

GRADY COUNTY CRIMINAL JUSTICE AUTHORITY

**FINANCIAL STATEMENTS
and
INDEPENDENT AUDITOR'S REPORT**

June 30, 2015

GRADY COUNTY CRIMINAL JUSTICE AUTHORITY
June 30, 2015

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Grady County Criminal Justice Authority

We have audited the accompanying financial statements of Grady County Criminal Justice Authority, as of and for the year ended June 30, 2015, and the related notes to the 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit 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 entity'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 entity'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.

Basis for Qualified Opinion

The Authority's employees are provided with defined benefit pensions through a cost-sharing multiple-employer plan. For years beginning after June 15, 2014, Accounting principles generally accepted in the United States of America require employers participating in cost-sharing plans to recognize their proportionate share of the collective pension amounts for all benefits provided through the plan, which would create a net pension liability in the financial statements and affect the amount of pension expense recognized each year. Management has elected not to implement the new pension reporting standards promulgated by the Government Accounting Standards Board (GASB). The amounts by which this departure would affect the liabilities, net position and expenses of the Authority have not been determined.

Qualified Opinion

In our opinion, except for the effects of the matter described in the "Basis for Qualified Opinion" paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of Grady County Criminal Justice Authority as of June 30, 2015, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 29, 2016 on our consideration of the Grady County Criminal Justice 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Grady County Criminal Justice Authority's internal control over financial reporting and compliance.

Jayna Vaughn, PC

Duncan, Oklahoma
August 29, 2016

GRADY COUNTY CRIMINAL JUSTICE AUTHORITY
Statement of Net Position
June 30, 2015

ASSETS

Current Assets

Cash and Cash Equivalents	\$	3,205,038
Accounts Receivable		592,186
<i>Total Current Assets</i>		3,797,224

Non Current Assets

Restricted Commissary and Phone Revenue Cash		224,811
Restricted Inmate Trust Fund Cash		100,443
Restricted Funds Held in Trust		2,591,730
Land		140,942
Property and Equipment, Net		230,582
Facilities Leasehold, Net		15,159,350
<i>Total Non Current Assets</i>		18,447,858

		\$ 22,245,082
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LIABILITIES

Current Liabilities

Accounts Payable	\$	97,506
Accrued Payroll and Vacation		173,513
Inmate and Commissary Payable		100,443
Accrued Bond Interest		206,908
Current Portion Bonds Payable		235,000
<i>Total Current Liabilities</i>		813,370

Non Current Liabilities

2012 Bonds Payable, Net of Current Portion		17,500,000
Less: Unamortized Bond Discount		(283,963)
<i>Total Non Current Liabilities</i>		17,216,037

		18,029,407
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NET POSITION

Net Investment in Capital Assets		(2,204,126)
Unrestricted		3,603,260
Restricted for Debt Service		2,591,730
Restricted for Inmate Services		224,811
<i>Total Net Position</i>		4,215,675

		\$ 22,245,082
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GRADY COUNTY CRIMINAL JUSTICE AUTHORITY
Statement of Revenues, Expenses and Changes in Net Position
Year ended June 30, 2015

Operating Revenues

Incarceration Services	\$ 7,287,951
Inmate Transportation	509,754
Inmate Telephone	321,323
Commissary Commissions	156,569
Other	108,228
<i>Total Operating Revenue</i>	<u>8,383,825</u>

Operating Expenses

<u>Inmate Services</u>	
Meals	624,695
Medical and Dental (Net of reimbursements)	373,646
Transportation	100,057
Jail Property and Supplies	156,601
	<u>1,254,999</u>
<u>Personnel</u>	
Salaries and Wages	2,954,071
Benefits and Taxes	1,137,139
Uniforms, Training, Other	50,008
	<u>4,141,218</u>
<u>Facilities and Administration</u>	
Utilities & Communication	266,378
Insurance	262,573
Technology	26,277
Professional Fees	41,442
Equipment Rental	48,836
Maintenance & Repairs	177,495
Office Expense	29,424
Sheriff Building	17,732
Depreciation	38,011
Leasehold Amortization	575,672
Interest Expense	1,263,432
Other	12,479
	<u>2,759,751</u>
<i>Total Operating Expenses</i>	<u>8,155,968</u>

