

WAGONER COUNTY DEVELOPMENT AUTHORITY
A PUBLIC TRUST

FINANCIAL AND COMPLIANCE AUDIT

JUNE 30, 2019 AND 2018

WAGONER COUNTY DEVELOPMENT AUTHORITY
A PUBLIC TRUST
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JUNE 30, 2019 AND 2018

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INDEPENDENT AUDITORS' REPORT

April 28, 2023

To the Trustees
Wagoner County Development Authority

Report on the Financial Statements

We have audited the accompanying financial statements of Wagoner County Development Authority (the Authority), a component unit of Wagoner County, Oklahoma which comprise the statements of net position as of June 30, 2019 and 2018 and the related statements of revenues, expenses and changes in net position, and statements of cash flows for the years then ended, and the related notes to financial statements which collectively comprise the Wagoner County Development Authority'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 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.

Auditors' 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the 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 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 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.

To the Trustees
Wagoner County Development Authority
April 28, 2023

Opinion

In our opinion the financial statements referred to above present fairly, in all material respects, the financial position of the business type activities of the Wagoner County Development Authority as of June 30, 2019 and 2018, and the respective changes in net position and the cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

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 Government 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 the missing information.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 28, 2023, on our consideration of the Wagoner County Development 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 solely 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 effectiveness of Wagoner County Development Authority's 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 Wagoner County Development Authority's internal control over financial reporting and compliance.

GRAY, BLODGETT & COMPANY, PLLC
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WAGONER COUNTY DEVELOPMENT AUTHORITY
 STATEMENTS OF NET POSITION
 JUNE 30, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
Assets		
Rent receivable	\$ -	\$ 4,787
Investments	-	25,345
Fixed assets, net of depreciation	-	311,919
	-	311,919
Total Assets	-	342,051
Liabilities		
Accounts payable	\$ -	\$ 625
Accrued interest payable	-	569
Deferred rent revenue	-	22,955
Bonds payable, net of discount	-	-
Due within one year	-	45,358
Due in more than one year	-	59,327
	-	128,834
Total Liabilities	-	128,834
Net Position Restricted for Bond Programs	\$ -	\$ 213,217

The accompanying notes are an integral part of these financial statements.

WAGONER COUNTY DEVELOPMENT AUTHORITY
 STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
 FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
Operating revenues		
Building lease income	\$ <u>79,303</u>	\$ <u>61,237</u>
Total operating revenues	<u>79,303</u>	<u>61,237</u>
Operating expenses		
Depreciation expense	14,179	14,179
Audit fees	-	4,600
Servicers' fees	<u>-</u>	<u>1,250</u>
Total operating expenses	<u>14,179</u>	<u>20,029</u>
Operating Income	<u>65,124</u>	<u>41,208</u>
Nonoperating revenues and expenses		
Loss on transfer of assets to the County	(274,786)	-
Investment income	338	238
Interest expense	(3,578)	(8,044)
Discount accretion	<u>(315)</u>	<u>(358)</u>
Total nonoperating revenues	<u>(278,341)</u>	<u>(8,164)</u>
Change in Net Position	(213,217)	33,044
Net Position, beginning of year	<u>213,217</u>	<u>180,173</u>
Net Position, end of year	<u>\$ -</u>	<u>\$ 213,217</u>

The accompanying notes are an integral part of these financial statements.

WAGONER COUNTY DEVELOPMENT AUTHORITY
 STATEMENTS OF CASH FLOWS
 FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
Cash Flows from Operating Activities:		
Rents received	\$ 83,465	\$ 56,450
Payments to suppliers	<u>-</u>	<u>(5,225)</u>
Net Cash Provided by (Used in) Operating Activities	<u>83,465</u>	<u>51,225</u>
Cash Flows from Capital and Related Financing Activities:		
Payments on bonds	(105,000)	(45,000)
Interest paid	<u>(4,147)</u>	<u>(8,288)</u>
Net Cash Provided by (Used in) Capital and Related Financing Activities	<u>(109,147)</u>	<u>(53,288)</u>
Cash Flows from Investing Activities:		
Interest received	338	238
Purchase of investments	(79,656)	(75,246)
Proceeds from sales and maturities of investments	<u>105,000</u>	<u>77,071</u>
Net Cash Provided by (Used in) Investing Activities	<u>25,682</u>	<u>2,063</u>
Change in Cash	-	-
Cash at Beginning of Year	<u>-</u>	<u>-</u>
Cash at End of Year	<u>\$ -</u>	<u>\$ -</u>
Reconciliation of operating income (loss) to Net Cash Provided by (Used in) Operation Activities:		
Operating Income	\$ 65,124	\$ 41,208
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	14,179	14,179
(Increase) decrease in rent receivable	4,787	(4,787)
Increase (decrease) in accounts payable	<u>(625)</u>	<u>625</u>
Net Cash Provided by (Used in) Operating Activities	<u>\$ 83,465</u>	<u>\$ 51,225</u>

The accompanying notes are an integral part of these financial statements.

