\$ 394,207</u>

Financial Statements

RURAL WATER DISTRICT NO. 1, POTTAWATOMIE COUNTY, KANSAS
Wamego, Kansas
NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013

Note 1: Summary of Significant Accounting Policies

Rural Water District No. 1, Pottawatomie County, Kansas (the District) was organized under K.S.A. 82a-612 et. seq. to provide water to areas of Pottawatomie County adjacent to Wamego, Kansas. The operations of the District constitute a single proprietary-type fund.

The Financial Reporting Entity

The financial reporting entity of the District is comprised of the primary government, the District.

The accompanying financial statements comply with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, in that the financial statements include all organization, activities, and functions that comprise the District. Component units are legally separate entities for which the District (the primary government) is financially accountable. Financial accountability is defined as the ability to appoint a voting majority of the organization's governing body and either (1) the organization's ability to impose its will over the organization or (2) the potential that the organization will provide a financial benefit to, or impose a financial burden on, the organization. Using these criteria, the District has no component units.

Basis of Presentation and Accounting

The District's basic financial statements are presented on the accrual basis of accounting and conform to accounting principles generally accepted in the United States of America. The GASB is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The District has elected under GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Activities That Use Proprietary Fund Accounting*, to apply all applicable GASB pronouncements as well as any applicable pronouncements of the Financial Accounting Standards Board, the Accounting Principles Board, or any Accounting Research bulletins issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements. The more significant of the District's accounting policies are described below.

The accounts of the District are organized on the basis of a proprietary fund type, specifically an enterprise fund. The activities of the fund are accounted for with a separate set of self-balancing accounts that comprise the District's assets, liabilities, net position, revenues and expenses. Enterprise funds account for activities: (i) that are financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity; or (ii) that are required by laws or regulations that the activity's costs of providing services, including capital costs (such as depreciation or debt service), be recovered with fees and charges, rather than with taxes or similar revenues; or (iii) that the pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs (such as depreciation or debt service).

The accounting and financial reporting treatment applied to the District is determined by its measurement focus. The transactions of the District are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations are included on the statements of net position. Net position (i.e., total assets net of total liabilities) are segregated into invested capital assets, net of related debt; restricted for debt services; and unrestricted components.

Cash and Cash Equivalents

Cash and cash equivalents include investments in money market and checking accounts and certificates of deposits with an original maturity of three months or less.

RURAL WATER DISTRICT NO. 1, POTTAWATOMIE COUNTY, KANSAS
Wamego, Kansas
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
December 31, 2014 and 2013

Note 1: Summary of Significant Accounting Policies (Continued)

Accounts Receivable

Accounts receivables include amounts due from customers for water use. All receivables are current and; therefore, due within one year.

Inventory

Inventory consists principally of materials and supplies for maintenance and construction of water lines that are recorded when purchased and expensed when used. Inventory is recorded at cost, on the first-in first-out basis.

Capital Assets

Capital assets are recorded at cost including cost of capitalized interest; plant and building are depreciated over 20 - 40 years, office buildings over 30 years, office equipment is depreciated over 3 to 10 years and vehicles over 5 years using the straight-line method.

Income Taxes

Pottawatomie County Rural District No. 1, Pottawatomie County, Kansas is a quasi-municipality and, as such, it is not subject to income taxes.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Operating Revenues and Expenses

Operating revenues and expenses consist of those revenues that result from the ongoing principal operations of the District. Operating revenues consist primarily of charges for services. Non-operating revenues and expenses consist of those revenues and expenses that are related to financing and investing type of activities and result from non-exchange transactions or ancillary activities.

Capital Contributions

Assets contributed by new benefit units are recorded as capital contributions when received. When a benefit unit is returned, operating revenue is recognized for the amount of the capital contribution that was originally recorded.

RURAL WATER DISTRICT NO. 1, POTTAWATOMIE COUNTY, KANSAS
Wamego, Kansas
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
December 31, 2014 and 2013

Note 2: Deposits and Investments

K.S.A. 9-1401 establishes the depositories which may be used by the District. The statute requires banks eligible to hold the District's funds have a main or branch bank in the county in which the District is located, or in an adjoining county if such institution has been designated as an official depository, and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of FDIC coverage. The District has no other policies that would further limit interest rate risk.

