

**EAST CENTRAL OKLAHOMA  
GAS AUTHORITY**

**AUDITED FINANCIAL STATEMENTS**

**APRIL 30, 2013 AND 2012**



**EAST CENTRAL OKLAHOMA GAS AUTHORITY**  
**APRIL 30, 2013 AND 2012**

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# PRZYBYSZ

& ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A Professional Corporation

## **Independent Auditor's Report**

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To the Board of Directors  
East Central Oklahoma Gas Authority  
Gore, Oklahoma

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the East Central Oklahoma Gas Authority, (the Authority), as of and for the years ended April 30, 2013 and 2012, and the related notes to the financial statements, which collectively, comprise the Authority's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Authority'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 Authority'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 account estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the East Central Oklahoma Gas Authority as of April 30, 2013 and 2012, and the respective changes in financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matters***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 and 6 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 supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the 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 July 15, 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 or on 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 Authority's internal control over financial reporting and compliance.



**Przybysz & Associates, CPAs, P.C.  
Fort Smith, Arkansas  
July 15, 2013**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**EAST CENTRAL OKLAHOMA GAS AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED APRIL 30, 2013**

The discussion and analysis of East Central Oklahoma Gas Authority's financial performance provides an overview and analysis of the Authority's financial activities for the fiscal year ended April 30, 2013. It should be read in conjunction with the accompanying transmittal letter and the accompanying basic financial statements.

**FINANCIAL HIGHLIGHTS**

- The Authority ended the year April 30, 2013 with a net asset balance of \$540,722 .
- The change in net assets or net income of the Authority was an increase of \$70,653.
- The statement of cash flows identifies sources and uses of cash activity for the fiscal year. For fiscal year 2013, cash and cash equivalents increased by \$48,152. Cash provided from the day to day operations totaled \$79,001. Furthermore, cash used by capital and related financing activities resulted in a decrease of \$31,749. This was the result of cash used to acquire fixed assets of \$11,794 and cash used to service debt of \$19,955.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This financial report consists of the following parts: Management's Discussion and Analysis and Basic Financial Statements. The financial statements include notes which explain in detail some of the information included in the basic financial statements.

**REQUIRED FINANCIAL STATEMENTS**

The Financial Statements of the Authority report information utilizing the full accrual basis of accounting. The Financial Statements conform to accounting principles which are generally accepted in the United States of America. The Statement of Net Position includes information on the Authority's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to Authority creditors (liabilities). The Statement of Revenue, Expenses and Changes in Net Position identifies the Authority's revenues and expenses for the calendar year ended April 30, 2013. This statement provides information on the Authority's operations over the past fiscal year and can be used to determine whether the Authority has recovered all of its actual and projected costs through user fees and other charges. The third financial statement is the Statements of Cash Flows. This statement provides information on the Authority's cash receipts, cash payments and changes in cash resulting from operations, investments and financing activities. The net result of these activities added to the beginning of the year cash balance total to the cash equivalent balance at the end of the current calendar year.

**EAST CENTRAL OKLAHOMA GAS AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED APRIL 30, 2013**

**CONDENSED FINANCIAL INFORMATION**

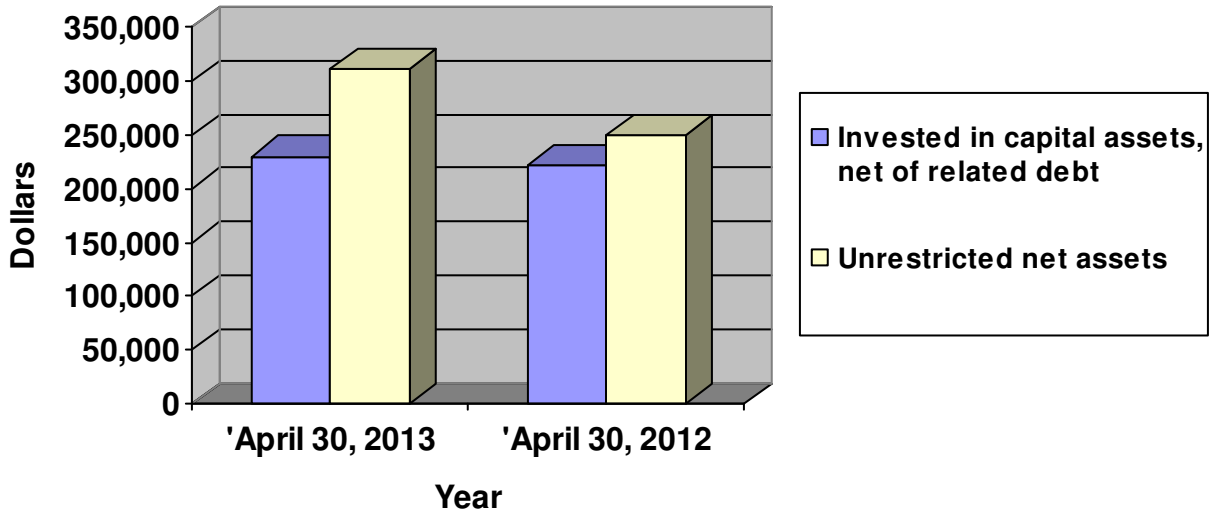
Condensed financial information from the statement of net assets as of April 30, 2013 and 2012, as well as the statement of revenues, expenses and changes in net assets for the years then ended are as follows:

	<b>April 30, 2013</b>	<b>April 30, 2012</b>
Current assets	\$ 366,432	\$ 310,583
Capital assets, net	402,913	414,085
Other Assets	75	75
Total assets	<u>769,420</u>	<u>724,743</u>
Current liabilities	75,713	81,734
Long-term debt	152,985	172,940
Total liabilities	<u>228,698</u>	<u>254,674</u>
Net assets:		
Invested in capital assets, net of related debt	229,973	221,190
Restricted	0	0
Unrestricted	310,749	248,879
Total net assets	<u>\$ 540,722</u>	<u>\$ 470,069</u>
Operating revenues	<u>\$ 352,553</u>	<u>\$ 307,582</u>
Operating expenses, excluding depreciation	259,701	280,141
Depreciation	22,966	19,473
Total operating expenses, including depreciation	<u>282,667</u>	<u>299,614</u>
Operating income	69,886	7,968
Nonoperating revenues and (expenses)	<u>767</u>	<u>1,099</u>
Change in net assets	70,653	9,067
Beginning of year net assets	<u>470,069</u>	<u>461,002</u>
End of year net assets	<u>\$ 540,722</u>	<u>\$ 470,069</u>

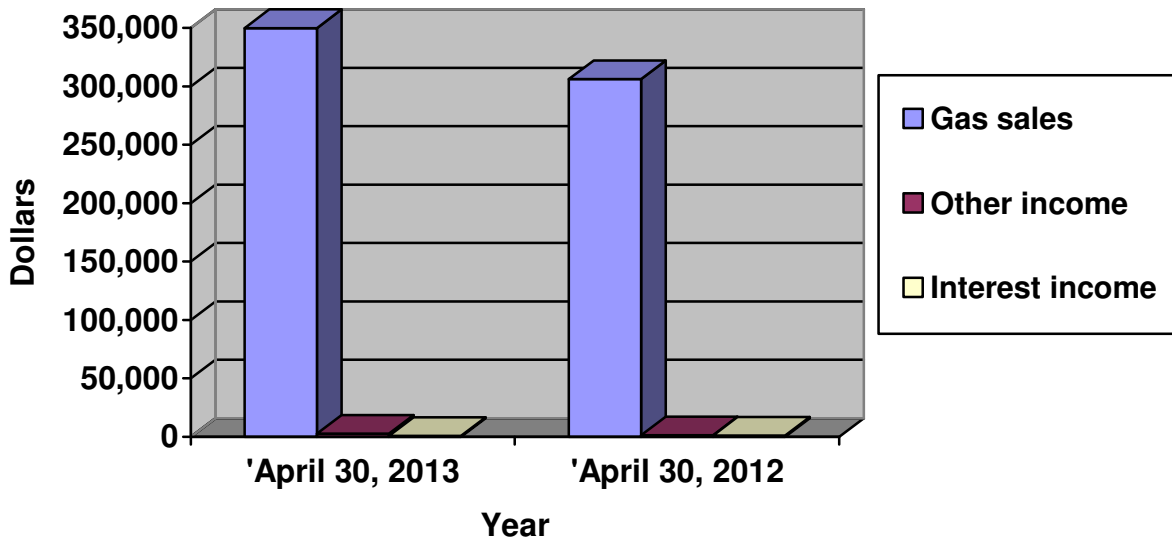
**EAST CENTRAL OKLAHOMA GAS AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED APRIL 30, 2013**

