Central Oklahoma
Master Conservancy District

Financial Statements

June 30, 2012 and 2011
(With Independent Auditors' Report Thereon)

FINLEY & COOK
CERTIFIED PUBLIC ACCOUNTANTS

CENTRAL OKLAHOMA MASTER CONSERVANCY DISTRICT

FINANCIAL STATEMENTS

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FINLEY & COOK
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

Board of Directors
Central Oklahoma Master Conservancy District

We have audited the accompanying statements of net assets of the Central Oklahoma Master Conservancy District (the "District") as of June 30, 2012 and 2011, and the related statements of revenues, expenses, and changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States 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 audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District as of June 30, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2012, 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 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 should be considered in assessing the results of our audit.

(Continued)

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INDEPENDENT AUDITORS' REPORT, CONTINUED

Accounting principles generally accepted in the United States require that the management's discussion and analysis on pages I-1 through I-4 and the required supplementary information on pages 24 through 25 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 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, 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.

Finley & Cook, PLLC

Shawnee, Oklahoma
December 17, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Central Oklahoma Master Conservancy District's (the "District") annual financial report presents a discussion and analysis of its financial performance for the years ended June 30, 2012 and 2011. Please read it in conjunction with the financial statements which follow this section. The following tables summarize the net assets and changes in net assets of the District for 2012 and 2011.

Statements of Net Assets

		June 30, 2012	June 30, 2011
Assets			
Current assets	$	3,410,843	3,356,091
Capital assets, net		9,454,525	9,276,410
Other noncurrent assets		3,381,378	3,911,613
Total assets	$	16,246,746	16,544,114
Liabilities			
Current liabilities	$	883,536	881,176
Long-term debt, less current maturities		3,183,920	3,718,103
Total liabilities		4,067,456	4,599,279
Net Assets			
Invested in capital assets, net		5,736,422	5,040,348
Unrestricted		6,392,868	6,854,487
Restricted		50,000	50,000
Total net assets		12,179,290	11,944,835
Total liabilities and net assets	$	16,246,746	16,544,114

Statements of Revenues, Expenses, and in Changes Net Assets

	Years Ended June 30, 2012	2011
Operating revenues:		
Operations and maintenance	$ 1,585,226	1,324,505
Electric power	597,694	440,015
Total operating revenues	2,182,920	1,764,520
Operating expenses:		
Pumping power	577,474	496,353
Salaries and benefits	507,497	501,749
Other operating expenses	645,480	612,005
Total operating expenses	1,730,451	1,610,107
Operating income	452,469	154,413
Non-operating (expense) income	(218,014)	137,164
Changes in net assets	234,455	291,577
Net assets, beginning of year	11,944,835	11,653,258
Net assets, end of year	$ 12,179,290	11,944,835

Overview of the Financial Statements

The three financial statements are as follows:

- Statement of Net Assets—This statement presents information reflecting the District's assets, liabilities, and net assets. Net assets represent the amount of total assets less total liabilities. The statement of net assets is categorized as to current and noncurrent assets and liabilities. For purposes of the financial statements, current assets and liabilities are those assets and liabilities with immediate liquidity or which are collectible or becoming due within 12 months of the statement date.

- Statement of Revenues, Expenses, and Changes in Net Assets—This statement reflects the operating revenues and expenses, as well as non-operating revenues and expenses, during the fiscal year. Major sources of operating revenues are operations and maintenance, and electric power revenue; and major sources of operating expenses are salaries and benefits, and pumping power expense. Major sources of non-operating income are from the federal agency grants. The change in net assets for an enterprise fund is the equivalent of net profit or loss for any other business enterprise.

Overview of the Financial Statements, Continued

- Statement of Cash Flows—The statement of cash flows is presented using the direct method of reporting which reflects cash flows from operating, capital and related financing, and investing activities. Cash collections and payments are reflected in this statement to arrive at the net increase or decrease in cash and cash equivalents for the fiscal year.

Financial Highlights

- The increase in total operating revenues of approximately $418,000 in 2012 compared to the prior year was due to a planned operating budget increase to fund a water reuse study and increased operating costs. The decrease in total operating revenues of approximately $29,000 in 2011 compared to the prior year was due to a planned operating budget decrease.

- The increase in total operating expenses of approximately $120,000 in 2012 compared to the prior year was due primarily to increases in depreciation expense, pumping power, and professional services of approximately $37,000, $81,000, and $57,000, respectively, offset by a reduction in maintenance of $29,000. The increase in total operating expenses of approximately $185,000 in 2011 compared to the prior year was due primarily to increases in maintenance, depreciation expense, and pumping power of approximately $73,000, $62,000, and $60,000, respectively.

- Non-operating income decreased approximately $355,000 in 2012 compared to the prior year, mainly resulting from net expenses (net of federal grant funding of $150,000) related to a water reuse study of $260,000. Non-operating income decreased approximately $1,096,000 in 2011 compared to the prior year, mainly resulting from decreases in federal government funding and interest income of approximately $829,000 and $41,000, respectively. In 2012 and 2011, the District recognized approximately $141,000 and $233,000, respectively, from the Clean Water State Revolving Fund—American Recovery and Reinvestment Act of 2009 to fund the Green Project. In 2012, the District recognized approximately $150,000 from a matching grant with the U.S. Department of the Interior's Bureau of Reclamation to fund a water reuse study. In 2011, the District recognized $18,000 in federal funds from a matching grant for the District's augmentation water supply study.

