Waynoka Mental Health Authority

Financial Statements
(Prepared on the Modified Cash Basis)

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

FINLEY & COOK
CERTIFIED PUBLIC ACCOUNTANTS

WAYNOKA MENTAL HEALTH AUTHORITY

FINANCIAL STATEMENTS

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FINLEY & COOK
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

Board of Trustees
Waynoka Mental Health Authority

We have audited the accompanying statements of net assets—modified cash basis of the Waynoka Mental Health Authority (the "Authority"), a component unit of the City of Waynoka, Oklahoma, as of June 30, 2012 and 2011, and the related statements of revenues, expenses, and changes in net assets—modified cash basis and cash flows—modified cash basis for the years then ended. These financial statements are the responsibility of the Authority'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 audits 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.

As described in Note 1, these financial statements were prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States.

In our opinion, the financial statements referred to above present fairly, in all material respects, the modified cash basis financial position of the Authority, as of June 30, 2012 and 2011, and the modified cash basis changes in its net assets and cash flows thereof for the years then ended in conformity with the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued a report dated February 11, 2013, on our consideration of the Authority'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

Our audit was conducted for the purpose of forming an opinion on the financial statements of the Authority as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

Finley & Cook, PLLC

Shawnee, Oklahoma
February 11, 2013

WAYNOKA MENTAL HEALTH AUTHORITY

STATEMENTS OF NET ASSETS—MODIFIED CASH BASIS

June 30,		*2012*	*2011*
Assets			
Current assets:			
Cash and cash equivalents	$	173,459	146,655
Interest-bearing deposits		55,275	54,477
Total current assets		228,734	201,132
Noncurrent assets:			
Restricted cash and cash equivalents		5,520	4,921
Capital assets, net of accumulated depreciation		234,775	272,843
Total noncurrent assets		240,295	277,764
Total assets	$	469,029	478,896
Liabilities and Net Assets			
Current liabilities:			
Withholdings payable	$	-	504
Note payable to the USDA—current portion (see Note 5)		2,434	2,317
Total current liabilities		2,434	2,821
Noncurrent liabilities:			
Note payable to the USDA—long-term portion (see Note 5)		74,431	76,780
Total noncurrent liabilities		74,431	76,780
Total liabilities		76,865	79,601
Net assets:			
Invested in capital assets, net of related debt		157,910	193,746
Restricted		5,520	4,921
Unrestricted		228,734	200,628
Total net assets		392,164	399,295
Total liabilities and net assets	$	469,029	478,896

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

WAYNOKA MENTAL HEALTH AUTHORITY

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS—MODIFIED CASH BASIS

Years Ended June 30,	*2012*	*2011*
Operating revenues:		
Grants	$ 1,054,810	1,058,019
Food stamps	46,255	41,745
Other receipts	-	73
Total operating revenues	1,101,065	1,099,837
Operating expenses:		
Salaries and payroll taxes	759,633	773,486
Professional fees	25,462	26,941
Insurance	59,624	38,448
Advertising	3,995	5,015
Lease	7,064	6,819
Consulting and contract labor	5,990	4,674
Food expense	62,737	58,451
Treatment materials	9,704	16,614
Supplies	23,348	21,319
Dues and subscriptions	3,635	3,584
Postage and freight	1,535	1,705
Drug tests	4,324	5,365
Travel and training	16,597	20,201
Maintenance and repairs	54,301	49,657
Vehicle expense	12,475	11,890
Utilities	41,968	40,749
Other	2,250	1,475
Depreciation	38,068	37,042
Total operating expenses	1,132,710	1,123,435
Operating loss	(31,645)	(23,598)
Non-operating revenues (expenses):		
Interest income	875	351
Interest expense	(3,600)	(3,885)
Net non-operating expenses	(2,725)	(3,534)
Changes in net assets before contributions	(34,370)	(27,132)
Contributions	27,239	33,435
In-kind donation	-	45,000
Changes in net assets	(7,131)	51,303
Net assets, beginning of year	399,295	347,992
Net assets, end of year	$ 392,164	399,295

