

HULAH WATER DISTRICT
No. 20
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED JUNE 30, 2012

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WINGARD, RAGSDALE & LANGLEY

CERTIFIED PUBLIC ACCOUNTANTS, PLLC

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INDEPENDENT AUDITOR'S REPORT

Honorable Chairman and Board of Directors
Hulah Water District No. 20
Osage County, Oklahoma

We have audited the statement of net assets, statement of revenues, expenses and changes in net assets and statement of cash flows, which collectively comprise the basic financial statements of the Hulah Water District No. 20 as of June 30, 2012. These financial statements are the responsibility of the Hulah Water District No. 20's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The management's discussion and analysis information on pages 4 through 7 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with Government Auditing Standards, we have issued our report dated September 11, 2012, on our consideration of the Hulah Water District No. 20's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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 and important for assessing the results of our audit.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Hulah Water District No. 20 as of June 30, 2012, and the changes in its net assets and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Sincerely,

A handwritten signature in cursive script that reads "Wingard, Ragsdale & Langley, CPAs, PLLC".

WINGARD, RAGSDALE & LANGLEY

CERTIFIED PUBLIC ACCOUNTANTS, PLLC

PRYOR, OKLAHOMA

SEPTEMBER 11, 2012

**Hulah Water District No. 20
Osage County, Oklahoma
Management's Discussion and Analysis
For the Year Ended June 30, 2012**

Our discussion and analysis of the District's financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2012. 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 June 30, 2012 by \$279,293.
- Total revenues were \$197,725 this fiscal year while total expenses were \$126,450 resulting in the increase in net assets of \$69,945.
- The District has \$318,417 net of accumulated depreciation invested in fixed assets, as of June 30, 2012.

DISTRICT HIGHLIGHTS

- The District received \$80,312 from the Oklahoma Department of Environmental Quality for a Drinking Water Engineering, Planning and Design Grant.

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 Balance Sheet includes all of the District's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and obligations to creditors (liabilities). 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 Assets. 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?"

**Hulah Water District No. 20
Osage County, Oklahoma
Management's Discussion and Analysis
For the Year Ended June 30, 2012**

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 Balance Sheet and Statement of Revenues, Expenses and Changes in Net Assets report information about the District's activities in a way that will help answer this question. These two statements report the net assets of the District and changes in them. You can think of the District's net assets—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 assets 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 Assets increased from last year by \$69,945 or about 33%. Our analysis below focuses on the District's net assets (Table 1) and changes in net assets (Table 2) during the year.

	June 30, 2012	June 30, 2011
Current Assets	\$ 112,089	\$ 47,094
Restricted Assets	16,613	19,789
Fixed Assets, net of accumulated depreciation	318,417	247,835
Other Assets	4,462	6,075
Total Assets	<u>451,581</u>	<u>320,793</u>
Liabilities	<u>172,288</u>	<u>111,445</u>
Net Assets, Invested in Capital Assets, Net of Debt	234,917	142,985
Net Assets, Restricted	16,613	19,789
Net Assets, Unrestricted	27,763	46,574
Total Net Assets	<u>\$ 279,293</u>	<u>\$ 209,348</u>

By far, the largest portion of the District's net assets (over 84%) reflects its investment in capital assets (e.g., water system, buildings, machinery and equipment, and construction in progress) 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.

**Hulah Water District No. 20
Osage County, Oklahoma
Management's Discussion and Analysis
For the Year Ended June 30, 2012**

The balance of unrestricted net assets may be used to meet the District's ongoing obligations to citizens, customers and creditors. The District's unrestricted net assets decreased \$18,811 or approximately 40% during the current year.

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

Table 2

	June 30, 2011	6/30/201
Total Operating Revenues	\$ 117,390	\$ 120,896
Operating Expenses	(100,234)	(99,106)
Depreciation Expense	(26,216)	(25,214)
Operating Income	(9,060)	(3,424)
Other Non Operating Revenues (Expenses)	79,005	(1,628)
Net Income	69,945	(5,052)
Net Assets, Beginning of Year	209,348	214,400
Net Assets, End of Year	\$ 279,293	\$ 209,348

The District's primary source of revenue is the sale of water that comprises most of the operating revenues. Operating revenues decreased by \$3,506 (3%) over the prior year.

Operating expenses increased by \$1,128 (1.1%) over the past year. This increase is attributed mostly to repairs and maintenance.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2012, the District had \$318,417 net of accumulated depreciation invested in capital assets, including the water storage and distribution system, buildings, improvements, machinery and equipment. This amount represents a net increase (including additions, deletions and depreciation) of \$70,582 or 28.48%. These changes are presented in detail in Note 6 to the financial statements on page 14 of this report.