Capital Assets

As of June 30, 2012, the District had invested approximately $15,900,000 in capital assets, including dam and reservoir, construction in-progress, pipelines, pumping plant, buildings and structures, vehicles, and equipment. Net of accumulated depreciation, the District's net capital assets at June 30, 2012, approximated $9,455,000. As of June 30, 2011, the District had invested approximately $15,436,000 in capital assets, including dam and reservoir, construction in-progress, pipelines, pumping plant, buildings and structures, vehicles, and equipment. Net of accumulated depreciation, the District's net capital assets at June 30, 2011, approximated $9,276,000. Additional details concerning the District's capital assets can be found in the financial statements (see Note 3).

The District's infrastructure assets, which are reported using the modified approach for depreciation, consisted of dam and reservoir related assets. The infrastructure assets are typically required to have annual condition assessments performed by the U.S. Department of the Interior's Bureau of Reclamation. The condition assessment assigned to the assets was 89 and 95 in the last two issued assessment reports, respectively. A rating of 80 or greater is considered to be a "Good" rating. The District's objective is to maintain a "Good" condition assessment rating.

Debt Administration

As of June 30, 2012, the District had approximately $2,404,000 payable to the U.S. Department of the Interior, compared to approximately $2,846,000 at June 30, 2011.

As of June 30, 2012 and 2011, the District had a note payable of approximately $1,314,000 and $1,390,000, respectively, with the Oklahoma Water Resources Board.

Additional details concerning the District's long-term debt can be found in the financial statements (see Note 4).

Contacting the District's Management

This financial report is designed to provide patrons and interested parties with a general overview of the District's finances and to demonstrate the District's accountability for its finances. If you have questions about this report or need additional financial information, contact:

Randy Worden, District Manager
Central Oklahoma Master Conservancy District
12500 Alameda Drive
Norman, OK 73026
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CENTRAL OKLAHOMA MASTER CONSERVANCY DISTRICT

STATEMENTS OF NET ASSETS

June 30,		*2012*	*2011*
Assets			
Current assets:			
Cash and cash equivalents	$	737,956	2,247,879
Investments		1,492,879	-
Assessments receivable—the Cities, current portion		456,940	442,399
Assessments receivable—the Cities—Energy Project, current portion		57,414	56,649
Accounts receivable		549,460	462,285
Due from grantor—Oklahoma Water Resources Board		4,534	19,422
Due from insurance company		-	9,318
Due from City of Norman—excess water		59,604	59,604
Accrued interest receivable		52,056	58,535
Total current assets		3,410,843	3,356,091
Noncurrent assets:			
Certificate of deposit		128,678	124,730
Restricted cash and cash equivalents		50,000	50,000
Prepaid expenses and other deposits		18,780	18,780
Assessments receivable—the Cities		1,947,018	2,403,958
Assessments receivable—the Cities—Energy Project		1,236,902	1,314,145
Capital assets, net		9,454,525	9,276,410
Total noncurrent assets		12,835,903	13,188,023
Total assets	$	16,246,746	16,544,114

(Continued)

See Independent Auditors' Report.
See accompanying notes to financial statements.

CENTRAL OKLAHOMA MASTER CONSERVANCY DISTRICT

STATEMENTS OF NET ASSETS, CONTINUED

June 30,		*2012*	*2011*
Liabilities and Net Assets			
Current liabilities:			
Accounts payable	$	215,940	216,969
Due to the Cities of Del City and Midwest City— excess water		59,604	59,604
Compensated absences payable		14,696	16,590
Accrued interest payable		59,113	70,054
Long-term debt, current portion		534,183	517,959
Total current liabilities		883,536	881,176
Long-term debt, less current maturities		3,183,920	3,718,103
Total liabilities		4,067,456	4,599,279
Net assets:			
Invested in capital assets, net		5,736,422	5,040,348
Unrestricted		6,392,868	6,854,487
Restricted		50,000	50,000
Total net assets		12,179,290	11,944,835
Total liabilities and net assets	$	16,246,746	16,544,114

See Independent Auditors' Report.
See accompanying notes to financial statements.

CENTRAL OKLAHOMA MASTER CONSERVANCY DISTRICT

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

Years Ended June 30,	*2012*	*2011*
Operating revenues:		
Operations and maintenance	$ 1,585,226	1,324,505
Electric power	597,694	440,015
Total operating revenues	2,182,920	1,764,520
Operating expenses:		
Salaries and benefits	507,497	501,749
Maintenance	131,228	159,902
Utilities	15,922	16,429
Insurance and bond	55,228	48,381
Administrative supplies	12,546	7,446
Professional services	131,256	73,876
State and federal services	-	43,799
Pumping power	577,474	496,353
Depreciation	299,300	262,172
Total operating expenses	1,730,451	1,610,107
Operating income	452,469	154,413
Non-operating (expense) income:		
ARRA—Green Project grant revenue	141,343	232,939
Grant revenue—augmentation water supply study	-	17,511
Grant revenue—water reuse study	150,000	-
Investment and interest income	140,857	127,147
Interest expense	(104,278)	(120,888)
ARRA—Green Project operating expense	(141,343)	(100,250)
Augmentation water supply study expense	-	(11,637)
Water reuse study expense	(409,559)	-
Other, net	4,966	(7,658)
Total non-operating (expense) income	(218,014)	137,164
Changes in net assets	234,455	291,577
Net assets, beginning of year	11,944,835	11,653,258
Net assets, end of year	$ 12,179,290	11,944,835

See Independent Auditors' Report.
See accompanying notes to financial statements.