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

WAYNOKA MENTAL HEALTH AUTHORITY

STATEMENTS OF CASH FLOWS—MODIFIED CASH BASIS

Increase (Decrease) in Cash and Cash Equivalents

Years Ended June 30,		*2012*	*2011*
Cash flows from operating activities:			
Cash received from grants and contracts	$	1,054,810	1,058,019
Cash paid for salaries and payroll taxes		(760,137)	(774,899)
Cash paid to suppliers		(335,009)	(312,907)
Cash received for food stamps		46,255	41,745
Other receipts		-	73
Net cash provided by operating activities		5,919	12,031
Cash flows from noncapital financing activities:			
Contributions		27,239	33,435
Net cash provided by noncapital financing activities		27,239	33,435
Cash flows from capital and related financing activities:			
Acquisition of capital assets		-	(24,854)
Payment of principal on USDA loan		(2,232)	(2,218)
Payment of interest on USDA loan		(3,600)	(3,885)
Net cash used in capital and related financing activities		(5,832)	(30,957)
Cash flows from investing activities:			
Interest income		875	351
Increase in interest-bearing deposits		(798)	(246)
Net cash provided by investing activities		77	105
Net increase in cash and cash equivalents		27,403	14,614
Cash and cash equivalents at beginning of year		151,576	136,962
Cash and cash equivalents at end of year	$	178,979	151,576
Reconciliation of operating loss to net cash provided by operating activities:			
Operating loss	$	(31,645)	(23,598)
Adjustments to reconcile operating loss to net cash provided by operating activities:			
Depreciation		38,068	37,042
Change in assets and liabilities:			
Decrease in withholdings payable		(504)	(1,413)
Net cash provided by operating activities	$	5,919	12,031

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

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The Waynoka Mental Health Authority (the "Authority") is a component unit of the City of Waynoka, Oklahoma (the "City") and should be included in the City's financial statements as an enterprise fund. Enterprise funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges, and the measurement of financial activity focuses on net income measurement similar to the private sector.

Presently the Authority owns the Northwest Substance Treatment Center (the "Center"). The Center has a separate Board of Directors and management.

The financial statements presented represent those of the Authority only. The financial statements of the City are not included within these financial statements. The City's financial statements can be obtained from its respective administrative office.

The Authority was created by a trust indenture dated July 7, 1997, for the use and benefit of the City for the public purposes and functions set forth under the provisions of Title 60 Oklahoma Statutes, Sections 176, et seq., as amended and supplemented by other applicable statutes of the State of Oklahoma.

The Authority was created to promote economic development within and without the corporate limits of the City by the provision of mental health and substance abuse services and programs and to provide additional employment which will benefit and strengthen the economy of the city of Waynoka and the state of Oklahoma. To accomplish this purpose, the Authority shall provide a residential substance abuse facility committed to providing quality treatment to pregnant women and women with dependent children, and to such other persons with such other mental health and substance abuse problems as the Authority may determine should be provided. The programs to be offered at such facility shall include, but not be limited to, Moral Recognition Therapy, Parenting Counseling, Sexually Transmitted Disease Counseling, Incest Survivors Counseling, Co-Dependency Counseling, Problem Solving Counseling, Relapse Prevention Counseling, Substance Abuse Education and Counseling, and such other mental health and substance abuse programs and services as may be deemed necessary to provide. Such programs and services may be provided through individual, family, and/or group counseling.

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Financial Reporting Entity, Continued

The Authority may also provide mental health and substance abuse services to its clients through half-way houses, outpatient home-based case management, and after-care programs and services. In accomplishing said purpose, the Authority shall take such actions as it may deem necessary to fulfill the purpose as hereinabove stated, so long as such actions are consistent with state and federal statutes and constitutional limitations.

The governing body of the Authority is the Board of Trustees, composed of members appointed by the Mayor and City Council of the City, based upon the recommendation of the Chairman and Trustees of the Authority. There shall be no more than seven (7) Trustees of the Authority. The Chairman of the Trustees shall preside at all meetings and perform other duties designated by the Trustees. A Secretary shall be appointed by the Chairman and Trustees. The Secretary shall keep minutes of all meetings of the Trustees and shall maintain complete and accurate records of all their financial transactions.

Measurement Focus and Basis of Accounting

The financial statements have been prepared in accordance with Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*.

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

Measurement Focus

The financial statements of the Authority utilize the economic resources measurement focus. The accounting objective of the economic resources measurement focus is 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, financial or nonfinancial) associated with the Authority's activities are reported.

