Lakeside Telephone Company, Inc.
A Wholly-owned Subsidiary of Sunflower Enterprises, Inc.

Auditor's Report and Financial Statements

December 31, 2012 and 2011

BKD LLP
CPAs & Advisors

Lakeside Telephone Company, Inc.
A Wholly-owned Subsidiary of Sunflower Enterprises, Inc.
December 31, 2012 and 2011

Contents

Independent Auditor's Report on Financial Statements

Board of Directors
Lakeside Telephone Company, Inc.
Glen Allan, Mississippi

Report on the Financial Statements

We have audited the accompanying financial statements of Lakeside Telephone Company, Inc. (the Company), a wholly-owned subsidiary of Sunflower Enterprises, Inc., which comprise the balance sheets as of December 31, 2012 and 2011, and the related statements of operations and retained earnings and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2012 and 2011, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Other Legal and Regulatory Requirements

In accordance with *Government Auditing Standards*, we have also issued our report dated May 23, 2013, on our consideration of the Company's internal control over financial reporting and 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 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 our audit.

BKD, LLP

Jackson, Mississippi
May 23, 2013

Lakeside Telephone Company, Inc.
A Wholly-owned Subsidiary of Sunflower Enterprises, Inc.
Balance Sheets
December 31, 2012 and 2011

	2012	2011
Assets		
Current Assets		
Cash and cash equivalents	$ 431,332	$ 306,739
Accounts receivable		
Telecommunications customers		
(Net of allowances of $1,000 for both 2012 and 2011)	5,568	3,328
Other, principally connecting companies	54,385	61,258
Materials and supplies inventories	3,097	3,441
Prepaid expenses	34,491	21,439
Total current assets	528,873	396,205
Deferred Income Taxes	104,018	84,186
Property, Plant and Equipment, at Cost		
Telecommunications plant in service	4,553,115	4,727,560
Other	20,416	20,416
	4,573,531	4,747,976
Less accumulated depreciation	(1,027,182)	(1,112,852)
	3,546,349	3,635,124
Total assets	$ 4,179,240	$ 4,115,515

	2012	2011
Liabilities and Stockholder's Equity		
Current Liabilities		
Current maturities of long-term debt	$ 188,000	$ 188,000
Accounts payable	46,419	100,098
Payable to affiliates	187,007	177,341
Other liabilities	13,260	170
Total current liabilities	434,686	465,609
Long-term Debt	2,877,665	2,739,095
Stockholder's Equity		
Common Stock, $1 par value		
Authorized 5,000 shares		
Issued and outstanding 1,000 shares	1,000	1,000
Additional paid-in capital	484,247	484,247
Retained earnings	381,642	425,564
Total stockholder's equity	866,889	910,811
Total liabilities and stockholder's equity	$ 4,179,240	$ 4,115,515

Lakeside Telephone Company, Inc.
A Wholly-owned Subsidiary of Sunflower Enterprises, Inc.
Statements of Operations and Retained Earnings
Years Ended December 31, 2012 and 2011

	2012	2011
Operating Revenues		
Basic local services	$ 52,811	$ 55,042
Long distance and access charges	1,016,367	1,094,389
Miscellaneous	11,505	11,270
Uncollectible revenues	(1,562)	(2,247)
	1,079,121	1,158,454
Operating Expenses		
Plant specific operations	206,569	375,070
Plant nonspecific operations	92,775	38,363
Depreciation and amortization	285,669	250,624
Customer operations	25,509	23,923
Corporate operations	448,333	391,134
	1,058,855	1,079,114
Operating Taxes		
Income taxes	(41,310)	(31,506)
Other operating taxes	6,575	8,058
	(34,735)	(23,448)
Operating Income	55,001	102,788
Other Income (Expenses)		
Interest income	20	810
Allowance for funds used during construction	-	19,081
Income from nonregulated operations, net	69,324	62,393
Income taxes	(21,478)	(37,262)
Other, net	(300)	(400)
	47,566	44,622
Income Available for Fixed Charges	102,567	147,410
Fixed Charges - Interest on Long-term Debt	146,489	140,517
Net Income (Loss)	(43,922)	6,893
Retained Earnings, Beginning of Year	425,564	418,671
Retained Earnings, End of Year	$ 381,642	$ 425,564

Lakeside Telephone Company, Inc.
A Wholly-owned Subsidiary of Sunflower Enterprises, Inc.
Statements of Cash Flows
Years Ended December 31, 2012 and 2011

	2012	2011
Operating Activities		
Net income (Loss)	$ (43,922)	$ 6,893
Items not requiring (providing) cash		
Depreciation and amortization	285,669	250,624
Deferred income taxes	(19,832)	5,756
Changes in		
Accounts receivables	4,633	12,806
Materials and supplies inventories	344	532
Prepaid expenses	(13,052)	(915)
Accounts payable and payable to affiliates	(44,013)	(323,671)
Income taxes payable	-	(29,359)
Other liabilities	13,090	-
Net cash provided by (used in) operating activities	196,007	(77,334)
Investing Activities		
Additions to plant, net of salvage	(196,894)	(597,414)
Net cash used in investing activities	(196,894)	(597,414)
Financing Activities		
Principal payments on long-term debt	(163,342)	(174,219)
Proceeds from issuance of long-term debt	301,912	562,743
Net cash provided by financing activities	138,570	388,524
Increase (Decrease) in Cash and Cash Equivalents	137,683	(286,224)
Cash and Cash Equivalents, Beginning of Year	306,739	592,963
Cash and Cash Equivalents, End of Year	$ 444,422	$ 306,739
Supplemental Cash Flows Information		
Interest paid	$ 159,579	$ 140,517
Income taxes paid	$ -	$ 29,359