K.S.A. 12-1675 limits the District's investment of idle funds to time deposits, open accounts, and certificates of deposit with allowable financial institutions; U.S. Government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool. The District has no investment policy that would further limit its investment choices.

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 the District. State statutes require the District's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka, except during designated "peak periods" when required coverage is 50%. All deposits were legally secured at December 31, 2014 and 2013.

December 31, 2014

At December 31, 2014, the carrying amount of the District's deposits, including certificates of deposit, was \$6,187,672 and the bank balance was \$6,213,176. The difference between the carrying amount and the bank balance is outstanding checks and deposits in transit. Of the bank balance, \$2,676,349 was covered by federal depository insurance. The remaining \$3,539,827 was collateralized by pledged securities or LOC agreements held under joint custody receipts issued by a third-party bank in the District's name. The third-party bank holding the pledged securities is independent of the pledging bank. The pledged securities are held under a tri-party custodial agreement signed by all three parties: the District, the pledging bank, and the independent third-party bank holding the pledged securities.

December 31, 2013

At December 31, 2013, the carrying amount of the District's deposits, including certificates of deposit, was \$6,475,573 and the bank balance was \$6,477,786. The difference between the carrying amount and the bank balance is outstanding checks and deposits in transit. Of the bank balance, \$3,694,043 was covered by federal depository insurance. The remaining \$2,783,743 was collateralized by pledged securities or LOC agreements held under joint custody receipts issued by a third-party bank in the District's name. The third-party bank holding the pledged securities is independent of the pledging bank. The pledged securities are held under a tri-party custodial agreement signed by all three parties: the District, the pledging bank, and the independent third-party bank holding the pledged securities.

RURAL WATER DISTRICT NO. 1, POTTAWATOMIE COUNTY, KANSAS
 Wamego, Kansas
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 December 31, 2014 and 2013

Note 3: Capital Assets
 Capital asset activity for the year ended December 31, 2014 was as follows:

	<u>Balance at December 31, 2013</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance at December 31, 2014</u>
Capital Assets Not Being Depreciated				
Land	\$ 154,681	\$ -	\$ -	\$ 154,681
Construction in process	36,462	1,329,067	-	1,365,529
Total Capital Assets Not Being Depreciated	<u>\$ 191,143</u>	<u>\$ 1,329,067</u>	<u>\$ -</u>	<u>\$ 1,520,210</u>
Other Capital Assets				
Plant and building	\$ 5,050,606	-	-	\$ 5,050,606
Office building	52,725	-	-	52,725
Equipment	142,034	2,952	-	144,986
Vehicles	34,614	40,212	(34,614)	40,212
Furniture and fixtures	2,310	-	-	2,310
Total Other Capital Assets	<u>\$ 5,282,289</u>	<u>\$ 43,164</u>	<u>\$ (34,614)</u>	<u>\$ 5,290,839</u>
Less: Accumulated Depreciation				
Plant and building	\$ 2,637,990	\$ 126,418	-	\$ 2,764,408
Office building	47,077	1,104	-	48,181
Equipment	99,875	11,237	-	111,112
Vehicles	34,616	2,681	(34,614)	2,683
Furniture and fixtures	1,238	330	-	1,568
Total Less: Accumulated Depreciation	<u>\$ 2,820,796</u>	<u>\$ 141,770</u>	<u>\$ (34,614)</u>	<u>\$ 2,927,952</u>
OTHER CAPITAL ASSETS NET OF ACCUMULATED DEPRECIATION	<u>\$ 2,461,493</u>	<u>\$ (98,606)</u>	<u>\$ -</u>	<u>\$ 2,362,887</u>
Capital assets not being depreciated	\$ 191,143	\$ 1,329,067	-	\$ 1,520,210
Other Capital assets at cost	5,282,289	43,164	(34,614)	5,290,839
Total Cost of Capital Assets	<u>\$ 5,473,432</u>	<u>\$ 1,372,231</u>	<u>\$ (34,614)</u>	<u>\$ 6,811,049</u>
Less: Accumulated depreciation	<u>(2,820,796)</u>	<u>(141,770)</u>	<u>34,614</u>	<u>(2,927,952)</u>
CAPITAL ASSETS - NET	<u>\$ 2,652,636</u>	<u>\$ 1,230,461</u>	<u>\$ -</u>	<u>\$ 3,883,097</u>

