

TOWN OF MACOMB, OKLAHOMA

ANNUAL FINANCIAL REPORT

JUNE 30, 2013

Ralph Osborn  
Certified Public Accountant  
500 South Chestnut  
P.O. Box 1015  
Bristow, Oklahoma 74010-1015

## INDEPENDENT AUDITORS' REPORT

The Honorable Mayor and Members of the Board of Trustees  
Town of Macomb, Oklahoma

I have audited the accompanying financial statements of the Town of Macomb, Oklahoma, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Town of Macomb's basic 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 the modified cash basis of accounting described in Note A; this includes determining that the modified cash basis of accounting is an acceptable basis for the presentation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statement that are free from material misstatement, whether due to error or fraud.

### Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on our audit. I conducted my audit in accordance with the auditing standards generally accepted in the United States of America. 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 judgement, 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

### Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position - modified cash basis of the governmental activities of Town of Macomb as of June 30, 2013, and the respective changes in financial position - modified cash basis, thereof for the year then ended in accordance with the basis of accounting as described in Note A.

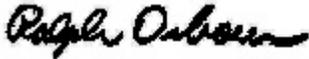
Basis of Accounting

I draw attention to Note A of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. My opinion is not modified with respect to that matter.

Other Matters

The Town of Macomb, Oklahoma has not presented Management's Discussion and Analysis and budgetary comparison schedules that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statement.

In accordance with *Government Auditing Standards*, I have also issued my report dated January 10, 2014, on my consideration of Town of Macomb's internal control over financial reporting and my 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* and should be considered in assessing the results of my audit.



Ralph Osborn  
Certified Public Accountant  
Bristow, Oklahoma  
January 10, 2014

TOWN OF MACOMB, OKLAHOMA  
STATEMENT OF NET ASSETS  
MODIFIED CASH BASIS  
JUNE 30, 2013

	<u>Primary Government</u>	
	<u>Governmental</u>	<u>Total</u>
ASSETS	<u>Activities</u>	<u>Total</u>
Current assets:		
Cash and cash equivalents	\$ 32,921	\$ 32,921
Total current assets	32,921	32,921
Non-current assets:		
Capital assets		
Land	5,500	5,500
Other capital assets net of Accumulated depreciation	90,351	90,351
Total non-current assets	95,851	95,851
Total assets	128,772	1,156,579
NET ASSETS		
Nonspendable	95,851	95,851
Unassigned	32,921	32,921
Total net assets	\$ 128,772	\$ 128,772

The accompanying notes are an integral part of this financial statement.

TOWN OF MACOMB, OKLAHOMA  
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS  
FOR THE YEAR ENDED JUNE 30, 2013

FUNCTION/PROGRAMS	<u>Expenses</u>	<u>Program Revenue</u>			<u>Net (Expenses) Revenue</u>
		<u>Charges For Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Governmental activities					
General government	\$ 23,311	\$ -	\$ 118	\$ -	\$ (23,193)
Street	<u>1,471</u>	<u>-</u>	<u>227</u>	<u>-</u>	<u>(1,244)</u>
Total governmental activities	<u>24,782</u>	<u>-</u>	<u>345</u>	<u>-</u>	<u>(24,437)</u>
 Total primary government	 <u>\$ 24,782</u>	 <u>\$ -</u>	 <u>\$ 345</u>	 <u>\$ -</u>	 <u>\$ (24,437)</u>

	<u>Primary Government</u>	
	<u>Governmental Activities</u>	<u>Total</u>
Changes in net assets:		
Net (expense) revenue	\$ (24,437)	\$ (24,437)
 General revenues and transfer		
Taxes		
Sales tax	21,373	21,373
Use tax	4,665	4,665
Franchise tax	3,196	3,196
Gas tax	59	59
Cigarette tax	273	273
Other revenue	<u>175</u>	<u>175</u>
 Total general revenue and transfers	 <u>29,741</u>	 <u>29,741</u>
 Change in net assets	 5,304	 5,304
 Net assets - beginning	 <u>123,468</u>	 <u>123,468</u>
 Net assets - ending	 <u>\$ 128,772</u>	 <u>\$ 128,772</u>

The accompanying notes are an integral part of this financial statement.

