

FLORIDA PANHANDLE PEDIATRIC FOUNDATION, INC.

PANAMA CITY, FLORIDA

**REPORT ON EXAMINATION OF FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

YEAR ENDED JUNE 30, 2013

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RALPH A. LEE
CERTIFIED PUBLIC ACCOUNTANT

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors of Florida Panhandle pediatric Foundation, Inc. of Panama City, Florida.

Report on the Financial Statements

I have audited the accompanying financial statements of Florida Panhandle pediatric Foundation, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2013, and the related statements of activities, functional expenses, and cash flows for the year 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

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my 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 I 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, 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 opinion.

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Florida Panhandle pediatric Foundation, Inc., as of June 30, 2013; and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

My audit was conducted for the purpose of forming opinions on the financial statements as a whole. The accompanying Schedule of Expenditures and Federal Awards and State Financial Assistance, as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and by the State of Florida's Office of the Auditor General, General Rule 10.650, *Rules of the Auditor General*, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated September 25, 2013, on my consideration of Florida Panhandle pediatric Foundation, Inc.'s internal control over financial reporting and on 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 my 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 the Authority's internal control over financial reporting and compliance.

Ralph A. Lee, CPA

Gulf Breeze, Florida
September 25, 2013

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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

The Board of Directors of Florida Panhandle Pediatric Foundation, Inc. of Panama City, Florida.

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 Florida Panhandle Pediatric Foundation, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2013, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements and have issued my report thereon dated September 25, 2013.

Internal Control over Financial Reporting

In planning and performing my audit of the financial statements, I considered Florida Panhandle Pediatric Foundation, Inc.'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Florida Panhandle Pediatric Foundation, Inc.'s internal control. Accordingly, I do not express an opinion on the effectiveness of Florida Panhandle Pediatric Foundation, Inc.'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 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 my audit I did not identify any deficiencies in internal control that I 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 Florida Panhandle Pediatric Foundation, Inc.'s financial statements are free from 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 this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Florida Panhandle Pediatric Foundation, Inc.'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 Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Ralph A. Lee, CPA

Gulf Breeze, Florida
September 25, 2013

FINANCIAL STATEMENTS

FLORIDA PANHANDLE PEDIATRIC FOUNDATION, INC.

Panama City, Florida

STATEMENT OF FINANCIAL POSITION

June 30, 2013

<u>ASSETS</u>	<u>2013</u>
Current:	
Cash - unrestricted	\$ 328,369.60
Cash - restricted	111.32
A/R - Florida DOH	46,176.00
A/R - Medicaid	104,728.98
A/R - Third Party Insurance	9,051.72
Prepaid Expenses	6,347.79
Total current	<u>494,785.41</u>
Noncurrent:	
Capital Assets (net of depreciation)	85,594.79
Total noncurrent	<u>85,594.79</u>
Total Assets	<u>\$ 580,380.20</u>
 <u>LIABILITIES</u>	
Current:	
A/P - Payroll	5,093.12
Compensated absences	7,672.90
Total current	<u>12,766.02</u>
Noncurrent:	
Compensated absences	69,056.14
Total Noncurrent	<u>69,056.14</u>
Total Liabilities	<u>81,822.16</u>
 <u>NET ASSETS</u>	
Invested in Capital Assets (net)	85,594.79
Temp restricted net assets	111.32
Unrestricted net assets	412,851.93
Total Net Assets	<u>498,558.04</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 580,380.20</u>

The notes to the financial statements are an integral part of this statement.

FLORIDA PANHANDLE PEDIATRIC FOUNDATION, INC.

Panama City, Florida

STATEMENT OF ACTIVITIES

For The Period Ended June 30, 2013

<u>REVENUE</u>	<u>2013</u>
Contract Grants:	
Florida DOH	\$ 666,753.00
U.S. DOH	364,113.00
Medicaid	505,648.33
Insurance - 3rd Party	3,916.93
Interest	138.89
Total Revenue	<u>1,540,570.15</u>
 <u>EXPENSES</u>	
Program Services:	
Primary Pediatric Care	1,491,788.73
 Support Services:	
Management & General	<u>184,019.80</u>
Total Expenses	<u>1,675,808.53</u>
 Net Income (Loss)	(135,238.38)
Adjustments	<u>165,130.98</u>
 Change in Net Assets	29,892.60
 Beginning Net Assets	<u>468,665.44</u>
 Ending Net Assets	<u>\$ 498,558.04</u>

The notes to the financial statements are an integral part of this statement.

