Central Oklahoma Master Conservancy District

Financial Statements

June 30, 2013 and 2012
(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

Report on the Financial Statements

We have audited the accompanying financial statements of the Central Oklahoma Master Conservancy District (the "District"), which comprise the statements of net position as of June 30, 2013 and 2012, and the related statements of revenues, expenses, and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

(Continued)

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INDEPENDENT AUDITORS' REPORT, CONTINUED

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, 2013 and 2012, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States.

Emphasis of Matter

As discussed in Note 1 to the financial statements, in 2013 the District adopted new accounting guidance, Statement No. 63 of the Governmental Accounting Standards Board, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. Our opinion is not modified with respect to this matter.

Other Matters

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 audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 21, 2013, 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* in considering the District's internal control over financial reporting and compliance.

Finley & Cook, PLLC

Shawnee, Oklahoma
November 21, 2013

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, 2013 and 2012. Please read it in conjunction with the financial statements which follow this section. The following tables summarize the net position and changes in net position of the District for 2013 and 2012.

Statements of Net Position

	June 30, 2013	June 30, 2012
Assets		
Current assets	$ 3,781,805	3,410,843
Capital assets, net	9,531,123	9,454,525
Other noncurrent assets	2,836,178	3,381,378
Total assets	$ 16,149,106	16,246,746
Liabilities		
Current liabilities	$ 823,642	883,536
Long-term debt, less current maturities	2,634,659	3,183,920
Total liabilities	3,458,301	4,067,456
Net Position		
Invested in capital assets, net	6,347,203	5,736,422
Unrestricted	6,293,602	6,392,868
Restricted	50,000	50,000
Total net position	12,690,805	12,179,290
Total liabilities and net position	$ 16,149,106	16,246,746

Statements of Revenues, Expenses, and in Changes Net Position

	Years Ended June 30, 2013	2012
Operating revenues:		
Operations and maintenance	$ 1,907,409	1,585,226
Electric power	528,957	597,694
Total operating revenues	2,436,366	2,182,920
Operating expenses:		
Pumping power	539,428	577,474
Salaries and benefits	590,289	507,497
Other operating expenses	790,357	645,480
Total operating expenses	1,920,074	1,730,451
Operating income	516,292	452,469
Non-operating expense	(4,777)	(218,014)
Changes in net position	511,515	234,455
Net position, beginning of year	12,179,290	11,944,835
Net position, end of year	$ 12,690,805	12,179,290

Overview of the Financial Statements

The three financial statements are as follows:

- Statement of Net Position—This statement presents information reflecting the District's assets, liabilities, and net position. Net position represents the amount of total assets less total liabilities. The statement of net position 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 Position—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 position 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 $250,000 in 2013 compared to the prior year was due to a planned operating budget increase to continue funding water quality treatments and increased operating costs. The increase in total operating revenues of approximately $418,000 in 2012 compared to the prior year was due to a planned operating increase to fund a water reuse study and increased operating costs.

- The increase in total operating expenses of approximately $190,000 in 2013 compared to the prior year was due primarily to increases in water treatment and monitoring costs, maintenance costs, and employee retirement benefits of approximately $139,000, $47,000, and $50,000, respectively, offset by a reduction in professional services of $67,000. 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.

- Non-operating expenses decreased approximately $213,000 in 2013 compared to the prior year, mainly resulting from incurring the majority of the costs in 2012 to complete the water reuse study. 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. In 2013 and 2012, the District recognized approximately $122,000 and $141,000, 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 $150,000 from a matching grant with the U.S. Department of the Interior's Bureau of Reclamation to fund a water reuse study.

Capital Assets

As of June 30, 2013, the District had invested approximately $16,300,000 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, 2013, approximated $9,531,000. 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. 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 97 and 89 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, 2013, the District had approximately $1,947,000 payable to the U.S. Department of the Interior, compared to approximately $2,404,000 at June 30, 2012.