Notes to Financial Statements

RURAL WATER DISTRICT NO. 1, POTTAWATOMIE COUNTY, KANSAS
Wamego, Kansas
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
December 31, 2014 and 2013

Note 3: Capital Assets (Continued)

Capital asset activity for the year ended December 31, 2013 was as follows:

	Balance at December 31, 2012	Additions	Retirements	Balance at December 31, 2013
Capital Assets Not Being Depreciated				
Land	\$ 154,681	\$ -	\$ -	\$ 154,681
Construction in process	5,900	30,562	-	36,462
Total Capital Assets Not Being Depreciated	\$ 160,581	\$ 30,562	\$ -	\$ 191,143
Other Capital Assets				
Plant and building	\$ 5,035,107	\$ 15,499	\$ -	\$ 5,050,606
Office building	52,725	-	-	52,725
Equipment	129,566	12,468	-	142,034
Vehicles	34,614	-	-	34,614
Furniture and fixtures	2,310	-	-	2,310
Total Other Capital Assets	\$ 5,254,322	\$ 27,967	\$ -	\$ 5,282,289
Less: Accumulated Depreciation				
Plant and building	\$ 2,511,766	\$ 126,224	\$ -	\$ 2,637,990
Office building	45,973	1,104	-	47,077
Equipment	89,048	10,827	-	99,875
Vehicles	32,741	1,875	-	34,616
Furniture and fixtures	908	330	-	1,238
Total Less: Accumulated Depreciation	\$ 2,680,436	\$ 140,360	\$ -	\$ 2,820,796
OTHER CAPITAL ASSETS NET OF ACCUMULATED DEPRECIATION	\$ 2,573,886	\$ (112,393)	\$ -	\$ 2,461,493
Capital assets not being depreciated	\$ 160,581	\$ 30,562	\$ -	\$ 191,143
Other Capital assets at cost	5,254,322	27,967	-	5,282,289
Total Cost of Capital Assets	\$ 5,414,903	\$ 58,529	\$ -	\$ 5,473,432
Less: Accumulated depreciation	(2,680,436)	(140,360)	-	(2,820,796)
CAPITAL ASSETS - NET	\$ 2,734,467	\$ (81,831)	\$ -	\$ 2,652,636

Notes to Financial Statements

RURAL WATER DISTRICT NO. 1, POTTAWATOMIE COUNTY, KANSAS
Wamego, Kansas
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
December 31, 2014 and 2013

Note 4: Risk Management

The District is exposed to various risks of loss related to theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District manages these various risks of loss through commercial insurance with varying deductibles. All deductibles are under \$1,000. Insurance claims have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 5: Fees Collected of Behalf of City of Manhattan

The District has contract with the City of Manhattan to complete an Interlocal Public Works Water Agreement. This agreement pertains to benefit units that will be within the District but have water provided by the City. These new benefit units must pay an installation fee which is collected by the district on behalf of the City. Upon completion of the connection point in 2015, the District will pay out the the full balance to the City of Manhattan.

Note 6: Subsequent Events

Management has evaluated subsequent events through February 5, 2015, which is the date the financial statements were available for issuance.



February 5, 2015

Board of Directors
Rural Water District No. 1, Pottawatomie County, Kansas
Wamego, Kansas

**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***

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of Rural Water District No. 1, Pottawatomie County, Kansas (the District), as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the District's basis financial statements and have issued our report thereon dated DATE.

Internal Control over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or 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 a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control 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.

February 5, 2014
Rural Water District No. 1, Pottawatomie County, Kansas
(Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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 District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Certified Public Accountants
Manhattan, Kansas