FLORIDA PANHANDLE PEDIATRIC FOUNDATION, INC.
Panama City, Florida

STATEMENT OF CASH FLOWS
June 30, 2013

	<u>2013</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Net Income(Loss)	<u>\$ (135,238.38)</u>
Adjustments to Reconcile Change in Net Income to Net Cash Provided(Used) for Operating Activities:	
Depreciation	9,208.12
(Increase)decrease in Accounts Receivable	5,389.07
Increase(decrease) in Accounts Payable	7,672.90
Increase(decrease) in Accrued Expenses	<u>35,683.26</u>
Net Cash Provided by Operating Activities	<u>(77,285.03)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:	
Capital acquisitions (net)	(41,752.15)
Adjustment	<u>98,344.34</u>
Net Cash Provided by Financing Activities	<u>56,592.19</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Net Cash Provided by Investing Activities:	<u>0.00</u>
Net Increase(decrease) in Cash	(20,692.84)
Cash - June 30, 2012	<u>349,173.76</u>
Cash - June 30, 2013	<u>\$ 328,480.92</u>

FLORIDA PANHANDLE PEDIATRIC FOUNDATION, INC.
Panama City, Florida

STATEMENT OF FUNCTIONAL EXPENSES

Period ending June 30, 2013

FUNCTIONAL EXPENSES	Program Services	Support Services	Total Expenses
Payroll:			
Salaries	\$ 577,955.83	\$ 101,992.21	\$ 679,948.04
Fringe Benefits	178,429.09	31,487.49	209,916.58
Payroll Taxes	48,015.79	8,473.38	56,489.17
Total Payroll	804,400.71	141,953.08	946,353.79
Other:			
Patient Services	555,183.83		555,183.83
Accounting		4,000.00	4,000.00
Contract services		9,342.39	9,342.39
F & E <\$1,000	18,481.36	3,261.42	21,742.78
Insurance	1,351.50	238.50	1,590.00
Occupancy	46,767.79	8,253.14	55,020.93
Office Supplies	11,789.46	2,080.49	13,869.95
Postage	4,112.12	725.67	4,837.79
Relocation	2,390.00		2,390.00
Storage		1,674.00	1,674.00
Telephone	5,062.41	893.37	5,955.78
Training	325.00		325.00
Travel	28,383.34		28,383.34
Utilities	6,973.32	1,230.58	8,203.90
Depreciation		9,208.12	9,208.12
Misc	6,567.89	1,159.04	7,726.93
Total Other	687,388.02	42,066.72	729,454.74
Total Expenses	\$ 1,491,788.73	\$ 184,019.80	\$ 1,675,808.53

The notes to the financial statements are an integral part of this statement.

NOTES TO THE FINANCIAL STATEMENTS

**Florida Panhandle Pediatric Foundation, Inc.
Panama City, Florida**

**NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013**

NOTE 1: Summary of Significant Accounting Policies:

A. *Reporting Entity*

The Florida Panhandle Pediatric Foundation, Inc. (FPPF), located in Panama City, Florida, is a not-for-profit facility. FPPF provides comprehensive outpatient healthcare and medical services for indigent children in the local area. FPPF was incorporated under the laws of the State of Florida in 1992.

B. *Use of Estimates*

The preparation of financial statements in conformity with GAAP 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.

C. *Basis of Presentation – Fund Accounting*

FPPF uses the accrual basis of accounting. Revenues and expenses are recognized using the economic resources measurement focus. Under this basis, revenues are recorded when earned and expenses are recorded when incurred.

D. *Cash*

Cash consists of demand deposits, and short term, highly liquid investments which are readily convertible into cash within ninety (90) days of purchase.

E. *Receivables*

Receivables past due over 90 days are considered delinquent. Management reviews outstanding receivables at year-end and writes off receivables it deems uncollectible.

F. *Capital Assets*

Capital assets >\$1,000 that are purchased or acquired are recorded at actual cost. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs, incurred for repairs and maintenance, are expensed as incurred. Depreciation on capital assets is calculated using the straight-line method over ten (10) years.

**Florida Panhandle Pediatric Foundation, Inc.
Panama City, Florida**

**NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013**

NOTE 1: Summary of Significant Accounting Policies (cont'd):

G. *Grant Contract*

FPPF, Inc. administers one contract with the State of Florida's Department of Health. Grant funding is provided through a State contract which includes both state and federal pass-through funds. This grant is subject to State program compliance monitoring.

H. *Third Party Reimbursements*

Physicians are paid for services provided on a fee-for-service basis. FPPF, Inc. invoices third-parties (Insurance), if it determines that such third-parties are responsible for payment for services that are provided to the patient.

NOTE 2: Compensated Absences

FPPF Inc.'s personnel policy provides the following vacation and sick leave benefits for its employees:

Employees are granted vacation and sick leave benefits in varying amounts. Vacation time may be accumulated up to a total of 240 hours. Unused vacation leave time, up to the maximum of 240 hours, will be paid to employees upon separation. Sick leave may be accumulated with no limit. Sick leave will only be paid to employees upon separation that have more than ten (10) years of service at the time of separation. The total amount of accrued compensated absences for all employees is recorded as an expense and a payable in the financial statements.

NOTE 3: Retirement Plan

All FPPF Inc. employees are eligible to participate in a SEP retirement plan administered by the Guardian Insurance and Annuity Company, Inc. of New York, NY. FPPF contributes 10% of each employee's annual salary. Total cost for the plan for the year ended June 30, 2013 was \$62,470.10. Information about this plan can be obtained by writing to The Guardian Insurance and Annuity Co., Inc. at 7 Hanover Square, New York, NY 10004 or by calling 202-283-8811.