As of June 30, 2013 and 2012, the District had a note payable of approximately $1,237,000 and $1,314,000, 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:

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Telephone: 405-329-5228

CENTRAL OKLAHOMA MASTER CONSERVANCY DISTRICT

STATEMENTS OF NET POSITION

June 30,		*2013*	*2012*
Assets			
Current assets:			
Cash and cash equivalents	$	919,419	737,956
Investments		1,709,049	1,492,879
Assessments receivable—the Cities, current portion		470,283	456,940
Assessments receivable—the Cities—Energy Project, current portion		63,051	57,414
Accounts receivable		577,707	549,460
Due from grantor—Oklahoma Water Resources Board		-	4,534
Due from City of Norman—excess water		-	59,604
Accrued interest receivable		42,296	52,056
Total current assets		3,781,805	3,410,843
Noncurrent assets:			
Certificate of deposit		132,740	128,678
Restricted cash and cash equivalents		50,000	50,000
Prepaid expenses and other deposits		18,780	18,780
Assessments receivable—the Cities		1,476,735	1,947,018
Assessments receivable—the Cities—Energy Project		1,157,923	1,236,902
Capital assets, net		9,531,123	9,454,525
Total noncurrent assets		12,367,301	12,835,903
Total assets	$	16,149,106	16,246,746

(Continued)

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

CENTRAL OKLAHOMA MASTER CONSERVANCY DISTRICT

STATEMENTS OF NET POSITION, CONTINUED

June 30,	*2013*	*2012*
Liabilities and Net Position		
Current liabilities:		
Accounts payable	$ 208,253	215,940
Due to the Cities of Del City and Midwest City— excess water	-	59,604
Compensated absences payable	17,052	14,696
Accrued interest payable	49,076	59,113
Long-term debt, current portion	549,261	534,183
Total current liabilities	823,642	883,536
Long-term debt, less current maturities	2,634,659	3,183,920
Total liabilities	3,458,301	4,067,456
Net position:		
Invested in capital assets, net	6,347,203	5,736,422
Unrestricted	6,293,602	6,392,868
Restricted	50,000	50,000
Total net position	12,690,805	12,179,290
Total liabilities and net position	$ 16,149,106	16,246,746

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

CENTRAL OKLAHOMA MASTER CONSERVANCY DISTRICT

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

Years Ended June 30,	*2013*	*2012*
Operating revenues:		
Operations and maintenance	$ 1,907,409	1,585,226
Electric power	528,957	597,694
Total operating revenues	2,436,366	2,182,920
Operating expenses:		
Salaries and benefits	590,289	507,497
Maintenance	178,383	131,228
Utilities	18,041	15,922
Insurance and bond	54,351	55,228
Administrative supplies	12,058	12,546
Professional services	64,151	131,256
Pumping power	539,428	577,474
Water treatment and monitoring	138,654	-
Depreciation	324,719	299,300
Total operating expenses	1,920,074	1,730,451
Operating income	516,292	452,469
Non-operating income and expense:		
ARRA—Green Project grant revenue	121,527	141,343
Grant revenue—water reuse study	-	150,000
Investment and interest income	114,293	140,857
Interest expense	(90,761)	(104,278)
ARRA—Green Project operating expense	(121,527)	(141,343)
Water reuse study expense	(53,307)	(409,559)
Other, net	24,998	4,966
Total non-operating expense	(4,777)	(218,014)
Changes in net position	511,515	234,455
Net position, beginning of year	12,179,290	11,944,835
Net position, end of year	$ 12,690,805	12,179,290

