

**LEFLORE COUNTY SALES TAX
SUPPORTED HOSPITAL AUTHORITY
A Component Unit of LeFlore County, Oklahoma**

FINANCIAL STATEMENTS
June 30, 2019 and 2018

With Independent Auditors' Report Thereon

LEFLORE COUNTY SALES TAX SUPPORTED HOSPITAL AUTHORITY
A Component Unit of LeFlore County, Oklahoma

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JOHNSTON & BRYANT

Certified Public Accountants

Pete Johnston, C.P.A.
Allen Bryant, Jr., C.P.A.

P.O. Box 1564
Ada, Oklahoma 74821-1564
(580) 332-5549

MEMBER
American Institute of Certified Public Accountants
Oklahoma Society of Certified Public Accountants

Independent Auditors' Report

Board of Trustees
LeFlore County Sales Tax Supported Hospital Authority
A Component Unit of LeFlore County, Oklahoma
Poteau, Oklahoma

Report on the Financial Statements

We have audited the accompanying financial statements of LeFlore County Sales Tax Supported Hospital Authority, a Component Unit of LeFlore County, Oklahoma, which comprise the balance sheet as of June 30, 2019 and 2018, 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 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 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 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.

Board of Trustees
LeFlore County Sales Tax Supported Hospital Authority
A Component Unit of LeFlore County, Oklahoma
Poteau, Oklahoma
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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

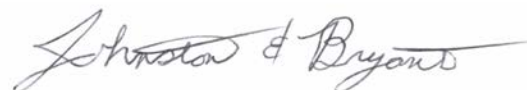
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Leflore County Sales Tax Supported Hospital Authority, a Component Unit of LeFlore County, Oklahoma, as of June 30, 2019 and 2018, and the changes in its net position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Information

The Authority has chosen not to prepare management Discussion and Analysis which is required under accounting principles generally accepted in the United States of America. The effect of this omission is not reasonably determinable.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2019 on our consideration of Leflore County Sales Tax Supported Hospital Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Leflore County Sales Tax Supported Hospital Authority's internal control over financial reporting and compliance.



Ada, Oklahoma
October 30, 2019

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LEFLORE COUNTY SALES TAX SUPPORTED HOSPITAL AUTHORITY
A Component Unit of LeFlore County, Oklahoma
 Balance Sheet
 June 30, 2019 and 2018

	2019	2018
<u>Assets</u>		
Current Assets		
Cash	\$ 644,441	\$ 668,932
Total Current Assets	644,441	668,932
Total Assets	\$ 644,441	\$ 668,932
<u>Liabilities and Net Position</u>		
Current Liabilities		
Current Portion of Long-Term Debt	\$ 329,300	\$ 229,400
Accounts Payable	-	-
Accrued Expenses	-	-
Total Current Liabilities	329,300	229,400
Long-Term Liabilities		
Note Payable	12,984,525	10,339,000
Total Long-Term Liabilities	12,984,525	10,339,000
Less Unamortized Debt Issuance Costs	(342,995)	(279,028)
Total Long-Term Liabilities Less Unamortized Debt Issuance Costs	12,641,530	10,059,972
Total Liabilities	12,970,830	10,289,372
Net Position		
Restricted	(12,326,389)	(9,620,440)
Total Net Position	(12,326,389)	(9,620,440)
Total Liabilities and Net Position	\$ 644,441	\$ 668,932

See accompanying notes to the financial statements

LEFLORE COUNTY SALES TAX SUPPORTED HOSPITAL AUTHORITY
A Component Unit of LeFlore County, Oklahoma
 Statement of Revenues, Expenses and Changes in Net Position
 Years Ended June 30, 2019 and 2018