**Florida Panhandle Pediatric Foundation, Inc.
Panama City, Florida**

**NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013**

NOTE 4: Risk Management

Florida Panhandle Pediatric Foundation, Inc. carries commercial insurance against all risks of loss, including property and general liability, auto, worker's compensation, fidelity, and public official's liability insurance.

NOTE 5: Contingencies

Florida Panhandle Pediatric Foundation, Inc. is subject to possible monitoring examinations by Federal and State entities. Such examinations, when made, are used to determine compliance with terms, regulations, and conditions of state and federal awards as well as to determine compliance with applicable state laws. Violations, if they occur, could possibly impact FPPF Inc. financially.

SINGLE AUDIT SECTION

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

To the Board of Directors of Florida Panhandle Pediatric Foundation, Inc. of Panama City, Florida.

Report on Compliance for Each Major Federal Program

I have audited Florida Panhandle Pediatric Foundation, Inc.'s (the "Organization") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs and major state projects for the year ended June 30, 2013. The Organization's major federal programs and major state projects are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs and major state projects.

Auditor's Responsibility

My responsibility is to express an opinion on compliance for each of the Organization's major federal programs and major state projects based on my audit of the types of compliance requirements referred to above. I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and Chapter 10.650, *Rules of the Auditor General*, of the State of Florida. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program or major state project occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances.

I believe that my audit provides a reasonable basis for my opinion on compliance for each major federal program and major state project. However, my audit does not provide a legal determination of the Organization's compliance.

Opinion on Each Major Federal Program

In my opinion, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs and major state projects for the year ended June 30, 2013.

Report on Internal Control over Compliance

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing my audit of compliance, I considered the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program and major state projects to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and major state project and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the Organization's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program or major state project on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program or major state project will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program or major state project that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

My consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of my testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133 and Chapter 10.650, *Rules of the Auditor General*, of the State of Florida. Accordingly, this report is not suitable for any other purpose.

Ralph A. Lee, CPA

Gulf Breeze, Florida
September 25, 2013

FLORIDA PANHANDLE PEDIATRIC FOUNDATION, INC.
 Panama City, Florida
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FEDERAL PROGRAMS AND STATE PROJECTS
 June 30, 2013

Section I - Summary of Auditor's Results:

Type of opinion expressed on the basic financial statements:	Unqualified
Significant deficiencies in internal control disclosed?	No
Instances of material noncompliance to the financial statements disclosed?	No
Is a significant deficiency in internal control over a major State project reported in the Independent Auditor's Report on Compliance With Requirements Applicable to Each Major Project and on Internal Control over Compliance in Accordance with Chapter 10.650, <i>Rules of the Auditor General</i> ?	None Reported
Type of opinion expressed on the auditor's report on compliance with requirements applicable to the major State Project:	Unqualified
My audit disclosed no findings required to be reported related to State Projects under Chapter 10.656.	
Identification of major projects tested include the following:	
State Project	Primary Care
State CFSA No.	64.007
Threshold for distinguishing Type A and Type B State projects:	\$200,026

Section II - Financial Statement Findings:

There were no financial statement findings for the period ended June 30, 2013.

Section III - Major State Projects - Findings and Questioned Costs:

There were no State Project Findings or Questioned Costs for the period ended June 30, 2013.

Section IV - Other Issues:

A. No Management Letter is required because there were no findings required to be reported in the management letter per AG Rule Section 10.656(3)(e).

B. No Summary Schedule of Prior Audit Findings is required because there were no prior audit findings related to State projects per AG Rule 10.656(3)(d)(6).

C. No Corrective Action Plan is required because there were no findings required to be reported under the Florida Single Audit Act per AG Rule 10.656(3)(d)(7).

SUPPLEMENTAL INFORMATION

FLORIDA PANHANDLE PEDIATRIC FOUNDATION, INC.
Panama City, Florida

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
FOR THE PERIOD ENDED June 30, 2013

Federal/State Agency	CFDA	Contract/	
Pass-through Entity	CSFA	Grant	
Federal Program/State Project	No.	No.	Expenditures
<u>Federal Agency:</u>			
U.S. Department of Health and Human Services			
Indirect Programs:			
Passed Through Florida Department of Health			
Maternal and Child Health Services Block Grant	93.994	COQPK	\$ <u>364,113.00</u>
Total Expenditure of Federal Awards			\$ <u><u>364,113.00</u></u>
<u>State Agency:</u>			
Florida Department of Health			
Direct Projects:			
Primary Care	64.007	COQPK	\$ <u>666,753.00</u>
Total Expenditure of State Financial Assistance			\$ <u><u>666,753.00</u></u>

Note 1:

The accompanying schedule of Expenditures of Federal Awards and State Financial Assistance includes the federal and state grant activity of Florida Panhandle Pediatric Foundation, Inc. and is presented on the full accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

See auditor's report.

The accompanying notes are an integral part of this statement.