

AUDITED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

COMMUNITY DEVELOPMENT CENTER

(A NOT-FOR-PROFIT CORPORATION)

June 30, 2011

WINNETT
Associates, PLLC

Certified Public Accountants and Consultants

CONTENTS

Independent Auditors' Report	Page	3
Financial Statements:		
Statement of Financial Position		4
Statement of Activities		5
Statement of Functional Expenses		6
Statement of Cash Flows		8
Notes to Financial Statements		9
Supplementary Information:		
Independent Auditors' Report on Supplementary Information		15
Schedule of Expenditures of Federal Awards and State Financial Assistance		16
Directory of Officials		18
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 <i>Government Auditing Standards</i>		19

INDEPENDENT AUDITORS' REPORT

Board of Directors
Community Development Center
Shelbyville, Tennessee

We have audited the accompanying statement of financial position of Community Development Center (a not-for-profit corporation) as of June 30, 2011, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Center's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Community Development Center as of June 30, 2011, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 21, 2011, on our consideration of Community Development Center'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* and should be considered in assessing the results of our audit.

Winnett Associates, PLLC

September 21, 2011

STATEMENT OF FINANCIAL POSITION
COMMUNITY DEVELOPMENT CENTER

June 30, 2011

ASSETS

CURRENT ASSETS

Cash for general use - Note C	\$ 572,100
Certificates of deposit - Note C	514,038
Unconditional promises to give - Note E (Net of allowance of \$869)	29,966
Accounts receivable - Note B(3)	420,795
Interest receivable	805
Prepaid expenses	7,573
Deposits	600
TOTAL CURRENT ASSETS	\$ 1,545,877

CASH RESTRICTED TO ENDOWMENT
PROPERTY AND EQUIPMENT - Note G

500
657,400
TOTAL ASSETS
\$ 2,203,777

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$ 43,201
Payroll taxes	1,848
Accrued leave - Note I	44,890
TOTAL LIABILITIES	\$ 89,939

NET ASSETS

Unrestricted	\$ 2,087,982
Temporarily restricted - Note D	25,356
Permanently restricted	500
TOTAL LIABILITIES AND NET ASSETS	\$ 2,203,777

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

STATEMENT OF ACTIVITIES
COMMUNITY DEVELOPMENT CENTER

Year ended June 30, 2011

	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
SUPPORT AND REVENUE:				
Support:				
Grants	\$ 2,008,293			\$ 2,008,293
City and County	96,640			96,640
In-kind - Note J	77,130			77,130
Organizational contributions	19,270	25,356		44,626
Individual contributions	7,445			7,445
TOTAL SUPPORT	\$ 2,208,778	\$ 25,356		\$ 2,234,134
Revenue:				
Mother's Day Out	\$ 19,369			\$ 19,369
Early intervention	37,138			37,138
Special events	68,927			68,927
	\$ 125,434			\$ 125,434
Interest income	11,303			11,303
Miscellaneous	80			80
TOTAL REVENUE	\$ 136,817			\$ 136,817
NET ASSETS RELEASED FROM RESTRICTIONS:				
Contributions - released from restrictions	19,330	\$ (19,330)		-0-
TOTAL SUPPORT AND REVENUE	\$ 2,364,925	\$ 6,026		\$ 2,370,951
TOTAL EXPENSES AND LOSSES				
Expenses:				
Program services:				
Child Day Services	\$ 678,211			\$ 678,211
Family Support	259,758			259,758
Child Care Resource and Referral	380,475			380,475
Independent Support	737,148			737,148
Supporting services:				
Management and general	288,127			288,127
Fund raising	30,338			30,338
TOTAL EXPENSES	\$ 2,374,057			\$ 2,374,057
CHANGES IN NET ASSETS	\$ (9,132)	\$ 6,026		\$ (3,106)
NET ASSETS AT BEGINNING OF YEAR	2,097,114	19,330	\$ 500	2,116,944
NET ASSETS AT END OF YEAR	\$ 2,087,982	\$ 25,356	\$ 500	\$ 2,113,838