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,	*2013*	*2012*
Cash flows from operating activities:		
Cash received from assessments to the Cities	$ 2,408,119	2,095,745
Cash payments for goods and services	(1,012,753)	(859,357)
Cash payments for salaries and benefits	(587,933)	(509,391)
Net cash provided by operating activities	807,433	726,997
Cash flows from capital, noncapital, and related financing activities:		
Acquisition and development of capital assets	(401,317)	(477,415)
Proceeds from sale of capital assets	-	750
Repayment of debt obligations	(534,183)	(517,959)
Interest paid	(100,798)	(115,219)
Proceeds from ARRA—Green Project grant revenue	126,061	156,231
ARRA—Green Project operating expense	(121,527)	(206,669)
Water reuse study, net	(53,307)	(259,559)
Other	24,998	13,534
Net cash used in capital, noncapital, and related financing activities	(1,060,073)	(1,406,306)
Cash flows from investing activities:		
Principal received on assessments receivable	530,282	518,877
Interest received	168,878	149,900
Purchase of investments	(660,995)	(1,495,443)
Redemption of investments	400,000	-
Purchase of a certificate of deposit	(4,062)	(3,948)
Net cash provided by (used in) investing activities	434,103	(830,614)
Net increase (decrease) in cash and cash equivalents	181,463	(1,509,923)
Cash and cash equivalents at beginning of year	787,956	2,297,879
Cash and cash equivalents at end of year	$ 969,419	787,956

(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,		*2013*	*2012*
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	$	516,292	452,469
Depreciation		324,719	299,300
Change in operating assets and liabilities:			
Accounts receivable		(28,247)	(87,175)
Accounts payable		(7,687)	64,297
Compensated absences payable		2,356	(1,894)
Net cash provided by operating activities	$	807,433	726,997
Reconciliation of cash and cash equivalents to the statements of net position:			
Cash and cash equivalents classified as current assets	$	919,419	737,956
Cash and cash equivalents classified as noncurrent assets		50,000	50,000
	$	969,419	787,956

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.

Financial Statement Presentations

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

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.

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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 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*. Therefore, the District has not accounted for and reported its right-of-way intangible assets.

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.

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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.

Equity Classifications

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

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

Restricted—Consists of net position with constraints placed on the use either by i) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or ii) law through constitutional provisions or enabling legislation.

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

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.

(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. At June 30, 2013, there were no grants receivable.

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 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 were effective for financial statements for periods beginning after December 15, 2011. The District adopted GASB 63 on July 1, 2012. The adoption of GASB 63 required the District to adopt the term "net position" as required. In addition, as required by GASB 63, the District determined that as of June 30, 2013 and 2012, there were no items of deferred outflows of resources or deferred inflows of resources, as presently defined, to be reported.

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Recent Accounting Pronouncements, Continued

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 recognizes 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. The District has not determined the effects of implementing GASB 65.

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. The District has not determined the effects of implementing GASB 68.

Date of Management's Review of Subsequent Events

Management has evaluated subsequent events through November 21, 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 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.

(2) CASH AND CASH EQUIVALENTS AND INVESTMENTS, CONTINUED

Custodial Credit Risk—Deposits, Continued

As of June 30, 2013 and 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 fair value of investments pledged to secure deposits approximated $1,065,000 and $1,004,000 at June 30, 2013 and 2012, respectively. The pledged investments consisted of mortgage-backed securities guaranteed by the U.S. government.

Custodial Credit Risk—Investments

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

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 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, 2013 and 2012, the investment balances of approximately $1,709,000 and $1,493,000, respectively, were uncollateralized. At June 30, 2013 and 2012, the District also had approximately $78,000 and $63,000, respectively, in two money market accounts 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 position. 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.

(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, the District had the following investments and maturities:

2013	Investment Maturities (in Years)			
Investment Type	Less than 1	1 or More, Less than 5	5 or More	Fair Value
Corporate bonds—domestic	$ -	-	1,709,049	1,709,049

2012	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

See Independent Auditors' Report.

(2) CASH AND CASH EQUIVALENTS AND INVESTMENTS, CONTINUED

Interest Rate Risk and Credit Risk, Continued

The following table provides information concerning credit risk at June 30, 2013:

S&P 500 Rating		Fair Value	Percentage of Total Fixed Income Investments at Fair Value
AA+	$	294,339	17%
AA-		292,275	17%
A+		242,903	14%
A-		879,532	52%
	$	1,709,049	100%

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, 2013 and 2012, was fully insured by the FDIC, matures on February 18, 2015, and has an interest rate of 3.12%

See Independent Auditors' Report.