WAGONER COUNTY DEVELOPMENT AUTHORITY
A PUBLIC TRUST
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

Note 1 - Summary of Significant Accounting Policies

Organization

The Wagoner County Development Authority (the Authority), a component unit of Wagoner County, was created as a public trust under applicable Oklahoma statutes on September 28, 1998, with Wagoner County, Oklahoma named as the beneficiary thereof. The Trustees of the Authority, the County Commissioners of Wagoner County, is the same governing body of Wagoner County. The purpose of the Authority is primarily to promote, stimulate, encourage and finance the growth and development of the utility, agricultural, commercial, health care and industrial resources of Wagoner County, Oklahoma, and to promote the development of adequate housing within Wagoner County, Oklahoma. The provisions of the Trust Indenture basically provide that the Authority is authorized to promote, develop, and finance projects and facilities related to any of the above areas, to acquire by lease, purchase, production, reduction to possession or otherwise, and to plan, establish, develop, construct, enlarge, improve, extend, maintain, equip, operate, furnish, provide, supply, regulate, hold, store and administer any and all physical properties (real, personal or mixed), rights, privileges, immunities, benefits and any other thing of value, designated or needful for utilization in furnishing, providing or supplying the aforementioned services, utilities, buildings, and facilities, and to make loans to organizations or persons, and to participate in any housing programs, to assist in providing housing to the residents of Wagoner County, Oklahoma.

On December 16, 1999, the Authority determined to issue, sell and deliver its Public Facilities Lease Revenue Bonds (County Health Department Project), Series 1999, in the aggregate principal amount of \$630,000, pursuant to the Bond Indenture. These bonds were issued for the purpose of constructing a facility to be leased and used by the Wagoner County Health Department. The ongoing operations and transactions of the program are accounted for by trust operations of Bank of New York Mellon Trust Company, NA (the Trustee bank).

On February 13, 2019 the Public Facilities Lease Revenue Bonds were paid off. As of June 30, 2019 the assets were transferred to the beneficiary Wagoner County, Oklahoma.

Basis of Accounting

These financial statements are prepared using economic resources measurement focus and the accrual basis of accounting, which recognizes revenues when earned and expenses when incurred. These financial statements apply Financial Accounting Standards Board pronouncements and Accounting Principles Board opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict Government Accounting Standards Board (GASB) pronouncements, in which case, GASB prevails.

Fund Accounting

A description of the funds and accounts created by the Bond Indenture on December 16, 1999 and which are currently maintained by the Authority and the Trustee Bank are as follows:

Revenue Fund

All lease payments received by the Authority from the lessee derived from the facility leased pursuant to the lease shall be collected by the Authority and deposited in the Trustee Bank. These deposits shall be made into a Revenue Fund. The Trustee then transfers to the Bond Fund on or before the 20th day of each month, from funds on deposit in such Revenue Fund, a sum of equal to one-sixth of the interest payable on the next ensuing interest payment date and one-sixth of the principal payable on the next ensuing principal payment date.

Bond Fund

Two subaccounts shall be established in the Bond Fund, a Principal Account and an Interest Account. The Trustee will make payments in the following order of priority: (i) into the Interest Account, an amount equal to one-sixth of the interest due on the next December 1 or June 1, less the credit balance, if any, of the Interest Account on such date of payment, and (ii) into the Principal Account, an amount equal to one-sixth of the principal maturing or subject to Mandatory Redemption on the next December 1, less the credit balance, if any, of the Bonds maturing or being redeemed.

Payments from the Principal and Interest Accounts of the Bond Fund

On the fifth business day prior to each interest payment date, the

Trustee will withdraw from the Interest Account of the Bond Fund an amount equal to the interest due on the Bonds on the interest payment date, and apply the same to the payment of interest due.

Prior to each date on which any principal amount of the Bonds is to mature or are to be redeemed, the Trustee will withdraw from the Principal Account of the Bond Fund an amount equal to the amount of the Bonds maturing or being redeemed and apply the same to the payment of the maturing principal or redemption price of Bonds being redeemed, as applicable.