	2019	2018
Revenues		
Sales Tax Proceeds	\$ 1,698,782	\$ 1,648,050
Interest Income	19,238	7,898
Total Revenue	1,718,020	1,655,948
Expenses		
Interest Expense	834,969	576,533
Transfer to LCHA for Operations	614,000	814,000
Loan Proceeds Transfer to LCHA	2,975,000	1,480,000
Total Expenses	4,423,969	2,870,533
Change in Net Position	(2,705,949)	(1,214,585)
Net Position - Beginning	(9,620,440)	(8,405,855)
Net Position - Ending	\$ (12,326,389)	\$ (9,620,440)

See accompanying notes to the financial statements

LEFLORE COUNTY SALES TAX SUPPORTED HOSPITAL AUTHORITY
A Component Unit of LeFlore County, Oklahoma
Statement of Cash Flows
Years Ended June 30, 2019 and 2018

	2019	2018
Cash Flows from Operating Activity		
Sales Tax Proceeds	\$ 1,698,782	\$ 1,648,050
Transfers to LeFlore County Hospital Authority	(3,589,000)	(2,294,000)
Payments to Vendors and Suppliers	-	-
Net Cash Provided by Operating Activity	(1,890,218)	(645,950)
Non-Capital Related Financing Activity		
Transfers from LeFlore County Hospital Authority	-	-
Net Non-Capital Related Financing Activities	-	-
Cash Flows from Capital and Related Financing Activities		
Loan costs	(63,967)	-
Proceeds from Borrowings	13,650,000	-
Principal Payments	(10,904,575)	(198,300)
Interest Payments	(834,969)	(563,555)
Net Cash Flows from Capital and Related Financing Activities	1,846,489	(761,855)
Investing Activities		
Income from Investments	19,238	7,898
Net Investing Activities	19,238	7,898
Increase (Decrease) in Cash	(24,491)	(1,399,907)
Cash - Beginning	668,932	2,068,839
Cash - Ending	\$ 644,441	\$ 668,932

See accompanying notes to the financial statements.

LEFLORE COUNTY SALES TAX SUPPORTED HOSPITAL AUTHORITY
A Component Unit of LeFlore County, Oklahoma
Statement of Cash Flows
Years Ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Cash Flows from Operating Activities		
Net (Loss) Income from Operations	\$ (2,705,949)	\$ (1,214,585)
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:		
Amortization	-	-
Interest Income	(19,238)	(7,898)
Interest Expense	834,969	576,533
Changes in Operating Assets and Liabilities		
Accounts Receivable	-	-
Other Assets	-	-
Accounts Payable	-	-
Net Cash Provided by Operations	<u>\$ (1,890,218)</u>	<u>\$ (645,950)</u>

See accompanying notes to the financial statements.

LEFLORE COUNTY SALES TAX SUPPORTED HOSPITAL AUTHORITY
A Component Unit of LeFlore County, Oklahoma
Notes to Financial Statements
June 30, 2019 and 2018

Note 1. Organization

The Leflore County Sales Tax Supported Hospital Authority (the Authority) is a public trust created October 6, 2017 pursuant to Title 60 Oklahoma Statutes, Sections 176 to 180 as amended. The purpose of the trust is to manage and account for the ½ cent sales tax passed by the citizens of LeFlore County, Oklahoma on August 26, 2017. The stated purpose of that tax was for the operations and debt service needs of the Eastern Oklahoma Medical Center and related clinics operated by the LeFlore County Hospital Authority. The authority is a component unit of LeFlore County, Oklahoma.

Note 2. Significant Accounting Policies

Basis of Accounting and Presentation

The accompanying financial statements of the Hospital have been prepared on the accrual basis of accounting using economic resources measurement focus. Revenues, expenses, gains, losses, assets and liabilities from exchange and exchange-like transactions are recognized when the exchange transaction takes place, while those from government-mandated nonexchange transactions (principally, county appropriations) are recognized when all applicable eligibility requirements are met. Operating revenues and expenses include exchange transactions and program-specific, government-mandated nonexchange transactions. Government-mandated nonexchange transactions that are not program-specific (such as county appropriation) and interest income are included in nonoperating revenues and expenses. The Hospital first applies restricted net position when an expense or outlay is incurred for purposes for which both restricted and unrestricted net position are available.