CENTRAL OKLAHOMA MASTER CONSERVANCY DISTRICT

STATEMENTS OF CASH FLOWS

Increase (Decrease) in Cash and Cash Equivalents

Years Ended June 30,	*2012*	*2011*
Cash flows from operating activities:		
Cash received from assessments to the Cities	$ 2,095,745	1,745,104
Cash payments for goods and services	(859,357)	(949,097)
Cash payments for salaries and benefits	(509,391)	(501,175)
Net cash provided by operating activities	726,997	294,832
Cash flows from capital, noncapital, and related financing activities:		
Acquisition and development of capital assets	(477,415)	(764,252)
Proceeds from sale of capital assets	750	24,725
Repayment of debt obligations	(517,959)	(503,474)
Interest paid	(115,219)	(130,565)
Augmentation water supply study, net	-	5,874
Proceeds from ARRA—Green Project grant revenue	156,231	362,544
ARRA—Green Project operating expense	(206,669)	(100,250)
Water reuse study, net	(259,559)	-
Other	13,534	231,754
Net cash used in capital, noncapital, and related financing activities	(1,406,306)	(873,644)
Cash flows from investing activities:		
Principal received on assessments receivable	518,877	522,385
Interest received	149,900	137,945
Purchase of investments	(1,495,443)	-
Purchase of a certificate of deposit	(3,948)	(3,817)
Net cash (used in) provided by investing activities	(830,614)	656,513
Net (decrease) increase in cash and cash equivalents	(1,509,923)	77,701
Cash and cash equivalents at beginning of year	2,297,879	2,220,178
Cash and cash equivalents at end of year	$ 787,956	2,297,879

(Continued)

See Independent Auditors' Report.
See accompanying notes to financial statements.

CENTRAL OKLAHOMA MASTER CONSERVANCY DISTRICT

STATEMENTS OF CASH FLOWS, CONTINUED

Increase (Decrease) in Cash and Cash Equivalents

Years Ended June 30,		*2012*	*2011*
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	$	452,469	154,413
Depreciation		299,300	262,172
Change in operating assets and liabilities:			
Accounts receivable		(87,175)	(19,416)
Accounts payable		64,297	(102,911)
Compensated absences payable		(1,894)	574
Net cash provided by operating activities	$	726,997	294,832
Reconciliation of cash and cash equivalents to the statements of net assets:			
Cash and cash equivalents classified as current assets	$	737,956	2,247,879
Cash and cash equivalents classified as noncurrent assets		50,000	50,000
	$	787,956	2,297,879

See Independent Auditors' Report.
See accompanying notes to financial statements.

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Operations

The Central Oklahoma Master Conservancy District (the "District") is a governmental organization established pursuant to Oklahoma Statute by order of the Cleveland County District Court entered on September 30, 1959. Its primary purpose is to distribute raw water from Lake Thunderbird to the Cities of Del City and Midwest City (under a contract dated November 13, 1961) and the City of Norman (under a contract dated September 5, 1961) [collectively, the "Cities"] for municipal, domestic, and industrial use. The District manages and operates the dam, facilities, land, and rights of way under a September 5, 1961, agreement with the United States. The District also provides flood control, fish and wildlife benefits, and recreational opportunities. The District is obligated to repay the United States for a portion of the construction cost (considered to be cost related to municipal and industrial water supply), with interest, for which it assesses the member cities annually based on a stated formula. The members of the District's board of directors are nominated by the Cities and appointed by the Cleveland County District Court.

Reporting Entity

The financial statements presented herein include only the operations of the District and do not include the assets, liabilities, or results of operations of the Cities serviced.

Basis of Accounting

The District prepares its financial statements on the enterprise fund basis using the economic measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when the obligation is incurred. The District has the option to apply all Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989, unless FASB conflicts with the Governmental Accounting Standards Board (GASB). The District has elected to not apply FASB pronouncements issued after the applicable date.

Financial Statement Presentations

The District follows the provisions of GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments* (GASB 34), in preparing its financial statements.

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Cash and Cash Equivalents

For purposes of the statements of cash flows, the District considers all highly liquid investments with an original maturity of 3 months or less to be cash and cash equivalents.

Restricted Cash and Cash Equivalents

The contract with the U.S. Department of the Interior (see Note 4) requires that $50,000 be restricted for maintenance and operations.

Investments

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools,* investments are recorded at fair value.

Capital Assets

Capital assets are stated at cost and depreciated on the date they are placed into service. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. The estimated useful lives are 20–25 years for buildings and structures, pumping plant, and pipelines; 7 years for vehicles and office equipment; and 20 years for the Energy Project equipment, Green Project equipment, and fencing and equipment.

The District considers the dam and reservoir related assets to be infrastructure assets, which are reported using the modified approach for depreciation. Under the modified approach, infrastructure assets are not required to be depreciated as long as certain requirements, as defined by GASB 34, are met. All expenditures made for infrastructure assets, using the modified approach, are expensed in the period incurred, except for expenditures considered to be for additions or improvements.

Intangible Assets

The District believes its only intangible assets consist of certain rights of way, all of which were received prior to July 2009. Since the District is considered to be a Phase 3 government under GASB 34, the District is not required to retroactively apply GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets* (GASB 51). Therefore, the District has not accounted for and reported its right-of-way intangible assets.