(3) CAPITAL ASSETS

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

	Balance at June 30, 2012	Additions	Retirements	Transfers	Balance at June 30, 2013
Capital assets not being depreciated:					
Dam and reservoir	$ 4,605,177	-	-	-	4,605,177
Land improvements	-	-	-	38,375	38,375
Construction in progress:					
Land improvements	38,375	-	-	(38,375)	-
Total capital assets not being depreciated	4,643,552	-	-	-	4,643,552
Other capital assets:					
Vehicles	396,319	30,951	-	-	427,270
Pipelines	3,402,226	328,797	-	-	3,731,023
Pumping plant	1,593,952	-	-	-	1,593,952
Office equipment	76,893	7,599	-	-	84,492
Buildings and structures	1,190,454	6,800	-	-	1,197,254
Energy Project equipment	2,536,613	-	-	-	2,536,613
Fencing and equipment	2,060,135	27,170	-	-	2,087,305
Total other capital assets	11,256,592	401,317	-	-	11,657,909
Accumulated depreciation:					
Vehicles	(183,441)	(39,844)	-	-	(223,285)
Pipelines	(3,402,226)	(2,740)	-	-	(3,404,966)
Pumping plant	(1,550,372)	(2,356)	-	-	(1,552,728)
Office equipment	(48,836)	(8,374)	-	-	(57,210)
Buildings and structures	(192,567)	(45,412)	-	-	(237,979)
Energy Project equipment	(380,493)	(126,831)	-	-	(507,324)
Fencing and equipment	(687,684)	(99,162)	-	-	(786,846)
Total accumulated depreciation	(6,445,619)	(324,719)	-	-	(6,770,338)
Capital assets, net	$ 9,454,525	76,598	-	-	9,531,123

See Independent Auditors' Report.

(3) CAPITAL ASSETS, CONTINUED

	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.

(4) LONG-TERM DEBT

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

	Balance at June 30, 2012	Additions	Reductions	Balance at June 30, 2013	Amounts Due Within 1 Year
U.S. Department of the Interior contract payable	$ 2,403,958	-	(456,940)	1,947,018	470,282
Drinking Water SRF note payable	1,314,145	-	(77,243)	1,236,902	78,979
	$ 3,718,103	-	(534,183)	3,183,920	549,261

	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

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, 2013 and 2012, the District had the necessary $50,000 of restricted funds set aside for maintenance and operations.

(4) LONG-TERM DEBT, CONTINUED

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. Semiannual 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, 2013, 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
2014	$ 635,341	86,080	549,261
2015	635,681	72,658	563,023
2016	635,318	57,226	578,092
2017	624,740	41,218	583,522
2018	111,530	25,049	86,481
2019–2023	551,412	87,347	464,065
2024–2027	380,004	20,528	359,476
	$ 3,574,026	390,106	3,183,920

(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, 2013 and 2012, was $1,947,018 and $2,403,958, respectively.

See Independent Auditors' Report.

(5) ASSESSMENTS RECEIVABLE, CONTINUED

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, 2013 and 2012, was $1,220,974 and $1,294,316, respectively.

(6) RETIREMENT PLANS

Defined Benefit Pension 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.

Funding Policy

The District's participating employees are required to contribute 6.0% of their final average annual compensation to the defined benefit pension plan. The District is required to contribute an actuarially determined rate; the rate for the years ended June 30, 2013 and 2012, was 36.7% and 36.9%, respectively, 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.