TOWN OF MACOMB, OKLAHOMA  
BALANCE SHEET - GOVERNMENTAL FUNDS  
MODIFIED CASH BASIS  
JUNE 30, 2013

	<u>General Fund</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 32,921	\$ 32,921
TOTAL ASSETS	<u>\$ 32,921</u>	<u>\$ 32,921</u>
<b>LIABILITIES AND FUND BALANCES</b>		
<b>FUND BALANCES</b>		
Unassigned	<u>32,921</u>	<u>32,921</u>
TOTAL FUND BALANCES	<u>32,921</u>	<u>32,921</u>
TOTAL LIABILITIES AND FUNDS BALANCES	<u>\$ 32,921</u>	
<b>RECONCILIATION TO STATEMENT OF NET ASSETS</b>		
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities of \$121,119, net of accumulated depreciation of \$25,268, are not financial resources and, therefore are not reported in the funds.		<u>95,851</u>
Net assets of governmental activities		<u>\$ 128,772</u>

The accompanying notes are an integral part of this financial statement.

TOWN OF MACOMB, OKLAHOMA  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS  
FOR THE YEAR ENDED JUNE 30, 2013

	<u>General Fund</u>	<u>Total Governmental Funds</u>
<b>Revenue</b>		
Sales tax	\$ 21,373	\$ 21,373
Use tax	4,665	4,665
Franchise tax	3,196	3,196
Cigarette tax	273	273
Gas tax	59	59
Alcoholic beverage tax	118	118
Motor vehicle tax	227	227
Other revenue	<u>175</u>	<u>175</u>
Total revenue	<u>30,086</u>	<u>30,086</u>
<b>Expenditures</b>		
Current		
General government	21,644	21,644
Street	<u>166</u>	<u>166</u>
Total expenditures	<u>21,810</u>	<u>21,810</u>
Excess (deficiency) of revenue over expenditures	8,276	8,276
Fund balances, beginning	<u>24,645</u>	<u>24,645</u>
Fund balances, ending	<u>\$ 32,921</u>	<u>\$ 32,921</u>

The accompanying notes are an integral part of this financial statement.

TOWN OF MACOMB, OKLAHOMA  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2013

Net changes in fund balances - total governmental funds \$ 8,276

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those cost are shown in the combined statement of net assets and allocated over their estimated useful lives as annual depreciation in the statement of activities. This is the amount by which capital outlay exceeds depreciation outlay in the period.

Depreciation expense	(2,972)	
Capital outlay	-	(2,972)

Change in net assets \$ 5,304

TOWN OF MACOMB, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town of Macomb, Oklahoma, was incorporated under the provisions of the laws of the State of Oklahoma. The Town operates under a Board of Trustees form of government and provides the following services: general government, street and alley. The basic financial statements include the departments, agencies, and other organizational units over which the Board of Trustees exercise oversight responsibility. In evaluating how to define the government for financial reporting purposes, management has considered all potential component units. The decision to include a component unit in the reporting entity was made by applying the criteria set forth in GASB Statement No. 14 and No. 39. Financial accountability exists if a primary government appoints a voting majority of an organizations governing body, and is either able to impose its will on the organization or there is a potential for the organization to provide a specific financial benefit to, or impose specific financial burdens on, the primary government. Based upon the application of these criteria, there are no entities to include in the Town's financial statements.

Government-Wide and Fund Financial Statements

The government-wide financial statements include the statement of net assets and the statement of activities. These statements report financial information for the Town as a whole excluding fiduciary activities such as employee pension plans. The primary government and component units are presented separately within the financial statements with the focus on the primary government. Individual funds are not displayed but the statements distinguish governmental activities, generally supported by taxes and Town general revenues, from business-type activities, generally financed in whole or in part with fees charged to external customers.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A functional program is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include (1) charges for services which report fees, fines and forfeitures, and other charges to users of the Town's services; (2) operating grants and contributions which finance annual operating activities including restricted investment income; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets and include fees to developers. These revenues are subject to externally imposed restrictions to these programs uses. Taxes and other revenue sources not properly included with program revenues are reported as general revenues.

*Fund Financial Statements*

Fund financial statements of the Town are provided for governmental and proprietary funds. Major individual governmental and enterprise funds are reported in separate columns with composite columns for non-major funds.

TOWN OF MACOMB, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

**Measurement Focus**

In the government-wide Statement of Net Assets and the Statement of Activities, both governmental and business-like activities are presented using the economic resources measurement focus, within the limitations of the modified cash basis of accounting, as defined in item B below.

In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus, as applied to the cash basis of accounting, is used as appropriate:

A. All governmental funds utilize a "current financial resources" measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

**Basis of Accounting**

In the government-wide Statement of Net Assets and Statement of Activities and the fund financial statements, governmental and business-like activities are presented using a modified cash basis of accounting. This basis recognizes assets, liabilities, net assets/fund equity, revenues, and expenditures/expenses when they result from cash transactions. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

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

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources as needed.