Additions to capital assets during the current fiscal year included construction in progress, membrane filters, electric chemical pump, computer and printer, at a total cost of \$96,799.

**Hulah Water District No. 20
Osage County, Oklahoma
Management's Discussion and Analysis
For the Year Ended June 30, 2012**

Debt

The District's total obligations decreased by \$14,450 during the fiscal year as a result of normal repayment of principal. The balance of the note with Oklahoma Water Resources Board was \$94,400 at the end of the fiscal year.

Additional information on the District's long-term debt can be found in Note 7 on page 15 of this report.

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 2011/2012, the Board estimates that revenues and expenses in the coming year will approximate actual revenues and expenses for the past fiscal year and additional grant revenues. Therefore, net assets are expected to increase.

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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 questions about this report or need additional financial information, contact the Board of Directors at Hulah Water District No. 20, 302 SE Osage, Bartlesville, OK 74003.

HULAH WATER DISTRICT NO. 20
STATEMENT OF NET ASSETS
 JUNE 30,

Assets		2012
Current Assets		
Cash and Cash Equivalents	\$	19,506
Accounts Receivable, net		10,980
Grant Receivable		76,412
Inventory		5,191
Total Current Assets		<u>112,089</u>
Restricted Assets		
Cash and Cash Equivalents		<u>16,613</u>
Capital Assets		<u>318,417</u>
Other Assets		
Prepaid Expense		2,753
Loan Costs		6,639
Accumulated Amortization		(4,930)
Total Restricted Assets		<u>4,462</u>
Total Assets		<u><u>451,581</u></u>
Liabilities and Net Assets		
Current Liabilities		
Accounts Payable		81,318
Accrued Payroll Taxes		570
Note Payable - Current		<u>15,000</u>
Total Current Liabilities		<u>96,888</u>
LongTerm Liabilities		
Note Payable - Long Term		<u>75,400</u>
Total Long Term Liabilities		<u>75,400</u>
Net Assets		
Invested in capital assets, net of related debt		234,917
Restricted		16,613
Unrestricted		<u>27,763</u>
Total Net Assets		<u>279,293</u>
Total Liabilities and Net Assets	\$	<u><u>451,581</u></u>

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

HULAH WATER DISTRICT NO. 20

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

JUNE 30,

	<u>2012</u>
Support and Revenue	
Water Income	\$ 109,597
Capital Contributions	2,250
Other Income	<u>5,543</u>
Total Support and Revenue	<u>117,390</u>
Expenses	
Labor	28,605
Depreciation	26,216
Water Testing	2,500
Chemicals and supplies	14,542
Accountant	8,600
Utilities	8,810
Reparis & Maintenance	16,001
Insurance	6,557
Dues & Memberships	4,906
Payroll Taxes	2,161
Legal & Professional	2,692
Office Supplies & Postage	1,813
Loan Trustee Fees	1,000
Amortization	444
Miscellaneous	<u>1,603</u>
Total Expenses	<u>126,450</u>
Net Operating Income (Loss)	<u>(9,060)</u>
Non-Operating Revenue (Expense)	
Grant Revenue	80,312
Interest Expense	(1,330)
Interest Income	<u>23</u>
Total Support and Revenue	<u>79,005</u>
Increase (Decrease) in Net Assets	69,945
Net Assets, beginning of year	<u>209,348</u>
Net Assets, end of year	<u>\$ 279,293</u>

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

HULAH WATER DISTRICT NO. 20
STATEMENT OF CASH FLOWS
June 30,

	<u>2012</u>
Cash flows from operating activities	
Receipts from customers	\$ 117,191
Payments to employees	(28,605)
Payments to suppliers	<u>(65,405)</u>
Net cash provided by operating activities	<u>23,181</u>
Cash flows from capital and related financing activities	
Grant proceeds	79,989
Purchase of capital assets	(96,798)
Principal paid on capital debt	(14,450)
Interest paid on capital debt	<u>(1,330)</u>
Net cash provided (used) by capital and related financing activities	<u>(32,589)</u>
Cash flows from investing activities	<u>23</u>
Net increase (decrease) in cash and cash equivalents	<u>(9,385)</u>
Cash and cash equivalents, beginning of year	<u>45,504</u>
Cash and cash equivalents, end of year	<u><u>\$ 36,119</u></u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities	
Operating income (loss)	(9,060)
Adjustments to reconcile operating income to net cash provided (used) by operating activities	
Depreciation/amortization expense	26,660
Change in assets and liabilities	
Receivables, net	(76,288)
Prepaid Expenses	1,169
Inventory	5,407
Accounts and other payables	<u>75,293</u>
Net cash provided by operating activities	<u><u>\$ 23,181</u></u>

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

Note 1 - Nature of Organization

The Hulah Water District No. 20 (the District) is a non-profit governmental organization. Its purpose is to process and provide for the use and benefit of its members a water processing and distribution system, including physical facilities necessary for its operations and maintenance. The District was organized by the Board of County Commissioners of Osage County, Oklahoma. District members fall within territorial boundaries within Osage County as assigned by the Board of County Commissioners of Osage County, Oklahoma.