Operating Revenues Less Expenses 227,857

Non-Operating Revenues

Interest Income	9,178
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Increase (Decrease) in Net Position 237,035

Net Position at Beginning of Year 3,978,640

Net Position at End of Year \$ 4,215,675

GRADY COUNTY CRIMINAL JUSTICE AUTHORITY
Statement of Cash Flows
Year Ended June 30, 2015

Cash Flows from Operating Activities

Cash Receipts for Inmate Services	\$ 8,786,047
Other Cash Receipts	3,869
Cash Payments for Professional Services	(41,442)
Cash Payments to Employees for Services	(3,031,499)
Cash Payments for Other Personnel Expenses	(1,187,147)
Cash Payments for Interest	(1,249,325)
Cash Payments to Other Suppliers of Goods or Services	<u>(2,623,758)</u>

Net Cash Provided by (Used in) Operating Activities 656,745

Cash Flows from Non-Capital and Related Financing Activities

Additions to Restricted Cash	(251,962)
Additions to Restricted Funds in Trust	(22,706)
Repayment of Bond Principal	<u>(225,000)</u>

Net Cash Provided by (Used in) Financing Activities (499,668)

Cash Flows from Investing Activities

Purchase of Property and Equipment	(143,480)
Interest Received	<u>9,178</u>

Net Cash Provided by (Used in) Investing Activities (134,302)

Net Increase (Decrease) in Cash & Cash Equivalents 22,775

Cash and Cash Equivalents Beginning of Year 3,182,263

Cash and Cash Equivalents End of Year \$ 3,205,038

Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:

Operating Revenues Less Expenses	\$ 227,857
Adjustments to reconcile operating income to net cash:	
Facilities Lease Amortization	575,672
Depreciation	38,011
Decrease in Accounts Receivable	152,600
Decrease in Accounts Payable and Accrued Expenses	(354,127)
Amortization of Bond Discount	<u>16,732</u>

Net Cash Provided by Operating Activities \$ 656,745

GRADY COUNTY CRIMINAL JUSTICE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

Note 1: Summary of Significant Accounting Policies

The financial statements have been prepared on the accrual basis of accounting and, accordingly, include all significant receivables, payables and other liabilities (Except for recognition of certain pension amounts as described in the Independent Auditor's Report). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements.

1.A. Financial Reporting Entity

The Grady County Criminal Justice Authority (GCCJA) is a beneficial public trust created under the authority of and pursuant to the provisions of Title 60, Oklahoma Statutes 2001, Sections 176-180.3, inclusive, as amended, and the Oklahoma Trust Act on August 12, 2002 for the use and benefit of Grady County, Oklahoma (Beneficiary). The purpose of the GCCJA is to operate and maintain buildings and facilities for public use or benefit, including jail facilities in Grady County, Oklahoma. The GCCJA began operating the jail facilities in December 2002. Operating revenues consist of incarceration fees and other service revenues related to operation of the correctional facilities.

The GCCJA is authorized, for the advancement of public purposes, to issue revenue notes and bonds to construct, improve, equip or acquire buildings, facilities or utilities which may be for the benefit of the Beneficiary County or for any other purpose which may enhance the accomplishment of the GCCJA's purposes. In no event do any bonds or other indebtedness of the GCCJA constitutes a debt of the State of Oklahoma, or of Grady County, but shall be paid solely from the Trust Estate. The GCCJA has no taxing power.