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Compensated Absences

The District's employees can accrue a maximum of 360 hours of vacation pay. Upon termination, accrued, unpaid hours will be paid at the employee's hourly rate then in effect. Sick leave can be accrued at a rate of 12 days per year (8 hours for every full month of service), but is not paid upon termination.

Income Taxes

Because the District is a governmental institution pursuant to Title 82, Chapter 5 of the Oklahoma Statutes, as amended, the District is exempt from federal and state income taxes.

Concentrations

The District is located in Norman, Oklahoma, and serves the Cities and, therefore, is reliant on the Cities' ability to meet their obligations.

Contingencies

The District carries appropriate insurance with regard to comprehensive general liability, comprehensive automobile liability, personal injury, general property, and workers' compensation insurance.

Net Asset Classification

Net assets are classified as follows:

Invested in Capital Assets, Net of Related Debt—Consists of capital assets, net of accumulated depreciation, less the balance of debt incurred to finance the acquisition or construction of the related capital assets.

Restricted Net Assets—Consists of assets whose use is constrained for specific purposes.

Unrestricted Net Assets—Consists of all other net assets that do not meet the definition of "Invested in Capital Assets, Net of Related Debt" or "Restricted Net Assets."

Revenues

The District considers all assessments charged to the Cities to fund its normal operations as operating revenues. Assessments to the Cities to fund capital or special projects, and grants or other contracts received from federal and state agencies, are considered to be non-operating income.

See Independent Auditors' Report.

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Federal Grant Revenues and Expenditures

The District's federal grant revenues are primarily expenditure driven, in that prior to requesting grant monies, expenditures are incurred. Grants receivable represents the amount needed to fund expenditures accrued at June 30, 2012 and 2011.

Use of Estimates in Preparing Financial Statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States 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 December 2010, GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989, FASB and AICPA Pronouncements* (GASB 62). The objective of GASB 62 is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements.

(a) Financial Accounting Standards Board Statements and Interpretations.

(b) Accounting Principles Board Opinions.

(c) Accounting Research Bulletins of the American Institute of Certified Public Accountants' (AICPA) Committee on Accounting Procedures.

The requirements in GASB 62 will improve financial reporting by contributing to GASB's efforts to codify all sources of generally accepted accounting principles for state and local governments so that they derive from a single source. GASB 62 is effective for financial statements for periods beginning after December 15, 2011. The provisions of GASB 62 are required to be applied retroactively for all periods presented and are not expected to have a significant impact on the District's financial statements.

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Recent Accounting Pronouncements, Continued

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 statement elements by providing guidance where none previously existed. The provisions of this statement are effective for financial statements for periods beginning after December 15, 2011, and are to be applied retroactively for all prior periods presented.

In March 2012, GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities* (GASB 65). The objective of GASB 65 is to establish accounting and financial reporting standards that reclassify certain items that were previously reported as assets or liabilities as deferred outflows of resources or deferred inflows of resources; and recognize certain items that were previously reported as assets and liabilities as outflows of resources or inflows of resources. The provisions of this statement are effective for financial statements for periods beginning after December 15, 2012. In the first period that this statement is applied, changes made to comply with this statement will be treated as an adjustment of prior periods, and financial statements presented for the periods affected will be restated.

In June 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions* (GASB 68). The primary objective of GASB 68 is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. GASB 68 establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expenses/expenditures. This statement is effective for financial statements for periods beginning after June 15, 2014. In the first period that this statement is applied, changes made to comply with this statement will be treated as an adjustment of prior periods, and financial statements presented for the periods affected will be restated.

Date of Management's Review of Subsequent Events

Management has evaluated subsequent events through December 17, 2012, the date which the financial statements were available to be issued, and determined that no subsequent events have occurred that require adjustment to or disclosure in the financial statements.

(2) CASH AND CASH EQUIVALENTS AND INVESTMENTS

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 deposit policy for custodial credit risk is described as follows:

> The District requires that balances on deposit with financial institutions be insured by the FDIC or collateralized by securities held by the cognizant Federal Reserve Bank, or be invested in U.S. government obligations in the District's name.

As of June 30, 2012, the carrying amount of the District's cash deposits was fully collateralized by federal depository insurance or pledges of securities by the various financial institutions, which conforms to Oklahoma state statutes governing the investment of public funds. The investment policy permits investments in U.S. Treasury bills, notes, and bonds and obligations fully insured or unconditionally guaranteed by the U.S. government or any of its agencies or instrumentalities; U.S. government agency securities; corporate debt and mortgage-backed pass-through securities with ratings of Aaa, AAA, or the equivalent; collateralized or insured certificates of deposit; bankers' acceptances; commercial paper with a rating of at least A-1 or the equivalent; obligations of state and local governments; money market and short-term bond funds with a rating of AAA or equivalent; and obligations of a foreign government with a rating of A-1 or the equivalent.

Custodial Credit Risk—Investments

Investments are made under the custody of the District Manager, as approved by the District's Board of Directors, in accordance with the District's investment policy.

Custodial credit risk is the risk that, in the event of the failure of a counterparty, the District will not be able to recover the value of its investments. Investment securities are exposed to custodial risk if they are uninsured, are not registered in the name of the District, or are held by a counterparty or the counterparty's trust department but not in the name of the District. At June 30, 2012, the investment balance of approximately $1,493,000 was uncollateralized. At June 30, 2012 and 2011, the District also had approximately $63,000 and $39,000, respectively, in two and one money market accounts, respectively, which were not insured by the FDIC or collateralized. The money market accounts are included in cash and cash equivalents on the statements of net assets. The underlying investments of the money market accounts include short-term, high quality, fixed-income securities issued by banks, corporations, and the U.S. government or its agencies.