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Measurement Focus and Basis of Accounting, Continued

Basis of Accounting

The financial statements are reported on a modified cash basis of accounting. The modified cash basis of accounting is based on the recording of cash and cash equivalents and changes therein, and only recognizes revenues, expenses, assets, and liabilities resulting from cash transactions, adjusted for modifications that have substantial support in accounting principles generally accepted in the United States. These modifications include adjustments for the following balances arising from the following transactions:

- Capital assets purchased or donated and the depreciation of those assets, where applicable
- Long-term debt
- Other cash-based payables

As a result of the use of the modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected, accrued revenue and receivables, and revenue received from gifts-in-kind) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

Advertising Costs

All costs associated with advertising are expensed as incurred.

Cash and Cash Equivalents

Cash consists of cash on-hand and demand deposit accounts.

Cash and cash equivalents per the statements of cash flows—modified cash basis were comprised of the following as of June 30:

	2012	2011
Current cash and cash equivalents	$ 173,459	146,655
Restricted cash and cash equivalents	5,520	4,921
	$ 178,979	151,576

See Independent Auditors' Report.

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Interest-Bearing Deposits

As of June 30, 2012 and 2011, interest-bearing deposits consisted of a certificate of deposit with a financial institution amounting to $55,275 and $54,477, respectively. The certificate of deposit matures on December 17, 2012, and the interest rate was 0.95% as of June 30, 2012.

Capital Assets

Capital assets arising from cash transactions or donations are accounted for as assets in the statements of net assets—modified cash basis. All capital assets are valued at historical cost, estimated historical cost if actual is unavailable, or fair value at the time of donation. Capital assets acquired by the Authority are considered to be owned by the Authority. Presently the Authority capitalizes, at cost, all expenditures for capital assets in excess of $250.

Depreciation of all exhaustible capital assets arising from cash transactions is recorded as an allocated expense in the statements of revenues, expenses, and changes in net assets—modified cash basis, with accumulated depreciation reflected in the statements of net assets—modified cash basis. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The estimated useful lives by type of asset are as follows:

Buildings and improvements	20 to 27 years
Furniture and equipment	5 to 7 years
Vehicles	5 to 7 years

Withholding Payable

Amounts that are withheld from employees' earnings for federal and state withholding and insurance that have not been paid at year-end are recognized as a liability by the Authority.

Notes Payable

All notes payable arising from cash transactions to be repaid are reported as a liability.

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Equity Classification

Equity is classified as a net asset and displayed in one of the following three components:

a. Invested in capital assets, net of related debt—consists of capital assets, including restricted capital assets, net of accumulated depreciation.

b. Restricted net assets—consist of net assets with constraints placed on the use either by (1) external groups such as creditors, grantees, or contributors, or laws and regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

c. Unrestricted net assets—all other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

Revenues and Expenses

Operating revenues and expenses result from providing services and producing and delivering goods and/or services. The Authority receives the majority of its operating revenue through grant and contract support from the Oklahoma Department of Mental Health and Substance Abuse Services and the U.S. Department of Housing and Urban Development (see Note 6). Other operating revenue the Authority receives includes food stamp funds, WIC supplements, and reimbursements and refunds. Non-operating revenue the Authority receives includes contributions and interest. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor.

Use of Estimates

The preparation of financial statements in conformity with the modified cash basis of accounting used by the Authority requires management to make estimates and assumptions that affect certain reported amounts and disclosures (such as estimated useful lives in determining depreciation expense and the estimated value of property contributed); accordingly, actual results could differ from those estimates.

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Insure Oklahoma

The Authority participates in the Insure Oklahoma program which provides Oklahoma employers subsidies for health insurance. The Authority treats the payments from Insure Oklahoma as reimbursements of insurance premiums paid to offset insurance expense. Total reimbursements for 2012 and 2011 approximated $16,500 and $16,600, respectively.

Date of Management's Review of Subsequent Events

Management of the Authority has evaluated subsequent events through February 11, 2013, the date which the financial statements were available to be issued, and determined that no subsequent events have occurred which require adjustment to or disclosure in the financial statements.