(6) RETIREMENT PLANS, CONTINUED

Defined Benefit Pension Plan, Continued

Actuarial Annual Pension Cost

For 2013 and 2012, the District's annual pension cost was $88,400 and $90,579, respectively, and the actual pension contribution was $91,392 and $90,593, respectively, including employee required contributions of $12,815 and $12,717, respectively. 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 Contributed	Net Pension Obligation
2011	$ 78,637	111%	109
2012	90,579	100%	95
2013	88,400	103%	-

Funded Status and Funding Progress

As of January 1, 2013, the District's funded status of the OMRF was as follows:

Actuarial accrued liability (AAL)	$ 1,559,822
Actuarial value of assets	938,697
Unfunded actuarial accrued liability (UAAL)	621,125
Funded ratio (actuarial value of assets/AAL)	60.2%
Annual covered payroll (active plan members)	213,586
UAAL as a percentage of annual covered payroll	290.8%

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.

See Independent Auditors' Report.

(6) RETIREMENT PLANS, CONTINUED

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 General Manager and contains a provision requiring the District to contribute up to 15% of the General Manager's eligible compensation. For the years ended June 30, 2013 and 2012, the District contributed approximately $18,000 and $17,000, 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 2013 and 2012 approximated $3,100 and $3,900, respectively.

(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").

(7) AMERICAN RECOVERY AND REINVESTMENT ACT OF 2009 AWARD, CONTINUED

Under the terms of the funding agreement, the District was obligated to operate the project for 2 years after the system was constructed and installed. 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 was through the OWRB's Clean Water State Revolving Fund Loan Account and was 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 was in material compliance with the terms of the funding agreement. Therefore, the District treated the funding agreement as a grant rather than a loan, whereby, the funds received under the agreement were treated as grant revenue, rather than as borrowings under a debt obligation. In 2013 and 2012, the District incurred $121,527 and $141,343, respectively, of costs under the program. The District recognized $121,527 and $141,343 in 2013 and 2012, respectively, in grant revenues related to the program. As of June 30, 2013, the District had no remaining funds available under the grant.

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. In 2013 and 2012, the District incurred $53,307 and $409,559, respectively, of costs under the program. In 2012, the District recognized $150,000 in grant revenues related to the program. No additional grant revenues were available or recognized in 2013.

The grant is 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, 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 during 2013, 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.

See Independent Auditors' Report.

CENTRAL OKLAHOMA MASTER CONSERVANCY DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

CENTRAL OKLAHOMA MASTER CONSERVANCY DISTRICT

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

June 30, 2013

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)
1/1/2013	**$ 938,697**	**1,559,822**	**621,125**	**60.2%**	**213,586**	**290.8%**
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%

See Independent Auditors' Report.

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

June 30, 2013

Condition Rating of Infrastructure Assets

	Years Ended June 30,		
	2012	2011[a]	2009
Infrastructure assets (dam and reservoir)	97	89	95

[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 comprehensive condition assessment in September 2013; however, the report has not yet been issued.

Estimate-to-Actual Comparison of Maintenance of Infrastructure Assets

	Years Ended June 30,				
	2013	2012	2011	2010	2009
Estimate	$ 55,000	50,000	77,000	76,844	75,503
Actual	135,437	86,416	118,752	83,213	68,935

See Independent Auditors' Report.

CENTRAL OKLAHOMA MASTER CONSERVANCY DISTRICT

REPORT AND SCHEDULES REQUIRED BY
GOVERNMENT AUDITING STANDARDS

FINLEY & COOK
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' 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, in accordance with the 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, the financial statements of the Central Oklahoma Master Conservancy District (the "District") as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 21, 2013. Our report includes an explanatory paragraph disclaiming an opinion on required supplementary information and an explanatory paragraph emphasizing the adoption of Governmental Accounting Standards Board Statement No. 63 by the District.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

(Continued)

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

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Finley & Cook, PLLC

Shawnee, Oklahoma
November 21, 2013

SCHEDULE OF FINDINGS AND RESPONSES

Year Ended June 30, 2013

None noted.

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.

2013 Follow-Up:

The District has a Board member who is a CPA and who has the necessary expertise to assist the District in this area. The respective Board member was involved in reviewing a draft of the 2013 financial statements prior to their issuance.