1.B. Basis of Presentation

The financial statements display information about the reporting entity as a whole. They include all funds of the reporting entity. These statements generally distinguish between governmental and business-type activities. All activities of the Authority are business-type, and accounted for as a Proprietary Fund. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

Proprietary Funds

Enterprise Funds – Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses) of providing goods or services to the general public on a continuing basis are financed or recovered primarily through user charges.

1.C. Measurement Focus and Basis of Accounting

Measurement focus refers to how transactions are recorded within the various financial statements. Basis of accounting refers to when transactions are recorded regardless of the measurement focus applied.

GRADY COUNTY CRIMINAL JUSTICE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

In the financial statements, the business-type activities are presented using an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position, financial position, and cash flows. All assets and liabilities (whether current or non current, financial, or non financial) associated with their activities are reported. Proprietary fund equity is classified as net position.

1.D. Assets, Liabilities and Net Position

Cash and Cash Equivalents - For the purpose of the statement of cash flows, the Authority considers all demand deposit accounts, interest bearing checking accounts and time deposits accounts including certificates of deposit and U.S. Treasury bills, (all of which are allowable investment types) with maturities of three months or less to be cash and cash equivalents, with the exception of inmate trust fund cash and restricted cash held by bond Trustee.

Accounts Receivable - include amounts receivable from various agencies for services rendered. The Authority uses the direct write-off method for recording uncollectible accounts receivable. All accounts receivable are considered currently collectible.

Restricted Funds Held in Trust- represents cash and certificates of deposit held by bond Trustee pursuant to terms of the 2012 Revenue Refunding Bonds Indenture, and can only be accessed according to terms of the Indenture.

Land- owned by Grady County Criminal Justice Authority consists of city lots purchased March 24, 2011 at a cost of \$140,942 for the purpose of potential future jail expansion and/or additional parking area.

Equity Classifications- Equity is classified as net position and displayed according to three types of components:

Net Investment in capital assets
Restricted
Unrestricted

1.E. Estimates

The preparation of financial statements and disclosures 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.

Note 2: Bonds Payable and Facilities Lease

On February 1, 2012, the Grady County Criminal Justice Authority issued Series 2012 Revenue Refunding Bonds in the amount of \$18,310,000 which were sufficient to retire all outstanding correctional facilities debt previously issued by Grady County Industrial Authority. Simultaneously, GCCJA entered into a facilities lease with Grady County to occupy and enjoy exclusive possession of the detention center through October, 2041 and so long as any part of the 2012 bond indebtedness is outstanding.

GRADY COUNTY CRIMINAL JUSTICE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

Accordingly, effective February 1, 2012, the Grady County Industrial Authority was released from responsibility of supervising the activities of the detention center.

In connection with the GCIA debt refunding and issuance of new debt, the GCCJA obtained the exclusive right to possess and enjoy the detention center facilities, which has been capitalized as the Facilities Leasehold, reflected in the Statement of Net Position:

Facilities Leasehold, Cost	\$17,126,228
Less Accumulated Amortization	<u>(1,966,878)</u>
Facilities Leasehold, Net	<u>15,159,350</u>

The leasehold is being amortized over the life of the lease under the straight-line method, which resulted in expense of \$575,672 during the year ended June 30, 2015. Upon retirement of the 2012 Bonds, GCCJA will pay an annual lease to Grady County in the amount of ten dollars in consideration for renewing the lease term in subsequent years.

The Indenture for the Grady County Criminal Justice Authority 2012 Revenue Refunding Bonds provides for semi-annual payment of interest on May 1 and November 1, and principal reduction annually on November 1. Interest is fixed at seven percent, with final maturity on November 1, 2041. Debt service requirements are as follows:

<u>Year Ended</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2016	\$ 1,233,225	\$ 235,000	\$ 1,468,225
2017	1,216,075	255,000	1,471,075
2018	1,197,525	275,000	1,472,525
2019	1,177,575	295,000	1,472,575
2020	1,156,225	315,000	1,471,225
2021-2025	5,410,300	1,910,000	7,320,300
2026-2030	4,613,000	2,690,000	7,303,000
2031-2035	3,489,500	3,780,000	7,269,500
2036-2040	1,913,975	5,305,000	7,218,975
2041-2042	<u>190,225</u>	<u>2,675,000</u>	<u>2,865,225</u>
	<u>\$ 21,597,625</u>	<u>\$ 17,735,000</u>	<u>\$ 39,332,625</u>

The GCCJA 2012 Bonds were sold at a discount of \$343,312. Discount is being amortized over the life of the bonds using the effective interest method; Discount amortization (recognized as interest expense) was \$16,732 for the year ended June 30, 2015.

GCCJA has assigned and pledged the Facilities Lease and any interest of Authority in the Facilities and any interest of Authority in the personal property, improvements and fixtures constituting the Facilities, and Criminal Justice Revenues and any other revenues and receipts receivable under the Facilities Lease to the Trustee pursuant to the Indenture as security for payment of the principal and interest on the Series 2012 Bonds and the County consents to such pledge and assignment.

GRADY COUNTY CRIMINAL JUSTICE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

The Facilities Lease Agreement provides for an annual renewal with respect only to the housing and care of Grady County inmates. The parties agree annually to the maximum number of County inmates to be housed, in exchange for a fixed fee paid by County to Authority. Grady County paid \$600,000 for inmate housing services during the year ended June 30, 2015.

Note 3: Detailed Notes on Transaction Classes/Accounts

Deposits and Investments – The Authority’s investment policies are governed by the Board of Trustees and any restrictions in the Trust indenture.

Custodial Credit Risk – Custodial credit risk is the risk that in the event of a bank failure, the Authority’s deposits may not be returned to it. At June 30, 2015, the balances on deposit with financial institutions totaled \$4,467,244 and of that amount, \$1,449,844 was insured by the Federal Deposit Insurance Corporation (FDIC). \$3,009,970 was secured by pledge of marketable securities in the name of pledging financial institution, and the remaining \$7,430 was uninsured and uncollateralized.

Property and Equipment – Property and equipment consists of transport equipment, building improvements and other equipment used in the law enforcement center. Assets are depreciated using the straight-line method, over estimated useful lives of five to twenty years.

	<u>6/30/14</u>		<u>Additions</u>		<u>Deletions</u>		<u>6/30/15</u>
Transport Equipment	\$ 259,459	\$	91,735	\$	(9,849)	\$	341,345
Facility Improvements	66,931		0		0		66,931
Other Equipment	90,551		51,745		0		142,296
	<u>416,941</u>		<u>143,480</u>		<u>(9,849)</u>		<u>550,572</u>
Less: Accum. Depreciation	(291,828)		(38,011)		9,849		(319,990)
	<u>125,113</u>		<u>105,469</u>		<u>0</u>		<u>230,582</u>

Other property and equipment is limited to items of computer and office equipment costing less than \$3,000, which are expensed as purchased. All other facilities used in the detention center are the property of Grady County, Oklahoma, and subject to the Facilities Lease, discussed above.

Inmate Trust Fund Cash - The Authority administers a separate deposit account to receive and disburse inmate funds while incarcerated (inmate trust fund).

Beginning in June 2006, Authority contracted with Tiger Commissary ("Tiger") to fulfill inmates' commissary needs. Inmate trust fund cash of \$100,443 is presented as restricted cash, and the related Inmate and Commissary Payable of \$100,443 is included in current liabilities on the Authority's statement of net position. Monies received from and paid to inmates and the commissary provider through the inmate trust fund account are not reflected in the cash flow statements or recognized as income or expense by the Authority.