(2) CASH AND INVESTMENTS

Custodial Credit Risk—Cash

As of June 30, 2012 and 2011, the Authority had deposits in financial institutions, reported as components of cash and cash equivalents, with a bank balance of $180,832 and $153,016, respectively. The Authority had depository insurance on amounts up to $250,000. As of June 30, 2012 and 2011, no deposits were exposed to custodial credit risk.

Investments

The Authority had no investments as of June 30, 2012 or 2011.

(3) RESTRICTED NET ASSETS

As of June 30, 2012 and 2011, the amount reported as restricted net assets of $5,520 and $4,921 respectively, was composed of cash restricted for payments of long-term debt as required by the debt agreement.

See Independent Auditors' Report.

(4) CAPITAL ASSETS

Capital asset activity, resulting from cash transactions and donations, for the fiscal years ended June 30, 2012 and 2011, was as follows:

	Balance June 30, 2011	Additions (Deletions)	Balance June 30, 2012
Capital assets:			
Land	$ 750	-	750
Buildings	44,250	-	44,250
Leasehold improvements	166,960	-	166,960
Furniture and equipment	216,086	-	216,086
Vehicles	49,699	-	49,699
	477,745	-	477,745
Less accumulated depreciation:			
Buildings	819	1,639	2,458
Leasehold improvements	52,564	6,184	58,748
Furniture and equipment	117,736	24,902	142,638
Vehicles	33,783	5,343	39,126
	204,902	38,068	242,970
Capital assets, net	$ 272,843	(38,068)	234,775

See Independent Auditors' Report.

(4) CAPITAL ASSETS, CONTINUED

	Balance June 30, 2010	Additions (Deletions)	Balance June 30, 2011
Capital assets:			
Land	$ -	750	750
Buildings	-	44,250	44,250
Leasehold improvements	166,960	-	166,960
Furniture and equipment	191,232	24,854	216,086
Vehicles	49,699	-	49,699
	407,891	69,854	477,745
Less accumulated depreciation:			
Buildings	-	819	819
Leasehold improvements	46,380	6,184	52,564
Furniture and equipment	93,870	23,866	117,736
Vehicles	27,610	6,173	33,783
	167,860	37,042	204,902
Capital assets, net	$ 240,031	32,812	272,843

(5) NOTE PAYABLE

At June 30, 2012 and 2011, the Authority had a note payable to the United States Department of Agriculture (USDA) dated July 18, 2002.

The USDA loan was for the use of providing a mental health treatment and clinic facility and to pay associated costs for the issuance of the loan. The loan is payable in monthly installments. Payments are $486 per month, including principal and interest at 4.5%. The loan matures in 2032. The loan is collateralized with the building and improvements made.

See Independent Auditors' Report.

(5) NOTE PAYABLE, CONTINUED

The following is a summary of the note payable transactions of the Authority for the years ended June 30:

	USDA Loan Payable 2012	USDA Loan Payable 2011
Balance, beginning of year	$ 79,097	81,315
Repayments	(2,232)	(2,218)
Balance, end of year	$ 76,865	79,097

The annual debt service requirements for retirement of the USDA loan principal and payment of interest are as follows:

Year Ending June 30,	Principal	Interest	Total
2013	$ 2,434	3,398	5,832
2014	2,545	3,287	5,832
2015	2,662	3,170	5,832
2016	2,776	3,056	5,832
2017	2,912	2,920	5,832
2018–2022	16,688	12,472	29,160
2023–2027	20,891	8,269	29,160
2028–2032	25,957	3,006	28,963
	$ 76,865	39,578	116,443

Interest expense paid on the note payable during the current fiscal year totaled $3,600.

In accordance with the USDA loan agreement, the Authority is required to set aside $5,832 (approximately one year's debt service) into a separate cash account. No additional deposits to the account are required except to replace any withdrawals. As of June 30, 2012 and 2011, the reserve account had a balance of $5,520 and $4,921, respectively, which resulted in a deficiency of $312 and $911, respectively.