Note 2 - Summary of Significant Accounting Policies

Basis of Accounting - The District's fund is an enterprise fund. Enterprise funds are proprietary funds use to account for business-like activities provided to the general public. The activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector.

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 assets (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 assets.

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 revenues 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.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make certain estimates and assumptions that effect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the balance sheet date, and reported revenues and expenses during the reporting period. Estimates are used to determine depreciation expense, the allowance for doubtful accounts and certain claims and judgment liabilities, among other amounts. Actual results may differ from those estimates.

The District adopts annual operations and capital budgets. Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. The current operating budget details the District's plans to earn and expend funds for charges incurred for operation, maintenance, certain interest and general functions, and other charges for the fiscal year. The capital budget details the plan to receive and expend cash basis capital contribution fees, special assessments, grants, borrowings and certain revenues for capital projects.

Note 2 - Summary of Significant Accounting Policies (continued)

All unexpensed and unencumbered appropriations in the operating budget lapse at the end of the fiscal year. No appropriation for a capital project in the capital budget lapses until the purpose for which the appropriation was made has been accomplished or abandoned.

The Board of Directors adopts a budget at the meeting prior to the beginning of the new fiscal year. Actual revenues and expenditures are monitored and compared with the budget during the year. Significant variations from budgeted amounts are researched and the board is informed of the results.

Cash and Cash Equivalents - Cash and cash equivalents, for purposes of the statement of cash flows, include restricted and unrestricted cash on hand or on deposit, interest in State Treasurer's Pool, certificates of deposit, repurchase agreements and investments with a maturity of three months or less.

Investments are reported at their fair market value. The District is permitted to invest in certificates of deposit and United States general obligations. Banks must guarantee all District funds they hold with specified securities the bank owns for cumulative amounts exceeding the \$250,000 FDIC guarantee.

Restricted Assets - Restricted assets represent cash, investments and receivables maintained in accordance with bond resolutions, loan agreements, grant awards, and other resolutions and formal actions of the District or by agreement for the purpose of funding certain debt service payments, depreciation and contingency activities, and improvements and extensions to the water system.

Receivables and Payables - Customer receivables represent service fees earned, but not yet collected. Service billings at the end of the year are made and the revenues recorded through year-end.

Inventories - Inventories consist of construction materials, repair parts, and chemicals. Materials and supplies are stated at cost.

Prepaid Expenses - Prepaid expenses represent the unexpired premiums on general liability and workman's comp insurance policies.

Capital Assets - Property, plant and equipment in service and construction in progress are recorded at cost, if purchased or constructed. Assets acquired through contributions from developers or other customers are capitalized at their estimated fair market value, if applicable or at engineers' fair market value or cost to construct at the date of contribution. Internal engineering costs are capitalized to the extent of direct support and contribution to construct and expansion projects. Costs of studies that directly result in specific construction projects are capitalized.

Maintenance and repairs, which do not significantly extend the value or life of property, plant and equipment, are expensed as incurred.

Interest costs are capitalized on the construction of qualified assets, whether or not borrowings exist for such projects, to the extent of amounts funded by debt or operating results. Interest is not capitalized on project costs funded by contributed capital, such as grants and gifts. Interest costs of tax-exempt borrowings are capitalized net of related investment earnings or the proceeds.

Note 2 - Summary of Significant Accounting Policies (continued)

Assets are depreciated on the straight-line method. Depreciation is calculated using the following estimated useful lives:

	<u>Years</u>
Land and Buildings	10 - 30
Water System	10 - 75
Furniture and Fixtures	5-10
Equipment	3-10
Vehicles	10

Long Term Obligations - Long-term obligations are reported at face value, net of applicable premiums and discounts.

Revenues and Rate Structure - Revenues from water services are recognized on the accrual basis and as earned. Services are supplied to customers under a rate structure designed to produce revenues sufficient to provide for operating and maintenance costs, capital outlay, debt service, reserves and debt service coverage.

Capital Contributions - Contributions are recognized in the Statement of Revenues, Expenses and changes in Net Assets when earned. Contributions include tap fees, capital grants, and other supplemental support by federal, state and local grants in support of system improvements.