FUND TYPES AND MAJOR FUNDS

The Town reports the following major governmental funds:

General Fund - The general fund reports as the primary fund of the Town. This fund is used to account for all financial resources not reported in other funds.

TOWN OF MACOMB, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013

Budgetary Accounting and Control

The Mayor submits an annual budget to the Board of Trustees in accordance with the Oklahoma Municipal Budget Act. The budget is presented to the Board of Trustees for review, and public hearings are held to address priorities and allocation of resources. In June, the Board of Trustees adopts the annual fiscal year budgets for the Town operating funds. Once approved, the Board of Trustees may amend the legally adopted budget when unexpected modifications are required in estimated revenues and appropriations. Public trusts submit budget and other planning documents to their respective governing bodies.

Each fund's appropriated budget is prepared on a detailed line item basis. Revenues are budgeted by source. Expenditures are budgeted by department and class as follows: Personal services, other services and charges, supplies, capital outlay, transfers, and debt service. Budget revisions at this level are subject to final review by the Board of Trustees. The legal level of control is by department within a fund. Expenditures may not exceed appropriations at this level. Within these control levels, management may transfer appropriations without Board approval.

The budgets for the governmental funds and proprietary fund operations are prepared on the cash basis. Revenues are budgeted in the year receipt is expected; and expenditures, which include encumbrances, are budgeted in the year that the applicable purchase orders are expected to be paid. The budget and actual financial statements are reported on this basis. Unencumbered appropriations for annually budgeted funds lapse at fiscal year-end.

Investments

The Town follows Governmental Accounting Standards Board (GASB) Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools," which requires marketable securities to be carried at fair value. The Town considers highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriations, is employed in the governmental funds. Encumbrances outstanding at year end are cancelled under the modified cash basis. The encumbrance is added to the subsequent year expenses when paid.

Inventories and Prepaids

Inventories and prepaids are not reported under the modified cash basis of accounting.

TOWN OF MACOMB, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013

Capital Assets, Depreciation, and Amortization

The Town's property, plant, equipment, and infrastructure with useful lives of more than one year are stated at historical cost and comprehensively reported in the government-wide financial statements. The Town maintains infrastructure assets records consistent with all other capital assets. Proprietary and component unit capital assets are also reported in their respective fund and combining component units financial statements. Donated assets are stated at fair value on the date donated. The Town generally capitalizes assets with cost of \$500 or more as purchase and construction outlay occur. The cost of normal maintenance and repairs that do not add to the assets value or materially extend useful lives are not capitalized. Capital assets, including those of component units, are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are moved from the respective accounts, and the resulting gain or loss is recorded in operations.

Estimated useful lives, in years, for depreciable assets are as follow:

Buildings	5-60
Improvements, other than buildings	2-50
Mobile equipment	3-40
Furniture , machinery, and equipment	3-30
Utility system	5-50

Compensated Absences

The Town of Macomb has no written policies concerning vacation and sick leave.

**NOTE B - DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS**

Custodial Credit Risk

Custodial credit risk is the risk that in the event of failure of counterparty, the Town will not be able to recover the value of its deposits or investments. Deposits are exposed to custodial credit risk if they are uninsured and uncollateralized. Investment securities are exposed to custodial credit risk if they are uninsured, are not registered in the name of the Town, and are held by counterparty or the counterparty's trust department but not in the name of the Town. The Town's policy requires that all deposits and investments in excess of amounts covered by federal deposit insurance be fully collateralized by the entity holding the deposits or investments. As of June 30, 2013, all of the Towns deposits and investments were either covered by federal deposit insurance or were fully collateralized.

Deposits

The Town had deposits at financial institutions with a carrying amount of approximately \$32,921 at June 30, 2013. The bank balance of the deposits at June 30, 2013 was approximately \$33,019.

Credit Risk

Fixed-income securities are subject to credit risk. However, the Town did not have fixed income securities at June 30, 2013.

TOWN OF MACOMB, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013

Note C - ACCOUNTS RECEIVABLE

The Town does not report accounts receivable under the cash basis of accounting.

NOTE D - CAPITAL ASSETS

Changes in capital assets.