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

STATEMENT OF FUNCTIONAL EXPENSES
COMMUNITY DEVELOPMENT CENTER
Year ended June 30, 2011

	Program Services		
	Child Day Services	Family Support Services	Child Care Resource & Referral
Salaries	\$ 376,592	\$ 24,686	\$ 254,211
Fringe benefits	81,791	4,127	46,719
TOTAL SALARIES AND FRINGE BENEFITS	\$ 458,383	\$ 28,813	\$ 300,930
Travel	10,256	629	32,767
Communications	9,722	1,346	5,233
Utilities	12,017		
Postage and shipping	473	430	438
Professional services	1,654		204
Supplies	32,047	402	10,571
Food	3,724		187
Maintenance	27,050	544	5,188
Training and seminars	2,784		1,495
Rent			13,336
Insurance	7,083	917	
In-kind expenses - Note J	76,580	550	
Dues and subscriptions	4,320		1,416
Special events			
Grants and subsidies		225,234	
Uncollectible pledges		53	
Miscellaneous	911	11	46
TOTAL EXPENSES BEFORE DEPRECIATION AND AMORTIZATION	\$ 647,004	\$ 258,929	\$ 371,811
Depreciation	31,207	829	8,664
TOTAL EXPENSES	\$ 678,211	\$ 259,758	\$ 380,475

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

Program Services		Supporting Services					
Independent Support		Management and General	Special Events	Total Expenses			
\$	523,748	\$	202,936	\$	1,382,173		
	106,068		37,386		276,091		
\$	629,816	\$	240,322		\$	1,658,264	
	18,940		1,013			63,605	
	11,292		5,161			32,754	
	4,740		2,140			18,897	
	1,098		1,058			3,497	
	1,761		11,587			15,206	
	9,251		2,776			55,047	
	854		480			5,245	
	13,334		7,551			53,667	
	924		2,064			7,267	
	25,080					38,416	
	3,261		1,308			12,569	
						77,130	
	500		1,454			7,690	
				\$	30,338	30,338	
						225,234	
						53	
	2,887		1,069			4,924	
\$	723,738	\$	277,983	\$	30,338	\$	2,309,803
	13,410		10,144				64,254
\$	737,148	\$	288,127	\$	30,338	\$	2,374,057

STATEMENT OF CASH FLOWS
COMMUNITY DEVELOPMENT CENTER

Year ended June 30, 2011

CASH FLOWS FROM OPERATING ACTIVITIES:

Decrease in net assets		\$ (3,106)
Adjustments to reconcile decrease in net assets to cash used by operating activities:		
Depreciation and amortization	\$ 64,254	
Increase (decrease) in operating assets:		
Pledges receivable	(776)	
Accounts receivable	(134,020)	
Interest receivable	550	
Prepaid expenses	3,499	
Deposits	100	
Increase (decrease) in operating liabilities:		
Accounts payable	(5,416)	
Accrued leave and wages	4,609	
Accrued payroll taxes	(945)	
Other current liabilities	(21)	
	NET ADJUSTMENTS	(68,166)
	NET CASH USED BY OPERATING ACTIVITIES	\$ (71,272)

CASH FLOWS FROM INVESTING ACTIVITIES:

Short-term investments, net	\$ 17,463	
Payments for property and equipment	(28,343)	
	NET CASH USED BY INVESTING ACTIVITIES	(10,880)
	NET DECREASE IN CASH AND CASH EQUIVALENTS	\$ (82,152)
	BEGINNING CASH AND CASH EQUIVALENTS	654,252
	ENDING CASH AND CASH EQUIVALENTS	\$ 572,100

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

NOTES TO FINANCIAL STATEMENTS
COMMUNITY DEVELOPMENT CENTER

June 30, 2011

NOTE A - COMMUNITY DEVELOPMENT CENTER

The Community Development Center (the Center), formerly named Child Development Center, Bedford County, Marshall County and Lincoln County, was incorporated on April 14, 1972, as a Tennessee not-for-profit corporation whose primary purpose is to provide educational and social services to developmentally delayed children.

Since incorporation, the Center has added programs that provide services to families at risk, to mentally handicapped adults, and daycare centers. The Center is funded principally with state grants and contributions from the Cities of Shelbyville, Lewisburg and Fayetteville, the counties of Bedford, Marshall, Lincoln and Giles, civic clubs and private citizens.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1) Accounting Method

The financial statements of the Center are prepared on the accrual basis of accounting. Under this method, revenues are recognized when they are earned, and expenses are recognized when they are incurred.