**CONDENSED FINANCIAL INFORMATION (CONTINUED)**

**Classifications of net assets presented in graph format**



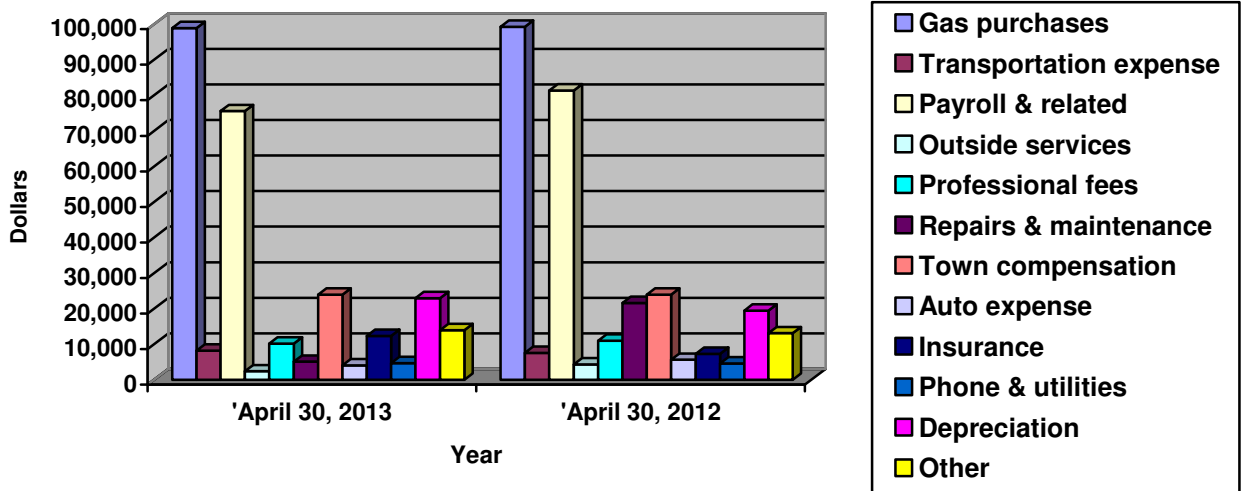
**Revenues of the Authority presented in a graph format**





**EAST CENTRAL OKLAHOMA GAS AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED APRIL 30, 2013**

**Expenses of the Authority presented in graph format**



**CAPITAL ASSETS**

The Authority's capital assets as of April 30, 2013 totaled \$402,913 (net of accumulated depreciation). This investment in capital assets includes buildings, utility property and transportation equipment. Major additions to the Authority's fixed assets were \$6,304 for the cost of rebuilt meters and \$5,490 for chain link fencing around the substations.

**LONG-TERM DEBT**

As of April 30, 2013, the Authority had \$172,940 in outstanding debt compared to \$192,895 as of April 30, 2012. The net decrease was the result of scheduled principal payments on the loan with the State of Oklahoma.

**ADDITIONAL FINANCIAL INFORMATION**

This financial report is designed to provide the Authority's customers, investors and other interested parties with an overview of the Authority's financial operations and financial condition. Should the reader have questions regarding the information included in this report or need additional financial information, please contact the Authority's administrator at P.O. Box 776, Gore, Oklahoma 74435.

**FINANCIAL STATEMENTS**

# EAST CENTRAL OKLAHOMA GAS AUTHORITY

## STATEMENT OF NET POSITION

AS OF APRIL 30,	2013	2012
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 227,217	\$ 179,065
Restricted checking account	5,554	6,451
Certificate of deposit	102,751	101,987
Accounts receivable, net of allowance for doubtful accounts	29,866	21,071
Prepaid insurance	1,044	2,009
<b>Total Current Assets</b>	<b>366,432</b>	<b>310,583</b>
<b>Noncurrent Assets</b>		
Buildings	43,890	43,890
Furniture and Equipment	1,493	1,493
Utility property	906,366	894,572
Transportation equipment	11,000	11,000
Total	962,749	950,955
Less: accumulated depreciation	559,836	536,870
<b>Net Capital Assets</b>	<b>402,913</b>	<b>414,085</b>
<b>Other Assets</b>		
Deposits	75	75
<b>Total Other Assets</b>	<b>75</b>	<b>75</b>
<b>Total Assets</b>	<b>769,420</b>	<b>724,743</b>
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Accounts payable	25,311	30,420
Payroll taxes payable	1,856	2,626
Sales tax payable	1,949	1,091
Utility deposits	26,642	27,642
Current maturity of long-term debt	19,955	19,955
<b>Total Current Liabilities</b>	<b>75,713</b>	<b>81,734</b>
<b>Long-term debt</b>	<b>152,985</b>	<b>172,940</b>
<b>Total liabilities</b>	<b>228,698</b>	<b>254,674</b>
<b>Net Position</b>		
Net investment in capital assets	229,973	221,190
Restricted	-	-
Unrestricted	310,749	248,879
<b>Total Net Position</b>	<b>\$ 540,722</b>	<b>\$ 470,069</b>

See accompanying notes.