See Independent Auditors' Report.

(2) CASH AND CASH EQUIVALENTS AND INVESTMENTS, CONTINUED

Interest Rate Risk and Credit Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest changes. The District does not have a formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Fixed-income securities are subject to credit risk. The District places no limit on the amount the District may invest in any one issuer. Credit quality rating is one method of assessing the ability of the issuer to meet its obligation. The following tables provide information concerning interest rate risk and credit risk.

At June 30, 2012, the District had the following investments and maturities:

	Investment Maturities (in Years)			
Investment Type	Less than 1	1 or More, Less than 5	5 or More	Fair Value
Corporate bonds—domestic	$ -	-	1,094,291	1,094,291
Corporate bonds—foreign	-	398,588	-	398,588
	$ -	398,588	1,094,291	1,492,879

The following table provides information concerning credit risk at June 30, 2012:

S&P 500 Rating	Fair Value	Percentage of Total Fixed Income Investments at Fair Value
AA+	$ 304,881	20%
AA-	299,250	20%
A+	398,588	27% [1]
A-	490,160	33%
	$ 1,492,879	100%

[1] Foreign corporate bond

The certificate of deposit held at June 30, 2012, was fully insured by the FDIC and matures on February 18, 2015.

See Independent Auditors' Report.

(3) CAPITAL ASSETS

Following are the changes in capital assets for the years ended June 30:

	Balance at June 30, 2011	Additions	Retirements	Transfers	Balance at June 30, 2012
Capital assets not being depreciated:					
Dam and reservoir	$ 4,605,177	-	-	-	4,605,177
Construction in progress:					
Buildings and structures	85,000	-	-	(85,000)	-
Land improvements	-	38,375	-	-	38,375
Total capital assets not being depreciated	4,690,177	38,375	-	(85,000)	4,643,552
Other capital assets:					
Vehicles	283,057	126,070	(12,808)	-	396,319
Pipelines	3,402,226	-	-	-	3,402,226
Pumping plant	1,593,952	-	-	-	1,593,952
Office equipment	76,893	-	-	-	76,893
Buildings and structures	811,051	294,403	-	85,000	1,190,454
Energy Project equipment	2,536,613	-	-	-	2,536,613
Fencing and equipment	2,041,568	18,567	-	-	2,060,135
Total other capital assets	10,745,360	439,040	(12,808)	85,000	11,256,592
Accumulated depreciation:					
Vehicles	(164,960)	(31,289)	12,808	-	(183,441)
Pipelines	(3,402,226)	-	-	-	(3,402,226)
Pumping plant	(1,548,016)	(2,356)	-	-	(1,550,372)
Office equipment	(40,709)	(8,127)	-	-	(48,836)
Buildings and structures	(161,512)	(31,055)	-	-	(192,567)
Energy Project equipment	(253,662)	(126,831)	-	-	(380,493)
Fencing and equipment	(588,042)	(99,642)	-	-	(687,684)
Total accumulated depreciation	(6,159,127)	(299,300)	12,808	-	(6,445,619)
Capital assets, net	$ 9,276,410	178,115	-	-	9,454,525

See Independent Auditors' Report.

(3) CAPITAL ASSETS, CONTINUED

	Balance at June 30, 2010	Additions	Retirements	Transfers	Balance at June 30, 2011
Capital assets not being depreciated:					
Dam and reservoir	$ 4,605,177	-	-	-	4,605,177
Construction in progress:					
Buildings and structures	162,253	85,000	-	(162,253)	85,000
Green Project	972,593	-	-	(972,593)	-
Total capital assets not being depreciated	5,740,023	85,000	-	(1,134,846)	4,690,177
Other capital assets:					
Vehicles	299,533	33,222	(49,698)	-	283,057
Pipelines	3,402,226	-	-	-	3,402,226
Pumping plant	1,546,838	47,114	-	-	1,593,952
Office equipment	43,822	33,071	-	-	76,893
Buildings and structures	259,380	389,418	-	162,253	811,051
Energy Project equipment	2,536,613	-	-	-	2,536,613
Fencing and equipment	902,311	176,427	(9,763)	972,593	2,041,568
Total other capital assets	8,990,723	679,252	(59,461)	1,134,846	10,745,360
Accumulated depreciation:					
Vehicles	(162,730)	(27,203)	24,973	-	(164,960)
Pipelines	(3,402,226)	-	-	-	(3,402,226)
Pumping plant	(1,546,838)	(1,178)	-	-	(1,548,016)
Office equipment	(33,863)	(6,846)	-	-	(40,709)
Buildings and structures	(140,250)	(21,262)	-	-	(161,512)
Energy Project equipment	(126,831)	(126,831)	-	-	(253,662)
Fencing and equipment	(518,953)	(78,852)	9,763	-	(588,042)
Total accumulated depreciation	(5,931,691)	(262,172)	34,736	-	(6,159,127)
Capital assets, net	$ 8,799,055	502,080	(24,725)	-	9,276,410

See Independent Auditors’ Report.