GRADY COUNTY CRIMINAL JUSTICE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

Restricted Funds Held in Trust - \$2,591,730 held by bond Trustee includes the following:

- Certificates of deposit at various financial institutions. At June 30, 2015, certificates of deposit totaled \$853,413 and mature within one year; interest rates range from .35 to .70 percent per annum.
- \$1,738,317 invested in Goldman Sachs Financial Square money market fund consisting of U.S. Treasury Obligations and U.S. Government Securities. The stated interest rate at June 30, 2015 was .01 percent.

Restricted funds held in trust are recorded at cost, which approximates fair value due to the nature of deposits and short maturities.

Commissary and Phone Revenue Cash – Commissions earned from inmate commissary and telephone charges must be spent on inmate services; the balance of restricted commissary and phone revenue cash was \$224,811 as of June 30, 2015.

Note 4: Related Organizations

The GCCJA is related to Grady County, Oklahoma as the primary beneficiary of the Authority. Additionally, certain facilities and personnel are shared by GCCJA and Grady County Sheriff's Department in operation of the jail. GCCJA leases and occupies facilities owned by Grady County, Oklahoma which are pledged on the 2012 Series Bonds issued by GCCJA.

Note 5: Retirement Plan

Authority has elected to participate in the Oklahoma Public Employees Retirement System (OPERS), which is a defined benefit retirement plan for state and local government employees. The plan is qualified under section 401(a) of the Internal Revenue Code and participation is mandatory for all eligible employees. An employee is eligible when employment is permanent and requires at least 1000 hours per year. The OPERS plan requires employee contributions of 3.5 percent of gross wages, along with employer contributions of 16.5 percent of gross wages during fiscal year 2014- 2015. Employer contributions for the current and prior two years are as follows:

<u>Year Ended</u>	<u>Required Contribution Rate</u>	<u>Amount Contributed</u>
June 30, 2015	16.5%	\$442,739
June 30, 2014	16.5%	464,579
June 30, 2013	16.5%	439,361

The Authority has been informed by OPERS there is a potential liability for additional contributions resulting from a failure to make payments into the system on behalf of employees in the initial stages of their employment during the years 2003 through 2013. The potential amount due cannot be reasonably estimated at this time.

GRADY COUNTY CRIMINAL JUSTICE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

Additional plan information, including the Authority's proportionate share of pension liability, may be obtained by contacting Oklahoma Public Employees Retirement System at P.O. Box 53007, Oklahoma City, OK 73152-3007 by calling OPERS at (800) 733-9008, or online at www.opers.ok.gov.

Note 6: Concentrations

During the year ended June 30, 2015, approximately eighty-nine percent of incarceration revenues for the law enforcement center were derived from contracts with the federal government. If the federal government were to withdraw federal inmates from the facilities, it would severely impact the operations of the law enforcement center; however, management believes the need for federal inmate housing will continue to increase.

Note 7: Subsequent Events

Subsequent events were evaluated through August 29, 2016, which is the date the financial statements were available to be issued.

Note 8: Risk Management

Grady County Criminal Justice Authority purchases property and liability insurance coverage through the Association of County Commissioners of Oklahoma Self-Insurance Group (ACCO-SIG). Policy deductibles are \$50,000 per claim, with a maximum deductible of \$100,000 per year. In addition to policy premiums, GCCJA is currently required to submit a deposit against potential claims each year; however, all payments to ACCO-SIG for insurance premiums and deductibles are reflected as insurance expense in the Statement of Revenues, Expenses and Changes in Net Position because the deductible funding is not refundable.

INDEPENDENT AUDITOR'S 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

To the Board of Trustees
Grady County Criminal Justice Authority

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 Grady County Criminal Justice Authority, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Grady County Criminal Justice Authority's basic financial statements, and have issued our report thereon dated August 29, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Grady County Criminal Justice 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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Grady County Criminal Justice Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Grady County Criminal Justice 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 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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than 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.

Compliance and other matters

As part of obtaining reasonable assurance about whether Grady County Criminal Justice 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*.

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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Jayna Vaughn, PC

Duncan, Oklahoma
August 29, 2016