Use of estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash equivalents – Investments that have an original maturity of three months or less are considered to be cash equivalents

Inventories

Inventories are valued at a lower cost (first-in, first-out method) or market.

LEFLORE COUNTY SALES TAX SUPPORTED HOSPITAL AUTHORITY
A Component Unit of LeFlore County, Oklahoma
Notes to Financial Statements
June 30, 2019 and 2018

Note 2. Significant Accounting Policies (continued)

Capital Assets

Capital assets are stated at cost less accumulated depreciation. Maintenance and repairs are charged to expense as incurred and betterments are capitalized. Gains and losses from sales or retirements are included in income in the period of disposition.

Depreciation expense is computed using the straight-line method over the estimated useful lives of the related assets. The ranges of such useful lives are as follows:

Land improvements	10 years
Building	20-40 years
Equipment	3-20 years

Net Position

Net position in the Authority are classified in two components.

Net Assets Invested in Capital Assets Net of Related Debt – Invested in capital assets net of related debt consist of capital assets, net of accumulated depreciation and reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets.

Unrestricted Net Position – Unrestricted net assets are remaining net assets that do not meet the definition of invested in capital assets net of related debt.

Operating Revenues and Expenses

On August 26, 2014 the citizens of LeFlore County, Oklahoma passes a ½ cent sales tax designed for operations and debt service of the LeFlore County Sales Tax Supported Hospital Authority. The proceeds of the sales tax are estimated to generate \$1,700,000 in sales tax revenue annually and the tax is permanent. The sales tax began January 1, 2015 and the authority began receiving the proceeds in March 2015.

Risk Management

The Authority is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; and employee health, dental and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters. Settled claims have not exceeded this commercial coverage in any of the two preceding years. The provision, if any, for estimated medical malpractice claims includes estimates of the ultimate costs for both reported claims and claims incurred but not reported.

LEFLORE COUNTY SALES TAX SUPPORTED HOSPITAL AUTHORITY
A Component Unit of LeFlore County, Oklahoma
Notes to Financial Statements
June 30, 2019 and 2018

Note 2. Significant Accounting Policies (continued)

Grants and Contributions

From time to time, the Authority receives grants from individuals and private organizations. Revenues from grants and contributions are recognized when all eligibility requirements, including time requirements are met, grants and contributions may be restricted for either specific operation purposes or for capital purposes. Amounts that are restricted or that are restricted to a specific operation purpose are reported as nonoperating revenues. Amounts restricted to capital acquisitions are reported after nonoperating revenues and expenses.

Income Taxes

The Authority is classified as a political subdivision and is exempt under Section 115 of the Internal Revenue Code and is not required to file federal income tax returns.

Change in Accounting Principle

As required by FASB ASC 835-30 the organization has changed the way it accounts for Unamortized Debt Issuance Costs. Previously these costs were recorded as other assets and amortized over the life of the associated debt with amortization expense being included with depreciation expense. FASB ASC 835-30 the Unamortized Debt Issuance Costs will be presented as a reduction to long-term debt and the amortization of these costs will be included with interest expense in order to provide more accurate cost of borrowing.

Note 3. Cash and Deposits

Custodial Credit Risk

Exposure to custodial risk related to deposits exist when the Authority holds deposits that are uninsured and uncollateralized; collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the Authority's name; or collateralized without a written or approved collateral agreement. Exposure to custodial credit risk related to investments exists when the Authority holds investments that are uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the Authority's name.

The Authority's policy as it relates to custodial credit risk is to secure its uninsured deposits with collateral, valued at no more than market value, at least at a level of 100 percent of the uninsured deposits and accrued interest thereon. The investment policy and state law also limits acceptable collateral to U.S. Treasury and agency securities and direct obligations of the state municipalities, counties, and school in the state of Oklahoma, surety bonds, and letters of credit. As required by Federal 2 U.S.C.A., Section 1823 (e), all financial institutions pledging collateral to the Authority must have a written collateral agreement approved by the board of directors or loan committee.