Net Assets - Net assets comprise the various net earnings from operating and non-operating revenues, expenses and contributions of capital. Net assets are classified in the following three components: invested in capital assets, net of related liabilities; Restricted for capital activity and debt service; and unrestricted net assets. Invested in capital assets, net of related debt, consists of all capital assets, net of accumulated depreciation and reduced by outstanding debt that is attributable to acquisition, construction and improvement of those assets; debt related to unspent proceeds or other restricted cash and investments is excluded from determination. Restricted for capital activity and debt service consists of net assets for which constraints are placed by external parties, such as lenders, grantors, contributors, laws, regulations, legislation, including self-imposed legal mandates, less any related liabilities. Unrestricted consists of all other assets not included in the above categories.

Note 3 - Deposits and Investments

Deposits include demand deposits and certificates of deposit in financial institutions. All bank balances are covered by federal depository insurance or by collateral held by the bank and pledged to the District.

Note 4 - Accounts Receivable

Accounts receivable are composed of unpaid billings for services rendered as of the end of the fiscal year. The uncollectible accounts are written off to bad debts after 90 days. After a members overdue bill is determined uncollectible and written off the associated membership is cancelled. For service to be reconnected to the related property a new membership along with non refundable membership fee is required. This minimizes the loss the District may incur due to nonpayment of service billings.

Note 5 – Restricted Assets

The components of the restricted assets at year end were as follows:

	2012
OWRB Debt Service Reserve Fund	\$ 16,613

All restricted funds are invested in securities issued by the United States Government.

Note 6 - Capital Assets

Capital asset activity during the year was as follows:

	2011	Additions	Disposals	2012
Land and Buildings	45,246			\$ 45,246
Water System	708,535	10,122		718,657
Furniture and Fixtures	11,432	715		12,147
Equipment	24,928	532		25,460
Software	795			795
Construction in Process	-	85,430		85,430
Total Property Plant and Equipment	790,936	96,799	-	887,735
Accumulated Depreciation	(543,102)	(26,216)		(569,318)
Total Capital Assets (net accum. depreciation)	247,834	70,583	-	\$ 318,417

Note 7 - Long-Term Debt

The District executed a \$200,000 mortgage note payable to Oklahoma Water Resources Board with interest at a variable rate based on the rate of interest on OWRB's State Loan Program Revenue Bonds, Series 2001 plus applicable program costs that are reset quarterly. The note matures in September of 2017. The note is secured by the water system having a book value of \$247,835 and a pledge and assignment of revenues and receipts of the District. The rate of interest currently charged on this variable rate loan is 1.45%. The balance of the note as of June 30, 2012 is \$90,400.

Note balance includes a payment made on June 30, 2012 in the amount of \$3,700 that was in-transit as of June 30, 2012.

Principal payments on the notes are required as follows:

	<u>2012</u>
Year 1	15,000
Year 2	16,000
Year 3	16,800
Year 4	17,800
Year 5	18,700
Thereafter	6,100

Note 8 – DEQ Consent Order Case No. 06-384

On March 14, 2007, the Oklahoma Department of Environmental Quality (DEQ) issued Consent Order- Case No. 06-384. This consent order details certain actions the District is to take to improve the quality of the water it supplies its customers. A timetable is also provided to the District as to when certain actions are to be completed. The consent order contains penalties to be assessed to the District in the event recommended actions are not completed within the time granted. Due to grant funds received and approval of the REAP grant for fiscal year 2012, the project is proceeding and management intends to meet these quality standards.

WINGARD, RAGSDALE & LANGLEY

CERTIFIED PUBLIC ACCOUNTANTS, PLLC

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Honorable Chairman and Board of Directors
Hulah Water District No. 20
Osage County, Oklahoma

We have audited the statement of net assets, statement of revenues, expenses and changes in net assets and statement of cash flows, which collectively comprise the basic financial statements of the Hulah Water District No. 20 as of June 30, 2011. 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.

INTERNAL CONTROL OVER FINANCIAL REPORTING

Management of Hulah Water District No 20 is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Hulah Water District No 20's internal control over financial reporting as a basis for designing our auditing procedures 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 Hulah Water District No 20's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Hulah Water District No 20's internal control over financial reporting.

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 misstatements on a timely basis. A material weakness is a significant deficiency or combination of significant 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 detect and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the Hulah Water District No. 20'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*.

This report is intended solely for the information and use of management, the Board of Directors, other within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Wingard, Ragsdale & Langley, CPAs, PLLC".

WINGARD, RAGSDALE & LANGLEY

CERTIFIED PUBLIC ACCOUNTANTS, PLLC

SEPTEMBER 11, 2012