Contributions are recognized when a donor makes a promise to give to the Center that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily (or permanently, when applicable) restricted assets. When a restriction expires, restricted net assets are reclassified to unrestricted net assets. The Center has not implied time restrictions on gifts of long-lived assets.

(2) Property and Equipment

Property and equipment purchased are stated at cost and donated property and equipment are stated at fair market value on the date contributed, less accumulated depreciation which is computed by the straight-line method over estimated useful lives of the individual assets as follows: furniture and equipment, 5-10 years; van, 4 years; bus, 7 years; building improvements, 5 and 10 years. Disbursements for property and equipment with a per unit cost in excess of \$500.00 are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred. All furniture and equipment purchased with grant funds, as well as the proceeds from the disposal of such furniture and equipment, are subject to a reversionary ownership interest by the grantor agency.

(3) Allowance for Uncollectible Accounts

Indebtedness to the Center known to be uncollectible has been written off, and adequate provision, based upon a review of the current status of accounts receivable and historical collection experience, has been made for anticipated adjustments and for possible losses in collection of the remaining accounts. For the year ended June 30, 2011, the amount charged to operations was \$53 and is reflected as a reduction of operating revenue.

NOTES TO FINANCIAL STATEMENTS (cont'd)
COMMUNITY DEVELOPMENT CENTER

June 30, 2011

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(4) Functional Expenses

Functional expenses are allocated between Program Services and Supporting Services based on an analysis of personnel time and space utilized for the respective activities.

(5) 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

(6) Cash and Cash Equivalents

For purposes of the statement of cash flows, the Center considers highly liquid investments with an initial maturity of three months or less which are neither designated nor restricted for long-term purposes to be cash equivalents.

(7) Contributed Services

The Center records various types of in-kind support, including contributed facilities and services. Contributed services are recognized if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

The value of in-kind support meeting the requirements for recognition in the financial statements is disclosed in Note J. In addition, many individuals volunteer their time and perform a variety of tasks that assist the Center, but these services do not meet the criteria for recognition as contributed services. The Center receives more than 1,000 volunteer hours per year.

(8) Subsequent Events

Subsequent events have been evaluated through September 21, 2011, which is the date the financial statements were available to be issued.

NOTE C - CASH

The following is a summary of unrestricted cash at June 30, 2011:

	<u>Cash</u> <u>Equivalents</u>	<u>Certificates of</u> <u>Deposit</u>	<u>Total</u>
Cash for general use	\$ 572,100	\$ 514,038	\$1,086,138

NOTES TO FINANCIAL STATEMENTS (cont'd)

COMMUNITY DEVELOPMENT CENTER

June 30, 2011

NOTE D - RESTRICTIONS ON NET ASSETS

Of the temporarily restricted net assets at June 30, 2011, \$25,356 is United Way funding for the next year. Permanently restricted net assets consist of endowment funds to be held indefinitely, the income from which is expendable to support the Center's program services.

NOTE E - PROMISES TO GIVE

Unconditional promises to give consist of the following:

United Way	\$ 26,225
Local Business	1,000
City and County funding	<u>3,610</u>
	<u>\$ 30,835</u>

Amounts due in more than one year are not significant; thus no discount factor has been applied.

NOTE F - TAX-EXEMPT STATUS

The Center is exempt from federal income tax under Section 501(c) (3) of the U. S. Internal Revenue Code, is not a private foundation and does not conduct any unrelated business activities. Gifts to the Center are tax deductible as charitable contributions.