Bond Proceeds Fund

The Bond Proceeds Fund received the proceeds of the Bonds. The costs and expenses of the Bond issuance and sale of the Bonds were paid from the Bond Proceeds Fund to the persons entitled, as certified to the Trustee by the Authority in accordance with the provisions of the Bond Indenture.

Cash and Investments

All amounts held under the Bond Indenture by the Trustee Bank are invested and are continuously and fully secured for the benefit of the Authority and the owners of the Bonds, primarily by the investment thereof in investment securities meeting the strict criteria of the Bond Indenture. These investments are held by the Trustee Bank in the Authority's name. The cash balance in each fund at June 30, 2019 and 2018 was covered by federal depository insurance or by collateral held by the Trustee Bank.

Wagoner County Development Authority categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Wagoner County Development Authority does not have any investments that are measured using Level 2 or Level 3 inputs.

Cash and Cash Equivalents

For the purpose of the statement of cash flows, cash and cash equivalents are defined as demand deposits.

Fixed Assets

Property and equipment are capitalized at cost and depreciated using the straight-line method over the estimated useful lives of the assets.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Subsequent Events

Subsequent events have been evaluated through the issuance date of this report and no significant events were noted.

Note 2 - Investments

Authorized Investments consist of:

Obligations of, or guaranteed as to principal interest by, the United States of America, or by any agency or instrumentality thereof, limited to: U.S. Treasury Obligations; Farmers Home Administration; General Services Administration; U.S. Maritime Administration, Guaranteed Title XI financing; Small Business Administration guaranteed participation certificates or guaranteed pool certificates; Governmental National Mortgage Association (GNMA) securities, U.S. Department of Housing & Urban Development local authority bonds, and Washington Metropolitan Area Transit Authority guaranteed transit bonds.

Obligations of instrumentalities or agencies of the United States of America, limited to: Federal Home Loan Mortgage Corporation (FHLMC), Federal Home Loan Banks (FHLB), and Federal National Mortgage Association (FNMA) debt obligations or mortgage backed securities.

Federal Housing Administration debentures.

Wagoner County Development Authority
 Notes to Financial Statements
 June 30, 2019 and 2018

Commercial paper, payable in the United States of America, having original maturities of not more than 92 days and which are rated in the highest rating category by Standard & Poor's Ratings Group and Moody's Investors Service.

Interest bearing demand or time deposits issued by state banks or trust companies, savings and loan associations, federal savings banks or any national banking associations, with maturities of less than 366 days.

Money market mutual funds or portfolios rated AAA by Standard & Poor's Ratings Group.

Investments are measured at fair value on a recurring basis. Recurring fair value measurements are those that Governmental Accounting Standards Board (GASB) Statements require or permit in the statement of net position at the end of each reporting period. Fair value measurements are categorized based on the valuation inputs used to measure an asset's fair value as described in Note 1. There were no investments at June 30, 2019. Investments measured at fair value are as follows at June 30, 2018:

Fair Value Measurements at Reporting Date Using

	<u>Fair Value</u>	Quoted Prices In active Markets for Identical Assets <u>(Level 1)</u>
<u>June 30, 2018</u>		
Money market mutual funds	<u>\$ 25,345</u>	<u>\$ 25,345</u>

Wagoner County Development Authority
Notes to Financial Statements
June 30, 2019 and 2018

Note 3 - Fixed Assets

Changes in fixed assets for the years ending June 30, 2019 and 2018 are as follows:

	Cost			
	Balance	Additions	Removals	Balance
	<u>June 30, 2018</u>			<u>June 30, 2019</u>
Building	\$ 567,128	\$ -	\$ 567,128	\$ -
Furniture and Fixtures	<u>5,613</u>	<u>-</u>	<u>5,613</u>	<u>-</u>
Total	<u>\$ 572,741</u>	<u>\$ -</u>	<u>\$ 572,741</u>	<u>\$ -</u>

	Accumulated Depreciation			
	Balance	Additions	Removals	Balance
	<u>June 30, 2018</u>			<u>June 30, 2019</u>
Total	<u>\$ 260,822</u>	<u>\$ 14,179</u>	<u>\$ 275,001</u>	<u>\$ -</u>