# EAST CENTRAL OKLAHOMA GAS AUTHORITY

## STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

FOR THE YEARS ENDED APRIL 30,	2013	2012
<b>Operating Revenue</b>		
Gas sales, net of bad debts	\$ 349,934	\$ 306,291
Other Income	2,619	1,291
<b>Total Operating Revenue</b>	<b>352,553</b>	<b>307,582</b>
<b>Operating Expenses</b>		
Gas purchases	98,954	99,311
Transportation expense	8,251	7,598
Wages	65,651	69,711
Outside services	2,405	4,354
Professionals fees	10,220	11,002
Auto expense	4,094	5,660
Advertising	2,177	988
Repairs & maintenance	5,111	21,640
Insurance	12,351	7,344
Employee benefits	4,468	5,867
Phone and utilities	4,684	4,652
Office expense	5,865	5,734
Miscellaneous expense	961	320
Fees and dues	1,240	1,935
Travel	577	1,973
Operating supplies	1,665	219
Bank charges	944	1,169
Payroll taxes	5,501	5,870
Town compensation	24,000	24,000
Donations	582	794
Depreciation	22,966	19,473
<b>Total Operating Expenses</b>	<b>282,667</b>	<b>299,614</b>
<b>Net Operating Income</b>	<b>69,886</b>	<b>7,968</b>
<b>Nonoperating Revenue</b>		
Interest income	767	1,099
<b>Total Nonoperating Revenue</b>	<b>767</b>	<b>1,099</b>
<b>Change in Net Position</b>	<b>70,653</b>	<b>9,067</b>
<b>Beginning of Year Net Position</b>	<b>470,069</b>	<b>461,002</b>
<b>End of Year Net Position</b>	<b>\$ 540,722</b>	<b>\$ 470,069</b>

See accompanying notes.

# EAST CENTRAL OKLAHOMA GAS AUTHORITY

## STATEMENT OF CASH FLOWS

FOR THE YEARS ENDED APRIL 30,	2013	2012
<b>Cash Flows from Operations</b>		
Cash receipts from customers and other sources	\$ 343,615	\$ 315,209
Cash payments to suppliers for goods and services	(198,963)	(195,979)
Cash payments to employees for services	(65,651)	(69,711)
<b>Net Cash Provided by Operating Activities</b>	<b>79,001</b>	<b>49,519</b>
<b>Cash Flows from Capital and Related Financing Activities</b>		
Fixed asset additions	(11,794)	(17,417)
Principal paid on debt	(19,955)	(6,652)
<b>Net Cash Used By Capital and Related Financing Activities</b>	<b>(31,749)</b>	<b>(24,069)</b>
<b>Cash Flows from Investing Activities</b>		
Interest income	767	1,099
Net restricted cash activity	897	1,276
Reinvestment of certificate of deposit earnings	(764)	(1,091)
<b>Net Cash Provided By Investing Activities</b>	<b>900</b>	<b>1,284</b>
<b>Increase In Cash and Cash Equivalents</b>	<b>48,152</b>	<b>26,734</b>
<b>Cash and Cash Equivalents - beginning of year</b>	<b>179,065</b>	<b>152,331</b>
<b>Cash and Cash Equivalents - end of year</b>	<b>\$ 227,217</b>	<b>\$ 179,065</b>
<b>Reconciliation Of Operating Income To Net Cash Provided By Operating Activities</b>		
Operating income	\$ 69,886	\$ 7,968
Adjustments to reconcile net income to net cash from Operating activities:		
Depreciation	22,966	19,473
(Increase) decrease in:		
Accounts receivable	(8,795)	9,006
Prepaid insurance	965	(987)
Increase (decrease) in:		
Accounts payable	(5,108)	14,344
Payroll taxes payable	(771)	1,094
Sales tax payable	858	(94)
Customer deposits	(1,000)	(1,285)
<b>Net Cash Provided by Operating Activities</b>	<b>\$ 79,001</b>	<b>\$ 49,519</b>
<b>Supplemental Schedule of Noncash Financing and Investing Activities</b>		
Total fixed asset additions	\$ 11,795	\$ 216,964
Less, amounts financed directly through the State of Oklahoma	-	(199,547)
<b>Total cash spent for fixed asset additions</b>	<b>\$ 11,795</b>	<b>\$ 17,417</b>

See accompanying notes.