NOTE G - PROPERTY AND EQUIPMENT

Major classifications of property and equipment are as follows:

	Cost			
	Balance July 1, 2010	Additions	Retirements	Balance June 30, 2011
Equipment	\$ 183,414	\$ 25,162	\$ 6,416	\$ 202,160
Vehicles	199,567	-0-	-0-	199,567
Land	42,830	-0-	-0-	42,830
Building, building improvements	<u>669,935</u>	<u>1,830</u>	<u>9,563</u>	<u>662,202</u>
	<u>\$ 1,095,746</u>	<u>\$ 26,992</u>	<u>\$ 15,979</u>	<u>\$ 1,106,759</u>
	Accumulated Depreciation			
	Balance July 1, 2010	Additions	Retirements	Balance June 30, 2010
Equipment	\$ 135,979	\$ 19,855	\$ 6,416	\$ 149,418
Vehicles	131,299	19,531	-0-	150,830
Building, building improvements	<u>135,455</u>	<u>24,456</u>	<u>9,563</u>	<u>150,348</u>
	<u>\$ 402,733</u>	<u>\$ 63,842</u>	<u>\$ 15,979</u>	<u>\$ 450,596</u>

Computer software (net of amortization) in the amount of \$1,237 is also included in the Center's property and equipment.

NOTES TO FINANCIAL STATEMENTS (cont'd)
COMMUNITY DEVELOPMENT CENTER

June 30, 2011

NOTE H - LEASES

The Center conducts some of its programs from a building owned by Bedford County and the City of Shelbyville. The Center receives free use of this building.

Lincoln County provides facilities for the Center's Fayetteville operations. In addition to the free use of the facilities, building insurance and utilities are provided free of charge.

The Child Care Resource and Referral program leases facilities in Fayetteville on a yearly basis. Amounts paid for the facilities totaled \$8,400.

The Independent Support program leases facilities in Columbia. The agreement began December 1, 2010 and ends November 30, 2011. Amounts paid for the Columbia facilities totaled \$25,080. Future lease payments required under the lease for the Columbia facilities are as follows:

Year Ended	
<u>June 30,</u>	<u>Amount</u>
2012	8,360

NOTE I - ACCRUED ANNUAL LEAVE

This liability, in the amount of \$44,890, represents annual vacation earned by employees as of June 30, 2011, but not yet taken.

NOTE J - IN-KIND REVENUE AND EXPENSES

The Center received in-kind donations that consisted of the following:

Use of facilities, including utilities and insurance	\$77,130
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In-kind revenue and expenses reflected in the financial statements are not actual monies received or expended.

NOTE K - COMMITMENTS AND CONTINGENCIES

The Center receives a major portion of its funding from the Departments of Education, Human Services, and Finance and Administration, the Cities of Shelbyville, Lewisburg and Fayetteville, and the Counties of Bedford, Marshall, Lincoln and Giles. A major reduction of funds from these entities, should this occur, could have a significant effect on future operations. Additionally, federal and state programs are subject to agency monitoring and retroactive adjustments which may result in paybacks by the Center in excess of liabilities accrued on an estimated basis in the financial statements.

NOTES TO FINANCIAL STATEMENTS (cont'd)
COMMUNITY DEVELOPMENT CENTER

June 30, 2011

NOTE L - RETIREMENT PLAN

The Center maintains a defined contribution plan where benefits depend solely on the actual value of contributions at the time of an employee's retirement. The Center matches eligible employees' contributions up to two percent of the employees' annual compensation. Eligible employees include all full-time and regular part-time (30.77 hours or more per week) employees. The Center also provides retirement benefits for those employees who elect not to take health insurance coverage. The employer retirement benefit contributions are fixed by the Board of Directors. For the year ended June 30, 2011, the Center's contributions (two percent match and in-lieu-of health insurance) totaled \$106,100. Employees are fully vested for all contributions made to the plan.

NOTE M - RELATED PARTY TRANSACTIONS

The Center obtains insurance coverage through an agency owned by an ex-officio member of the Board of the Directors. During the year ended June 30, 2011, the Center expended \$44,981 to obtain this coverage.

NOTE N - RELATED ORGANIZATIONS

The Community Development Center Foundation (Foundation) is a nonprofit organization that was established to receive, hold, manage, and transfer property, real or personal, for the Center. The Foundation is also to manage any permanent special funds for the furtherance of the purposes of the agency and distribute funds to the Center to support and enhance programs for which funds are not provided by federal, state, and public sources.