	Cost			
	Balance	Additions	Removals	Balance
	<u>June 30, 2017</u>			<u>June 30, 2018</u>
Building	\$ 567,128	\$ -	\$ -	\$ 567,128
Furniture and Fixtures	<u>5,613</u>	<u>-</u>	<u>-</u>	<u>5,613</u>
Total	<u>\$ 572,741</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 572,741</u>

	Accumulated Depreciation			
	Balance	Additions	Removals	Balance
	<u>June 30, 2017</u>			<u>June 30, 2018</u>
Total	<u>\$ 246,643</u>	<u>\$ 14,179</u>	<u>\$ -</u>	<u>\$ 260,822</u>

Wagoner County Development Authority
Notes to Financial Statements
June 30, 2019 and 2018

Note 4 - Bonds

The Bonds were issued on, and bear interest at 6.50% from, December 16, 1999. On February 13, 2019 the Public Facilities Lease Revenue Bonds were paid off. As of June 30, 2019 the assets were transferred to the beneficiary Wagoner County, Oklahoma.

Changes in the Bonds for the year ending June 30, 2019 are as follows:

<u>Bonds Payable</u>			
<u>Balance</u> <u>June 30, 2018</u>	<u>Bonds</u> <u>Issued</u>	<u>Bonds</u> <u>Paid</u>	<u>Balance</u> <u>June 30, 2019</u>
<u>\$ 105,000</u>	<u>\$ -</u>	<u>\$ 105,000</u>	<u>\$ -</u>

<u>Bond Discount</u>			
<u>Balance</u> <u>June 30, 2018</u>	<u>Discount</u> <u>Taken</u>	<u>Current</u> <u>Accretion</u>	<u>Balance</u> <u>June 30, 2019</u>
<u>\$ 315</u>	<u>\$ -</u>	<u>\$ 315</u>	<u>\$ -</u>

Changes in the Bonds for the year ending June 30, 2018 are as follows:

<u>Bonds Payable</u>			
<u>Balance</u> <u>June 30, 2017</u>	<u>Bonds</u> <u>Issued</u>	<u>Bonds</u> <u>Paid</u>	<u>Balance</u> <u>June 30, 2018</u>
<u>\$ 150,000</u>	<u>\$ -</u>	<u>\$ 45,000</u>	<u>\$ 105,000</u>

<u>Bond Discount</u>			
<u>Balance</u> <u>June 30, 2017</u>	<u>Discount</u> <u>Taken</u>	<u>Current</u> <u>Accretion</u>	<u>Balance</u> <u>June 30, 2018</u>
<u>\$ 673</u>	<u>\$ -</u>	<u>\$ 358</u>	<u>\$ 315</u>

Note 5 - Facility Lease Agreement

The Department has occupied and utilized the facility since its completion. Lease payments in the amount per month to fully amortize the debt will be made by the Department to the Authority for rent of the facility. The monthly lease payment is to be deposited into the Revenue Fund for the payment of the Bonds upon receipt. The base term was December 16, 1999 through June 30, 2000. The Department has the option to renew the lease for 20 additional one-year periods, with the last renewal period ending June 30, 2020. A rental payment schedule with monthly rental payments through December 1, 2019 is included in the lease agreement. The Department may renew the lease for an unlimited number of successive one-year terms, with rental payments to be determined.

The Bond Indenture provides that excess earnings from investments could be used to reduce the monthly rental payments made by the Department. There were no excess earnings credits for the years ended June 30, 2018 and 2017.

On February 13, 2019 the Public Facilities Lease Revenue Bonds were paid off. As of June 30, 2019 the assets were transferred to the beneficiary Wagoner County, Oklahoma along with the lease agreement.

Note 6 - Project Site Lease Agreement

The Authority leased the land on which the facility was constructed from Wagoner County for \$10. The lease term is December 16, 1999 through June 30, 2020 or the fulfillment of the Authority's obligations under the Bond Indenture, whichever comes first. On February 13, 2019 the Public Facilities Lease Revenue Bonds were paid off. At that time, the facility became the property of the lessor, Wagoner County.



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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

April 28, 2023

To the Trustees
Wagoner County Development 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 business type activities of the Wagoner County Development Authority (the Authority) as of and for the year ended June 30, 2019, and the related notes to financial statements, which collectively comprise the Wagoner County Development Authority's basic financial statements, and have issued our report thereon dated April 28, 2023.

Internal Control over Financial Reporting

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

To the Trustees
Wagoner County Development Authority
April 28, 2023

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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 Wagoner County Development 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.

GRAY, BLODGETT & COMPANY, PLLC
Gray, Blodgett & Company, PLLC