LEFLORE COUNTY SALES TAX SUPPORTED HOSPITAL AUTHORITY
A Component Unit of LeFlore County, Oklahoma
Notes to Financial Statements
June 30, 2019 and 2018

Note 3. Cash and Deposits (continued)

Custodial Credit Risk (continued)

Custodial Credit Risk – Exposure to custodial credit risk related to deposits exist when the Authority holds deposits that are uninsured and uncollateralized; collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the Authority’s name; or collateralized without a written or approved collateral agreement. Exposure to custodial credit risk related to investments exist when the Authority holds investments that are uninsured or unregistered, with securities held by the counterparty or by its trust department or agent not in the Authority’s name.

The Authority secures cash deposits in excess of \$250,000 with U.S. Government or Federal Agency securities. State law requires all deposits of public funds to be collateralized; however the Authority does not have a formal policy for collateralizing cash deposits. At June 30, 2019 the carrying amount of the Authority’s deposits was \$644,441 and the bank balance was \$644,441. As of June 30, 2019 none of the Authority’s bank balance was exposed to custodial credit risk.

At June 30, 2019, the Authority held deposits of approximately \$644,441 at financial institutions. The Authority’s cash deposits, including interest-bearing accounts, and investments are entirely covered by Federal Depository Insurance (FDIC) or direct obligations of the U.S. Government insured or collateralized with securities held by the Authority or by its agent in the Authority’s name. Therefore, the Authority was not exposed to custodial credit risk as defined above.

Investment Credit Risk – The Authority has no investment policy that limits its investment choices other than the limitations of state law that generally authorize investment in:

1. Direct obligations of the U.S. Government, its agencies and instrumentalities to which the full faith and credit of the U.S. Government is pledged, or obligations to the payment of which the full faith and credit of the State is pledged.
2. Certificates of deposit of banks when such certificates of deposits are secured by acceptable collateral for the deposit of public monies.
3. Savings accounts or saving certificates to the extent that such accounts or certificates are fully insured by the United States Government.
4. Repurchased agreements that have underlying collateral including obligations of the United States Government, its agencies and instrumentalities, or the State of Oklahoma.
5. County, municipal or school Town debt obligations for which an ad valorem tax may be levied.

LEFLORE COUNTY SALES TAX SUPPORTED HOSPITAL AUTHORITY
A Component Unit of LeFlore County, Oklahoma
Notes to Financial Statements
June 30, 2019 and 2018

Note 3. Cash and Deposits (continued)

Investment Credit Risk (continued)

6. Money market funds regulated by the SEC and in which investments consist of the investments of obligations of the United States, its agencies and instrumentalities.
7. Warrants, bonds or judgments of the school Town.
8. Qualified pooled investment programs through an interlocal cooperative agreement formed pursuant to applicable law and to which the board of education has voted to be a member, the investments of which consist of those items specified in paragraphs 1 through 7 above, as well as obligations of the United States agencies and instrumentalities.
9. Any other investment that is authorized by law.

Investment credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. The Authority has no formal policy limiting investments based on credit rating. Unless there is information to the contrary, obligations of the U.S. Government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk and do not require disclosure of credit quality.

The Authority had no investment credit risk as of June 30, 2019, as defined above.

Investment Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Authority does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The Authority had no investment interest rate risk as defined above.

Concentration of Investment Credit Risk – Exposure to concentration of credit risk is considered to exist when investments in any one issuer represent a significant percent of total investments of the Authority. Investments issued or explicitly guaranteed by the U.S. Government and investments in mutual funds, external investment pools, and other pooled investments are excluded from this consideration. The Authority places no limit on the amount it may invest in any one issuer.

At June 30, 2019, the Authority had 100% concentration of credit risk as defined above.

Note 4. Capital Assets

The authority does not currently own capital assets.