NOTE O - FAIR VALUE MEASUREMENTS

Generally accepted accounting principles require that contributions be measured at the fair value of the assets given. The present value of estimated future cash flows using a discount rate commensurate with the risks involved is an appropriate measure of fair value of unconditional promises to give cash. Unconditional promises to give that are expected to be paid in less than one year may be measured at net settlement value because that amount, although not equivalent to the present value of estimated future cash flows, results in a reasonable estimate of fair value.

Assets measured at fair value on a recurring basis using unobservable inputs (Level 3):

Pledges receivable	July 1, 2010	\$ 29,190
	Issuances and settlements (net)	<u>776</u>
	June 30, 2011	<u>\$ 29,966</u>

SUPPLEMENTARY INFORMATION

INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION

Board of Directors
Community Development Center
Shelbyville, Tennessee

Our audit was made for the purpose of expressing an opinion on the financial statements taken as a whole. The accompanying information, on pages 15-17, is presented for purposes of additional analysis and is not a required part of the financial statements of Community Development Center. Such information has been subjected to the auditing procedures applied in the audit of the financial statements, and, in our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

Winnett Associates, PLLC

September 21, 2011

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE

COMMUNITY DEVELOPMENT CENTER

Year ended June 30, 2011

CFDA Number	Program Name	Grant Number	Grantor Agency	Balance July 1, 2010	Cash Receipts
<u>Federal Awards</u>					
84.393A	Early Intervention - ARRA	EDARRA0KR9AAX09	Tennessee Department of Education	\$ (26,792)	\$ 103,840
Total Federal Awards				<u>\$ (26,792)</u>	<u>\$ 103,840</u>
<u>State Financial Assistance</u>					
N/A	Family Support	7572-GR1028951	Tennessee Department Of Finance and Admini- stration Division of Intellectual Disabilities	\$ (32,642)	\$ 32,642
N/A	Independent Support Coordination	09-713E	Tennessee Department of Finance and Admini- stration Division of Intellectual Disabilities	(76,672)	76,672
N/A	Family Support	Z-09-214807-00	Tennessee Department of Finance and Admini- stration Division of Intellectual Disabilities	-0-	189,533
N/A	Early Intervention	ED00000KD9AAX09	Tennessee Department of Education	-0-	120,193
N/A	Independent Support Coordination	10-112M	Tennessee Department Of Finance and Admini- stration Division of Intellectual Disabilities	-0-	847,371
Total State Awards				<u>\$ (109,314)</u>	<u>\$ 1,266,411</u>
Total Federal and State Awards				<u><u>\$ (136,106)</u></u>	<u><u>\$ 1,370,251</u></u>

See independent auditors' report on supplementary information.

Other Additions	Amount Earned	Paid To Grantor	Other Deductions	Balance June 30, 2011
	\$ 152,111			\$ (75,063)
	<u>\$ 152,111</u>			<u>\$ (75,063)</u>
				\$ -0-
				-0-
	253,233			(63,700)
	242,030			(121,837)
	922,408			(75,037)
	<u>\$ 1,417,671</u>			<u>\$ (260,574)</u>
	<u>\$ 1,569,782</u>			<u>\$ (335,637)</u>

DIRECTORY OF OFFICIALS
COMMUNITY DEVELOPMENT CENTER

June 30, 2011

DIRECTORS

Chesley Enloe	- Chairman	Shirel Pitz
Barry Childers	- Vice Chairman	Donna Stone
Kay Rose	- Treasurer	Bobby Fox
Bonnie Scheuchenzuber	- Secretary	Debra Quarles
Joe Hunt	- Ex-Officio	Jim Sanders
Jane Townes	- Ex-Officio	Marilyn Massengale
Garrett Gordon	- Ch. Emeritus	Anna Childress
Beth Salisbury		Andy Bobo

See independent auditors' report on supplementary information.

**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 Directors
Community Development Center
Shelbyville, Tennessee

We have audited the financial statements of Community Development Center (a not-for-profit-corporation) as of and for the year ended June 30, 2011, and have issued our report thereon dated September 21, 2011. 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.

Internal Control Over Financial Reporting

Management of Community Development Center is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Community Development Center's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Community Development Center's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Center's internal control over financial reporting.

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.

Our 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 over financial reporting that might be that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Community Development Center'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*.

This report is intended solely for the information and use of the Board, management and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Winnett Associates, LLC

September 21, 2011