The following table provides a summary of changes in capital assets:

	CAPITAL ASSETS, DEPRECIATED				
	Buildings	Infrastructure & Improvements Other Than Buildings	Furniture, Machinery, And Equipment	Totals	Capital Assets Not Depreciated Land
<b>PRIMARY GOVERNMENT</b>					
Governmental activities					
Balance, June 30, 2012	\$ 100,000	\$ -	\$ 15,619	\$ 115,619	\$ 5,500
Increases	-	-	-	-	-
Decreases	-	-	-	-	-
Balance, June 30, 2013	<u>100,000</u>	<u>-</u>	<u>15,619</u>	<u>115,619</u>	<u>5,500</u>
Accumulated Depreciation					
Balance, June 30, 2012	20,833	-	1,463	22,296	
Increase	1,667	-	1,305	2,972	
Decreases	-	-	-	-	
Balance, June 30, 2013	<u>22,500</u>	<u>-</u>	<u>2,768</u>	<u>25,268</u>	
Governmental activities					
Capital Assets, Net	<u>\$ 77,500</u>	<u>\$ -</u>	<u>\$ 12,851</u>	<u>\$ 90,351</u>	<u>\$ 5,500</u>
Capital Assets, Net	<u>\$ 77,500</u>	<u>\$ -</u>	<u>\$ 12,851</u>	<u>\$ 90,351</u>	<u>\$ 5,500</u>

DEPRECIATION EXPENSE

Depreciation expense was charged to functions of the primary government as follows:

<b>GOVERNMENT ACTIVITIES</b>	
General Government	\$ 1,667
Street	1,305

TOWN OF MACOMB, OKLAHOMA  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2013

Note E - PENSION OBLIGATIONS

Town of Marland participates in a statewide, cost-sharing multiple-employer defined benefit plan on behalf of volunteer firefighters. The system is administered by an agency of the State of Oklahoma and funded by contributions from participants, employers, insurance premium taxes, and state appropriations, as necessary. The following is a summary of eligibility factors, contribution methods, and benefit provisions.

	<u>Oklahoma Firefighter's Pension And Retirement System</u>
Eligibility to Participate	All full-time or voluntary Firefighters of a participating Municipality hired before age 45
Authority establishing contribution obligations and benefit provisions	State Statute
Plan members' contribution rate	8% of covered payroll
City's contribution rate	13% of covered payroll
Period required to vest	10 years
Benefits and eligibility for distribution (full time)	20 years credited service, 2 ½% of final Average salary multiplied by the years of Credited service with a maximum of 30 Years considered; If vested at or after age 50 or after 10 but before 20 years of Credited service with reduced benefits.
Benefits and eligibility for distribution (Volunteer)	20 years credited service equal to \$5.46 per month per year of service With a maximum of 30 Years considered
Deferred retirement option	Yes, 20 years credited service with Continued service for 30 or more years
Provisions for:	
Cost of living adjustments (normal retirement) Yes	Yes, if vested by 5/83
Death (duty, non-duty, post-retirement) Yes	Yes
Disability Yes	Yes
Cost of living allowances Yes	Yes

The Town is required to contribute \$60 per year per volunteer firefighter. For those years in which the Town General Fund revenue falls below a statutory amount the Town is not required to make a contribution.

Contributions required by State Statute:

<u>Fiscal Year</u>	<u>Oklahoma Firefighter's Pension And Retirement System</u>	
	<u>Required Contribution</u>	<u>Percentage Contributed</u>
2013	\$ 600	100%
2012	600	100%
2010	0	100%

Trend information showing the progress of the system in accumulating sufficient assets to pay benefits when due is presented in the annual financial reports of the plan. Copies of the report may be obtained from the state retirement systems.

TOWN OF MACOMB, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013

**Note F - RISK MANAGEMENT**

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town carries commercial insurance for risk of loss, including workers' compensation. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**NOTE H - FEDERAL AND STATE GRANTS**

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

**NOTE I - SUBSEQUENT EVENTS**

The Town evaluated subsequent events through January 10, 2014, the date which financial statements were available, to determine if any items need to be disclosed. The Town is not aware of any items which need disclosure.

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 Honorable Mayor and Members of the Board of Trustees  
Town of Macomb  
Macomb, Oklahoma

I 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 governmental activities of Town of Macomb, Oklahoma, modified cash basis, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Town of Macomb's basic financial statements and have issued my report thereon dated January 10, 2014.

Internal Control Over Financial Reporting

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

My 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.

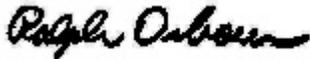
Compliance and Other Matters

As part of obtaining reasonable assurance about whether Town of Macomb, Oklahoma's financial statements are free of material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of the 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 *Governmental Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Sincerely,



Ralph Osborn  
Certified Public Accountant  
Bristow, Oklahoma  
January 10, 2014