(4) LONG-TERM DEBT

Long-term debt activity for the years ended June 30 was as follows:

	Balance at June 30, 2011	Additions	Reductions	Balance at June 30, 2012	Amounts Due Within 1 Year
U.S. Department of the Interior contract payable	$ 2,846,357	-	(442,399)	2,403,958	456,940
Drinking Water SRF note payable	1,389,705	-	(75,560)	1,314,145	77,243
	$ 4,236,062	-	(517,959)	3,718,103	534,183

	Balance at June 30, 2010	Additions	Reductions	Balance at June 30, 2011	Amounts Due Within 1 Year
U.S. Department of the Interior contract payable	$ 3,275,903	-	(429,546)	2,846,357	442,399
Drinking Water SRF note payable	1,463,633	-	(73,928)	1,389,705	75,560
	$ 4,739,536	-	(503,474)	4,236,062	517,959

See Independent Auditors' Report.

(4) LONG-TERM DEBT, CONTINUED

U.S. Department of the Interior Contract Payable

In 1961, the District entered into a contract with the U.S. Department of the Interior to provide for the repayment of the District's share of the costs incurred in the construction of the water facilities. The original contract payable was for $10,928,511 at 2.74% interest over 55 years. Interest and principal payments are due annually on October 1. As of June 30, 2012, the District had the necessary $50,000 of restricted funds set aside for maintenance and operations.

Series 2007 Note Payable and Drinking Water SRF Note Payable

In January 2007, the District entered into a $1,500,000 note payable agreement with a financial institution (the Series 2007 note payable) to help fund the District's Energy Project.

In October 2009, the District refinanced the Series 2007 note payable with a note payable (Drinking Water SRF note payable) from the Oklahoma Water Resources Board (OWRB) through its "Drinking Water SRF Financing Program." The Drinking Water SRF note payable has an annual interest rate of 2.78%, matures on September 15, 2026, and is secured by the District's revenues. Semi-annual interest and principal payments are due on March 15 and September 15. The note has certain financial, restrictive, and negative covenants that the District must meet. As of June 30, 2012, the District was in compliance with such covenants.

Future payments of principal and interest of the District's long-term debt for the next 5 years and to maturity are as follows:

Year	Total	Interest	Principal
2013	$ 634,974	100,791	534,183
2014	635,341	87,746	547,595
2015	635,681	72,658	563,023
2016	635,318	57,226	578,092
2017	626,406	41,218	585,188
2018–2022	553,490	100,199	453,291
2023–2027	489,457	32,726	456,731
	$ 4,210,667	492,564	3,718,103

See Independent Auditors' Report.

(5) ASSESSMENTS RECEIVABLE

The Cities entered into separate contracts with the District for the repayment of their share of the original contract payable with the U.S. Department of the Interior (see Note 4). The original assessments for the City of Norman, the City of Midwest City, and the City of Del City were $4,083,149, $4,672,610, and $2,172,752, respectively, payable annually on September 1 at 2.74% interest over 55 years. The balance of the assessments receivable at June 30, 2012 and 2011, was $2,403,958 and $2,846,357, respectively.

In connection with the District's Energy Project, the District entered into contracts with the City of Norman and the City of Del City, in which the two cities agreed to repay their share of the note payable related to the project through an assessment receivable. The assessments mirror the terms of the Drinking Water SRF note payable. See Note 4 for the individual terms. The assessments are secured by gross revenues received from the sale of water by the respective cities. The balance of the assessments receivable for the Energy Project at June 30, 2012 and 2011, was $1,294,316 and $1,370,794, respectively.

(6) RETIREMENT PLANS

Defined Benefit Retirement Plan

Plan Description

The District participates in the Oklahoma Municipal Retirement Fund (OMRF), an agent multiple public employer retirement system (PERS) defined benefit pension plan. A PERS is a retirement system that provides pension benefits to employees of one or more state or local governmental entities. An agent PERS maintains pooled administrative and investment functions for all participating entities. All full-time employees of the District are eligible to participate in the OMRF. In general, the OMRF provides retirement benefits based on members' final average compensation, age and term of service, plus annual cost-of-living adjustments, if so elected. In addition, the retirement program provides for benefits upon disability and to survivors upon the death of eligible members. The authority to establish and amend the benefit provisions of the plans that participate in the OMRF is assigned to the respective employer entities. The OMRF issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the Trust Administrator, Chase, P.O. Box 25848, Oklahoma City, OK 73125.

(6) RETIREMENT PLANS, CONTINUED

Defined Benefit Retirement Plan, Continued

Funding Policy

The District's participating employees are required to contribute 6.0% of their final average annual compensation to the defined benefit retirement plan. The District is required to contribute an actuarially determined rate; the rate for the years ended June 30, 2012 and 2011, was 36.9% of covered salary. The contribution requirements of the plan participants and the District are established and may be amended by the District's Board of Directors.

Actuarial Annual Pension Cost

For 2012, the District's annual pension cost was $90,579, and the actual pension contribution was $90,593, including employee required contributions of $12,717. The actuarial assumptions included (a) a 7.5% investment rate of return per year and (b) projected salary increases based on age, ranging from 3% to 5% per year. The actuarial value of the District's assets was determined using the actuarial method. The District's unfunded actuarial accrued liability is being amortized over 30 years from the valuation date.