(6) SUMMARY OF GRANT FUNDING

Grant funding for the year ended June 30, 2012, was derived from the following:

Funding Source	Grant Period	Total Grant	Prior Year Recognized Support	Current Year Recognized Support	Total Grant Remaining
Oklahoma Department of Mental Health and Substance Abuse Services:					
Substance Abuse and Prevention Block Grant	7/1/10 to 6/30/11	$ 835,275	763,890	71,385	-
Substance Abuse and Prevention Block Grant	7/1/11 to 6/30/12	829,515	-	758,130	71,385
U.S. Department of Housing and Urban Development:					
2010 Supportive Housing Program Grant	3/31/11 to 3/31/12	224,440	37,486	186,954	-
2011 Supportive Housing Program Grant	3/31/12 to 3/31/13	224,440	-	38,341	186,099
Total grant funding				$ 1,054,810	257,484

(7) EMPLOYEE BENEFIT PLAN

As of February 1, 2002, the Authority adopted a cafeteria plan (the "Plan"), within the context of Section 125 of the Internal Revenue Code, for the benefit of eligible employees. All employees of the Authority are eligible to participate in the Plan the first day of the month following 30 days of employment.

Benefits offered under the Plan include group medical coverage, vision care coverage, short-term disability income, cancer insurance, group dental coverage, group term life insurance, intensive care insurance, accident insurance, hospital indemnity insurance, and specified health event. The maximum amount of pre-tax premiums a participant can contribute is the aggregate cost of the applicable benefit plans or policies selected minus any nonelective contribution made by the employer.

(8) RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; employee health and life; and natural disasters. The Authority maintains insurance coverage for these risks.

(9) COMMITMENTS AND CONTINGENCIES

Litigation

The nature of the Authority's business may result in claims and litigation alleging that the Authority is liable for damages arising from the conduct of its employees or others. In the opinion of management, there are no pending legal proceedings that would have a material effect on the financial position or results of operations of the Authority.

During 2009, the administrator of the estate of a former employee filed a claim against the Authority for wrongful termination and other allegations. In the opinion of management, any resulting litigation will not have a material effect on the statements of net assets or changes in net assets of the Authority.

Leases

During the normal course of business, the Authority has entered into various equipment leases. The minimum annual charges on the leases are approximately $5,900, with additional charges based on usage. During fiscal year 2012 and 2011, the expenses related to these leases approximated $7,100 and $6,800, respectively.

Grants

In the normal course of operations, the Authority receives grant funds from various federal and state agencies. The grant programs are subject to audit by the agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. In management's opinion, any liability for reimbursement which may arise as the result of these audits is not believed to be material.

WAYNOKA MENTAL HEALTH AUTHORITY

REPORTS AND SCHEDULES REQUIRED BY *GOVERNMENT AUDITING STANDARDS* AND OMB CIRCULAR A-133

WAYNOKA MENTAL HEALTH AUTHORITY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS—MODIFIED CASH BASIS

Year Ended June 30, 2012

Federal Grantor/Program Through Grantor Program Title	Federal CFDA #	Grant Revenues	Grant Expenditures
U.S. Department of Health and Human Services			
Pass-through the Oklahoma Department of Mental Health and Substance Abuse Services:			
Substance Abuse and Prevention Block Grant	93.959	$ 829,515	829,515
Total U.S. Department of Health and Human Services		829,515	829,515
U.S. Department of Housing and Urban Development [1]			
2010 Supportive Housing Program Grant	14.235	186,954	186,954
2011 Supportive Housing Program Grant	14.235	38,341	38,341
Total U.S. Department of Housing and Urban Development		225,295	225,295
TOTAL FEDERAL AWARD PROGRAMS		$ 1,054,810	1,054,810

(1) Monies received from the Substance Abuse and Prevention Block Grant were used to satisfy the matching requirement of this grant.

Other Notes:
The schedule of expenditures of federal awards has been prepared on the modified cash basis of accounting.

See Independent Auditors' Report.

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 Trustees
Waynoka Mental Health Authority

We have audited the financial statements of the Waynoka Mental Health Authority (the "Authority"), a component unit of the City of Waynoka, Oklahoma, as of and for the year ended June 30, 2012, and have issued our report thereon dated February 11, 2013. Our report includes an explanatory paragraph noting that the financial statements were prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States. 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 Authority is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Authority'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 Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority'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 entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of the 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.

(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 Authority'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.*

We noted certain matters that we reported to management of the Authority in a separate letter dated February 11, 2013.

This report is intended solely for the information and use of the Board of Trustees, management, 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.