# **EAST CENTRAL OKLAHOMA GAS AUTHORITY**

## **NOTES TO FINANCIAL STATEMENTS**

**APRIL 30, 2013 AND 2012**

### **Nature of Business**

East Central Oklahoma Gas Authority (the Authority) is a public trust created May 25, 1963 under the provision of Title 60, Oklahoma statutes, Section 176 to 180. The beneficiaries of the trust are the Town of Webbers Falls and the Town of Gore. The primary purpose of the trust is to make available natural gas to the users in the Town of Webbers Falls and Gore, Oklahoma.

The Authority is governed by a five member board of trustees consisting of the Mayors of Gore and Webbers Falls plus one member from the Town Board of each town. The fifth trustee is appointed in even numbered years by the Town Board of Gore and in odd numbers years by the Town Board of Webbers Falls.

### **1. Summary of Significant Accounting Policies**

#### **a. Financial Reporting**

The accompanying financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting and reflect transactions on behalf of the the Authority. The Authority accounts for its operations as an enterprise fund.

The financial statements of the City have been prepared in accordance with generally accepted accounting principals (GAAP) in the United States. GAAP statements include all relevant Governmental Accounting Standards Board (GASB) pronouncements. The City implemented GASB Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-*November 30, 1989, FASB and AICPA Pronouncements*. This pronouncement incorporates the FASB, APB, and ARB pronouncements issued on or before November 30, 1989, which do not conflict with or contradict GASB pronouncements. The implementation of this pronouncement had no significant effect on the financial statements.

#### **b. Cash Equivalents**

For purposes of the statement of cash flows, the Authority considers all highly liquid debt instruments with a maturity of three months or less when purchased to be cash equivalents excluding restricted cash.

#### **c. Income Taxes**

The Authority is exempt from income taxes as a governmental agency.

# EAST CENTRAL OKLAHOMA GAS AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

APRIL 30, 2013 AND 2012

### 1. Summary of Significant Accounting Policies (continued)

#### d. Accounts Receivable

Management establishes an allowance for uncollectible accounts receivable based on historical collection experience and management's evaluation of the collectability of outstanding accounts receivable. The allowance for doubtful accounts was \$4,864 at April 30, 2013.

#### e. Capital Outlays and Depreciation

Capital outlays of the Authority are recorded at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Expenditures for maintenance, repairs and renewals of relatively minor items are charged to expense as incurred. The estimated useful lives of the assets are as follows:

	<u>Life</u>
Buildings	40 years
Utility property	10-50 years
Transportation equipment	5 years

It is the Authority's policy to capitalize assets purchased for \$500 or more and to expense assets purchased for less than \$500.

#### f. Estimates

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

#### g. Compensated Absences

The Authority provides its employees with vacation and sick leave which must be used during the year earned. The Authority records sick leave and vacation leave as an expense when the related time off is taken.

### 2. Restricted Funds

Restricted cash consists of the account maintained for customer deposits. The balance at April 30, 2013 was \$5,554, while the balance of customer deposits was \$26,642 leaving an unfunded balance of \$21,006.

# EAST CENTRAL OKLAHOMA GAS AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

APRIL 30, 2013 AND 2012

### 3. Cash Deposits

The Authority had deposits in one area bank which are classified as follows:

<b>As Of April 30, 2013</b>	Book Value	Bank Value
FDIC Insured	\$ 250,000	\$ 250,000
Uninsured and uncollateralized	85,522	88,116
<b>Total</b>	<b>\$ 335,522</b>	<b>\$ 338,116</b>

<b>As Of April 30, 2012</b>	Book Value	Bank Value
FDIC Insured	\$ 250,000	\$ 250,000
Uninsured and uncollateralized	39,611	37,503
<b>Total</b>	<b>\$ 289,611</b>	<b>\$ 287,503</b>

### 4. Capital Assets

Activity of capital assets consists of the following:

	May 1, 2012	Additions	Retirements	April 30, 2013
Buildings	\$ 43,890	\$ -	\$ -	\$ 43,890
Furniture & Equipment	1,493	-	-	1,493
Utility property	894,572	11,794	-	906,366
Transportation equipment	11,000	-	-	11,000
<b>Total</b>	<b>\$ 950,955</b>	<b>\$ 11,794</b>	<b>\$ -</b>	<b>\$ 962,749</b>

### 5. Long-Term Debt

<b>As Of April 30,</b>	<b>2013</b>	<b>2012</b>
Payable to the State of Oklahoma. Payments are made monthly in the amount of \$1,662.88 with 0% interest. The loan is unsecured and scheduled to mature December 2021.	\$ 172,940	\$ 192,895
<b>Total</b>	<b>172,940</b>	<b>192,895</b>
Less current maturities	19,955	19,955
<b>Long-Term Debt</b>	<b>\$ 152,985</b>	<b>\$ 172,940</b>



# EAST CENTRAL OKLAHOMA GAS AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

APRIL 30, 2013 AND 2012

### 5. Long-Term Debt (continued)

Debt is scheduled to mature as follows:

April 30,	Principal	Interest	Total
2014	\$ 19,955	\$ -	\$ 19,955
2015	19,955	-	19,955
2016	19,955	-	19,955
2017	19,955	-	19,955
2018	19,955	-	19,955
2019-2021	73,165	-	73,165
Total	\$ 172,940	\$ -	\$ 172,940

Activity of the long-term debt consists of the following:

As Of	May 1, 2012	Additions	Retirements	April 30, 2013
State of Oklahoma	\$ 192,895	\$ -	\$ 19,955	\$ 172,940
Total	\$ 192,895	\$ -	\$ 19,955	\$ 172,940

### 6. Pension Plan

Employees may participate in the Oklahoma Municipal Retirement Fund (the Fund). The Fund was established July 1, 1966 in order to provide a trust instrument for the administration of retirement allowances and other specified benefits for employees of City or Town governments and municipally owned hospitals in Oklahoma. The Fund is supervised by an eight member Board of Trustees elected by participating municipalities.

The Authority elected to join the Fund in April 2003. The Fund is joint contributory in nature with the Authority paying 6.73% at the beginning of the year, and 6.83% at the end of the year, of salary and the employee contributing 3.75%. An employee can retire with full benefits at age 65. Reduced benefits are available at earlier ages if certain minimum age and service requirements are met. Pension benefits depend on age, contributions by the Authority and employee, and length of service.

The Authority does not directly supervise the Fund. Control is indirect through the election of members of the Board of Trustees. Financial statement information appears in the separately audited financial statements of the Oklahoma Municipal Retirement Fund.

# **EAST CENTRAL OKLAHOMA GAS AUTHORITY**

## **NOTES TO FINANCIAL STATEMENTS**

**APRIL 30, 2013 AND 2012**

### **7. Concentrations of Credit Risk**

Financial instruments that potentially subject the Authority to credit risk consist primarily of accounts receivable. The receivables are from individuals located within the same geographic region.

### **8. Risk Management**

The Authority is exposed to various levels of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority carries commercial insurance, auto, and workers compensation for risk of loss.

There has been no significant reduction in the Authority's insurance coverage from the previous year. In addition, there have been no settlements in excess of the Authority's coverage in any of the prior four fiscal years.

### **9. Subsequent Events**

The Authority has evaluated events and transactions for subsequent events that would impact the financial statements for the year ended April 30, 2013 through July 15, 2013, the date the financial statements were available to be issued. There were no subsequent events that require recognition or disclosure in the financial statements.

**ADDITIONAL REQUIRED REPORT**



PRZYBYSZ

& ASSOCIATES

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***

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Independent Auditor's Report

To the Board of Directors  
East Central Oklahoma Gas Authority  
Gore, Oklahoma

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the East Central Oklahoma Gas Authority, as of and for the year ended April 30, 2013, and the related notes to the financial statements, which collectively comprise Authority's financial statements, and have issued our report thereon dated July 15, 2013 which was modified to reflect the omission of the management's discussion and analysis.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority'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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control 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 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.

### **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 that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

This 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 Authority's internal control or on compliance. This report is an integral part of the audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



**Przybysz & Associates, CPAs, P.C.**  
**Fort Smith, Arkansas**  
**July 15, 2013**