Three-Year Trend Information for the District

Fiscal Year Ended June 30,	Annual Pension Cost (APC)	Percentage of APC	Net Pension Obligation
2010	$ 81,044	103%	9,109
2011	78,637	111%	109
2012	90,579	100%	95

Funded Status and Funding Progress

As of January 1, 2012, the District's funded status of the OMRF was as follows:

Actuarial accrued liability (AAL)	$ 1,456,288
Actuarial value of assets	869,913
Unfunded actuarial accrued liability (UAAL)	586,375
Funded ratio (actuarial value of assets/AAL)	59.7%
Annual covered payroll (active plan members)	211,956
UAAL as a percentage of annual covered payroll	276.6%

See Independent Auditors' Report.

(6) RETIREMENT PLANS, CONTINUED

Defined Benefit Retirement Plan, Continued

Funded Status and Funding Progress, Continued

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Defined Contribution Plan

In March 2008, the District created a defined contribution retirement plan and trust, known as the "Employee Retirement System of Central Oklahoma Master Conservancy District in Norman, Oklahoma, Defined Contribution Plan" (the "Contribution Plan"), in the form of The Oklahoma Municipal Retirement System Master Defined Contribution Plan. The Contribution Plan is available only to the District Manager and contains a provision requiring the District to contribute up to 15% of the District Manager's eligible compensation. For the years ended June 30, 2012 and 2011, the District contributed approximately $17,000 and $18,000, respectively, to the Contribution Plan. Benefits depend solely on amounts contributed to the Contribution Plan plus investment earnings.

Deferred Compensation Plan

Effective September 1, 2011, the District began offering its employees a deferred compensation plan (the "Deferred Compensation Plan") as authorized by Section 457(b) of the Internal Revenue Code, as amended by the Tax Reform Act of 1986, and in accordance with the provisions of Sections 1701 through 1706 of Title 74 of the Oklahoma Statutes.

The Deferred Compensation Plan is available to all District employees. Participants may make voluntary contributions up to the maximum permitted by law. The District matches salary deferrals at 50%, up to 3% of the participant's annual compensation. Participants are fully vested in their contributions and the District's contributions. Participants may direct the investment of their contributions and the District's contributions in available investment options offered by the Deferred Compensation Plan. All interest, dividends, and investment fees are allocated to participants' accounts. The District's contribution to the Deferred Compensation Plan in 2012 approximated $3,900.

(7) AMERICAN RECOVERY AND REINVESTMENT ACT OF 2009 AWARD

The American Recovery and Reinvestment Act of 2009 (ARRA) was passed by Congress in February 2009 to provide a stimulus to the U.S. economy in the wake of an economic downturn. In January 2010, the District was approved to receive $1,501,285 from the Clean Water State Revolving Fund—American Recovery and Reinvestment Act of 2009 program from the OWRB (the contracting agency) through the U.S. Environmental Protection Agency. The funds from the award were to be used to construct, install, and operate a supersaturated dissolved oxygen injection system at Lake Thunderbird (ARRA "Green Project").

Under the terms of the funding agreement, the District is obligated to operate the project for two years after the system is constructed and installed. The funding is through the OWRB's Clean Water State Revolving Fund Loan Account and is structured as a loan that will be forgiven upon the completion of the project if the District has complied, in all material respects, with the terms of the funding agreement. The District believes it is currently in material compliance with the terms of the funding agreement, and it is the District's intention to materially comply with such terms through the end of the project. Therefore, the District is treating the funding agreement as a grant rather than a loan, whereby, the funds received under the agreement are treated as grant revenue, rather than as borrowings under a debt obligation. In 2012 and 2011, the District incurred $141,343 and $232,939, respectively, of costs under the program. The District recognized $141,343 and $232,939 in 2012 and 2011, respectively, in grant revenues related to the program. As of June 30, 2012, the District had incurred total costs of $1,355,111 related to the program, leaving $146,174 of funds available at June 30, 2012.

The District completed the construction and installation of the Green Project's equipment in October 2010 and began operating the Green Project at that time.

The funding agreement is subject to audit by the OWRB, the U.S. Environmental Protection Agency, or their representatives. Such audits could lead to request for reimbursement to the OWRB or the U.S. Environmental Protection Agency for costs disallowed under the terms of the funding agreement. Presently, the District has no such requests pending.

(8) OTHER FEDERAL FUNDING

In September 2011, the District was approved to receive a grant of $150,000 from the U.S. Department of Interior's Bureau of Reclamation (BOR). The grant was a 33% matching grant to cover the costs associated with a water reuse feasibility study being performed by the District for the periods beginning in October 2011 through September 2012. The District incurred a total cost of approximately $410,000 related to the study and received $150,000 of funds from the grant in 2012.

(8) OTHER FEDERAL FUNDING, CONTINUED

In December 2009, the District was approved to receive a $120,000 grant from the BOR. The grant was a 50% matching grant to cover costs associated with an augmentation water supply study being performed by the District for the periods beginning in February 2009 through September 2014. In 2011, the District received $17,511, which fully expended the funds under the grant program.

The federal grants are subject to audit by the BOR or their representatives. Such audits could lead to request for reimbursement to the BOR for costs disallowed under the terms of the grant. Presently, the District has no such requests pending.

(9) LEGAL

As of June 30, 2012 and 2011, the District was a plaintiff in a case against the City of Norman and the Norman Utilities Authority for excess water taken by the City of Norman and billed by the District in the amount of $59,604. Any amounts received from the City of Norman are to be credited to the Cities of Del City and Midwest City. The case was settled subsequent to June 30, 2012, whereby the City of Norman paid the District the $59,604 for excess water plus interest and attorney fees. The District then remitted the $59,604 plus interest to the Cities of Del City and Midwest City.