Finley & Cook, PLLC

Shawnee, Oklahoma
February 11, 2013

FINLEY&COOK
CERTIFIED PUBLIC ACCOUNTANTS

REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of Trustees
Waynoka Mental Health Authority

Compliance

We have audited the compliance of the Waynoka Mental Health Authority (the "Authority"), a component unit of the City of Waynoka, Oklahoma, with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012. The Authority's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Authority's management. Our responsibility is to express an opinion on the Authority's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Authority's compliance with those requirements.

In our opinion, the Authority complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

(Continued)

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REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133, CONTINUED

Internal Control Over Compliance

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Authority's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance 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 compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Board of Trustees, management, 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.

Finley + Cook, PLLC

Shawnee, Oklahoma
February 11, 2013

SECTION I—SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued:	**Unqualified**
Internal control over financial reporting:	
Material weakness(es) identified?	☐ **Yes** ☑ **None Noted**
Significant deficiency(ies) identified that are not considered to be material weakness(es)?	☐ **Yes** ☑ **None Reported**
Noncompliance material to financial statements noted?	☐ **Yes** ☑ **None Noted**

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	☐ **Yes** ☑ **None Noted**
Significant deficiency(ies) identified that are not considered to be material weakness(es)?	☐ **Yes** ☑ **None Reported**
Type of auditors' report issued on compliance for the major programs:	**Unqualified**
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?	☐ **Yes** ☑ **No**

Identification of major programs:

Federal CFDA#	Name of Federal Program
14.235	**Supportive Housing Program Grant**
93.959	**Substance Abuse and Prevention Block Grant**

Dollar threshold used to distinguish between Type A and Type B programs:	**$300,000**
Auditee qualified as low-risk auditee?	☐ **Yes** ☑ **No**

SECTION II—FINDINGS—FINANCIAL STATEMENTS AUDIT

None noted.

SECTION III—FINDINGS AND QUESTIONED COSTS— MAJOR FEDERAL AWARD PROGRAMS AUDIT

None noted.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

June 30, 2012

There were no findings or questioned costs noted in the audit report for the year ended June 30, 2011.

WAYNOKA MENTAL HEALTH AUTHORITY

SUPPLEMENTARY INFORMATION

FINLEY & COOK
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION

Board of Trustees
Waynoka Mental Health Authority

We have audited the modified cash basis financial statements of the Waynoka Mental Health Authority as of and for the year ended June 30, 2012, and our report thereon dated February 11, 2013, which expressed an unqualified opinion on those modified cash basis financial statements, appears on page 1. Our audit was conducted for the purpose of forming an opinion on the modified cash basis financial statements as a whole. The schedule of allocated expenses—modified cash basis is presented for purposes of additional analysis and is not a required part of the modified cash basis financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the modified cash basis financial statements. The information, except for that portion marked "unaudited" on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the modified cash basis financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the modified cash basis financial statements or to the modified cash basis financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, that information is fairly stated in all material respects in relation to the modified cash basis financial statements as a whole. The information marked "unaudited" has not been subjected to the auditing procedures applied in the audit of the modified cash basis financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Finley & Cook, PLLC

Shawnee, Oklahoma
February 11, 2013

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WAYNOKA MENTAL HEALTH AUTHORITY

SCHEDULE OF ALLOCATED EXPENSES—MODIFIED CASH BASIS

June 30, 2012

	(Unaudited) Allocation*		
	Administrative	Program	Total
Salaries and payroll taxes	$ 630,495	129,138	759,633
Professional fees	21,133	4,329	25,462
Insurance	49,488	10,136	59,624
Advertising	3,316	679	3,995
Lease	5,863	1,201	7,064
Consulting and contract labor	4,972	1,018	5,990
Food expense	52,072	10,665	62,737
Treatment materials	8,054	1,650	9,704
Supplies	19,379	3,969	23,348
Dues and subscriptions	3,017	618	3,635
Postage and freight	1,274	261	1,535
Drug tests	3,589	735	4,324
Travel and training	13,776	2,821	16,597
Maintenance and repairs	45,070	9,231	54,301
Vehicle expense	10,354	2,121	12,475
Utilities	34,833	7,135	41,968
Other	1,868	382	2,250
Depreciation	31,596	6,472	38,068
Total operating expenses	$ 940,149	192,561	1,132,710

* Management allocated expenses between administrative costs and program costs based on function and payroll costs.

See Independent Auditors' Report on Supplementary Information.