LEFLORE COUNTY SALES TAX SUPPORTED HOSPITAL AUTHORITY
A Component Unit of LeFlore County, Oklahoma
Notes to Financial Statements
June 30, 2019 and 2018

Note 5. Long-Term Debt

A Summary of long-term debt, including capital lease obligations as of June 30, 2019 and 2018 is as follows:

	Interest Rate	Maturity Date	2019				Current Portion
			Beginning Balance	Additions	Deductions	Ending Balance	
Notes Payable							
LCSSHA Sale Tax Revenue Note, Series 2018	5.75%	5/1/2041	\$ -	\$ 13,650,000	\$ 336,175	\$ 13,313,825	\$ 329,300
LCSSHA Sale Tax Revenue Note, Series 2016A	5.75%	5/1/2041	10,568,400	-	10,568,400	-	-
Total Notes Payable			10,568,400	13,650,000	10,904,575	13,313,825	329,300
Less Unamortized Debt Issuance Costs			(279,028)	(78,751)	(14,784)	(342,995)	-
Total Notes Payable Less Unamortized Debt Issuance			<u>\$ 10,289,372</u>	<u>\$ 13,571,249</u>	<u>\$ 10,889,791</u>	<u>\$ 12,970,830</u>	<u>\$ 329,300</u>

	Interest Rate	Maturity Date	2018				Current Portion
			Beginning Balance	Additions	Deductions	Ending Balance	
Notes Payable							
LCSSHA Sale Tax Revenue Note, Series 2016A	5.75%	5/1/2041	\$ 10,766,700	\$ -	\$ 198,300	\$ 10,568,400	\$ 229,400
Total Notes Payable			10,766,700	-	198,300	10,568,400	229,400
Less Unamortized Debt Issuance Costs			(292,006)	-	(12,978)	(279,028)	-
Total Notes Payable Less Unamortized Debt Issuance			<u>\$ 10,474,694</u>	<u>\$ -</u>	<u>\$ 185,322</u>	<u>\$ 10,289,372</u>	<u>\$ 229,400</u>

Scheduled principal and interest payments on long-term debt are as follows:

Year Ending June 30:	Bonds and Notes Payable	
	Principal	Interest
2020	\$ 329,300	\$ 759,105
2021	350,900	737,555
2022	371,600	716,866
2023	365,300	723,212
2024	383,000	705,391
2025 and there after	<u>11,513,725</u>	<u>6,809,278</u>
Total	<u>\$ 13,313,825</u>	<u>\$ 10,451,407</u>

LEFLORE COUNTY SALES TAX SUPPORTED HOSPITAL AUTHORITY
A Component Unit of LeFlore County, Oklahoma
Notes to Financial Statements
June 30, 2019 and 2018

Note 6. Subsequent Events

Management has evaluated subsequent events through October 30, 2019 which is the date the financial statements were available to be issued and has determined the following additional information needs to be disclosed with the financial statements.

**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 Trustees
LeFlore County Sales Tax Supported Hospital Authority
A Component Unit of LeFlore Count, Oklahoma
Poteau, 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 Leflore County Sales Tax Supported Hospital Authority, a Component Unit of LeFlore Count, Oklahoma, which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, and cash flows for the initial period then ended, and the related notes to the financial statements, and have issued our report thereon dated October 30, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Leflore County Sales Tax Supported Hospital 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 Leflore County Sales Tax Supported Hospital Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of Leflore County Sales Tax Supported Hospital 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 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.

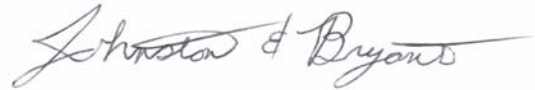
The Board of Trustees
LeFlore County Sales Tax Supported Hospital Authority
A Component Unit of LeFlore Count, Oklahoma
Poteau, Oklahoma
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Compliance and Other Matters

As part of obtaining reasonable assurance about whether LeFlore County Sales Tax Supported Hospital Authority's, a Component Unit of LeFlore Count, Oklahoma, 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 organization'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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Ada, Oklahoma
October 30, 2019