CENTRAL OKLAHOMA MASTER CONSERVANCY DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

CENTRAL OKLAHOMA MASTER CONSERVANCY DISTRICT

OMRF AGENT MULTIPLE PUBLIC EMPLOYER DEFINED BENEFIT PENSION PLAN— SCHEDULE OF FUNDING PROGRESS

June 30, 2012

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a)/(b)	Annual Covered Payroll (c)	UAAL as a Percentage of Annual Covered Payroll [(b)-(a)]/(c)
1/1/2012	**$ 869,913**	**1,456,288**	**586,375**	**59.7%**	**211,956**	**276.6%**
1/1/2011	818,222	1,340,858	522,636	61.0%	183,502	284.8%
1/1/2010	758,261	1,278,782	520,521	59.3%	190,107	273.8%

See Independent Auditors' Report.

CONDITION RATING AND ESTIMATE-TO-ACTUAL COMPARISON OF MAINTENANCE OF INFRASTRUCTURE ASSETS

June 30, 2012

Condition Rating of Infrastructure Assets

	Years Ended June 30,		
	2011[(a)]	2009	2008
Infrastructure assets (dam and reservoir)	89	95	81

[(a)] Comprehensive assessment year.

Condition assessments of the infrastructure assets are made by the U.S. Department of the Interior's Bureau of Reclamation (BOR). The BOR typically performs a comprehensive assessment every 3 years and a limited condition assessment for other annual periods. The ratings are based on the BOR's "Facility Reliability Rating System for High and Significant Hazard Dams." The ratings are as follows: Good (rating of 80 or greater); Fair (rating of 60 to 79); and Poor (rating of 59 or less). The BOR performed a limited condition assessment in September 2012; however, the report has not yet been issued.

Estimate-to-Actual Comparison of Maintenance of Infrastructure Assets

	Years Ended June 30,				
	2012	2011	2010	2009	2008
Estimate	$ 50,000	77,000	76,844	75,503	75,454
Actual	86,416	118,752	83,213	68,935	63,949

See Independent Auditors' Report.

CENTRAL OKLAHOMA MASTER CONSERVANCY DISTRICT

REPORT AND SCHEDULES REQUIRED BY
GOVERNMENT AUDITING STANDARDS

FINLEY & COOK
CERTIFIED PUBLIC ACCOUNTANTS

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*

Board of Directors
Central Oklahoma Master Conservancy District

We have audited the financial statements of the Central Oklahoma Master Conservancy District (the "District") as of and for the year ended June 30, 2012, and have issued our report thereon dated December 17, 2012. Our report contains an explanatory paragraph disclaiming an opinion on required supplementary information. We conducted our audit in accordance with auditing standards generally accepted in the United States 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 the District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District'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 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 District's financial statements will not be prevented, or detected 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. However, we identified a deficiency in internal control over financial reporting, described in Finding 2012-01 in the accompanying schedule of findings and responses, that we consider to be a significant deficiency in internal control over financial reporting. 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.

(Continued)

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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*, 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*.

The District's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the response and, accordingly, we express no opinion on it.

This report is intended solely for the use of the Board of Directors, management, and federal and state agencies and is not intended to be and should not be used by anyone other than these specified parties.

Finley & Cook, PLLC

Shawnee, Oklahoma
December 17, 2012

SIGNIFICANT DEFICIENCY

FINDING 2012-01

Finding:

Management's accounting focus is on the accurate processing of routine transactions and the preparation of internal financial statements for management reporting purposes and not for external reporting in accordance with accounting principles generally accepted in the United States. The District does not have the expertise to recognize and implement new or existing accounting principles generally accepted in the United States.

District Response:

The District does not have the expertise to provide external reporting in accordance with accounting principles generally accepted in the United States and does not anticipate hiring such expertise as it is not considered to be financially feasible at this time.

MATERIAL WEAKNESS

FINDING 2011-01

Finding:

Management has not fully implemented a year-end financial statement closing process to address all nonroutine transactions of the Central Oklahoma Master Conservancy District (the "District"), such as:

- recording federally funded program costs as either capital assets or expense,
- accruing for receivables and related revenues at year-end for costs incurred and reported, but not received from the awarding agency,
- recording depreciation expense for certain assets,
- classifying assessments receivable as current and noncurrent, and
- accruing for expenses incurred but not funded at year end.

Due to not fully implementing such a closing process, several adjusting entries were required to be made to the District's trial balance in order for the financial statements to be presented in accordance with accounting principles generally accepted in the United States.

District Response:

The District does not have the expertise to fully implement a year-end closing process and does not anticipate hiring such expertise as it is not considered to be financially feasible at this time.

2012 Follow-Up:

During 2012, the District did implement year-end financial statement closing procedures to address nonroutine transactions, resulting in a significant reduction in the level of adjusting entries proposed during the audit.

SIGNIFICANT DEFICIENCY

FINDING 2011-02

Finding:

Management's accounting focus is on the accurate processing of routine transactions and the preparation of internal financial statements for management reporting purposes and not for external reporting in accordance with accounting principles generally accepted in the United States. The District does not have the expertise to recognize and implement new or existing accounting principles generally accepted in the United States.

District Response:

The District does not have the expertise to provide external reporting in accordance with accounting principles generally accepted in the United States and does not anticipate hiring such expertise as it is not considered to be financially feasible at this time.

2012 Follow-Up:

This is a repeat finding in 2012.