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Reporting Entity and Nature of Operations

Lakeside Telephone Company, Inc. (Lakeside or the Company) is a wholly-owned subsidiary of Sunflower Enterprises, Inc. The accounting policies of the Company conform to accounting principles generally accepted in the United States of America and reflect practices appropriate to the telephone industry. The Company provides local telephone exchange carrier services in portions of the Mississippi Counties of Washington and Issaquena. The accounting records of the Company are maintained in accordance with the Uniform System of Accounts prescribed by the Federal Communications Commission (FCC) and the Mississippi Public Service Commission (MPSC).

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.

Cash Equivalents

The Company considers all liquid investments with original maturities of three months or less to be cash equivalents. At December 31, 2012 and 2011, cash equivalents consisted primarily of money market accounts with brokers and certificates of deposit.

At December 31, 2012, the Company's interest-bearing cash accounts did not exceed federally insured limits.

Pursuant to legislation enacted in 2010, the Federal Deposit Insurance Corporation (FDIC) fully insured all noninterest-bearing transaction accounts beginning December 31, 2010 through December 31, 2012, at all FDIC-insured institutions. This legislation expired on December 31, 2012. Beginning January 1, 2013, noninterest-bearing transaction accounts are subject to the $250,000 limit on FDIC insurance per covered institution.

At December 31, 2012, the Company held approximately $464,000 in noninterest bearing accounts.

Accounts Receivable

The Company generally grants credit to all customers. In certain cases, a deposit may be collected prior to the provision of service. Management records an allowance for estimated uncollectible accounts based on historical bad debt experience and other factors. Accounts are written off when collection is determined to be unlikely.

Materials and Supplies Inventories

Inventories are stated at the lower of cost (first-in, first-out method) or market.

Property, Plant and Equipment

Telecommunications plant in service is stated at original cost of construction, including capitalized costs such as taxes and payroll-related expenses and allowance for funds used during construction (AFUDC).

Depreciation

Depreciation on telecommunications plant is provided using the composite straight-line method using rates approved by the MPSC. Renewals and betterments of units of property are charged to telecommunications plant. The original cost of depreciable property retired, together with removal cost, less any salvage realized, is charged to accumulated depreciation. No gain or loss is recognized with ordinary retirements of depreciable property. Repairs and renewals of minor items of property are charged to maintenance expense.

Long-lived Asset Impairment

The Company evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset is less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value.

No asset impairment was recognized during the years ended December 31, 2012 or 2011.

Income Taxes

The Company accounts for income taxes in accordance with income tax accounting guidance (Accounting Standards Codification [ASC] 740, *Income Taxes*). The income tax accounting guidance results in two components of income tax expense: current and deferred. Current income tax expense reflects taxes to be paid or refunded for the current period by applying the provisions of the enacted tax law to the taxable income or excess of deductions over revenues. The Company determines deferred income taxes using the liability (or balance sheet) method. Under this method, the net deferred tax asset or liability is based on the tax effects of the differences between the book and tax bases of assets and liabilities, and enacted changes in tax rates and laws are recognized in the period in which they occur.

Deferred income tax expense results from changes in deferred tax assets and liabilities between periods. Deferred tax assets are recognized if it is more likely than not, based on the technical merits, that the tax position will be realized or sustained upon examination. The term more likely than not means a likelihood of more than 50%; the terms examined and upon examination also include resolution of the related appeals or litigation processes, if any. A tax position that meets the more-likely-than-not recognition threshold is initially and subsequently measured as the largest amount of tax benefit that has a greater than 50% likelihood of being realized upon settlement with a taxing authority that has full knowledge of all relevant information. The determination of whether or not a tax position has met the more-likely-than-not recognition threshold considers the facts, circumstances and information available at the reporting date and is subject to management's judgment. Deferred tax assets are reduced by a valuation allowance if, based on the weight of evidence available, it is more likely than not that some portion or all of a deferred tax asset will not be realized.

Revenue Recognition

Revenues are recognized when earned, regardless of the period in which they are billed. Telephone toll and access services are furnished in conjunction with AT&T and various interexchange carriers.

Local service revenues include revenues derived from the provision of basic flat rate message service; enhanced services such as call waiting, call forwarding and touchtone services; certain nonrecurring charges such as central office line connection charges; and revenues derived through messages which originate or terminate in the Company's service area through the provision of elective measured extended area calling plans.

The interstate access charges are based upon tariffs filed by the National Exchange Carrier Association (NECA) with the FCC on behalf of member companies. These access charges are billed by the Company to the interstate interexchange carriers and pooled with like revenues from all NECA member companies. The portion of the pooled access charge revenues received by the

Company is based upon its actual cost of providing interstate access service, plus a return on the investment dedicated to providing that service. Toll and access revenues based on these cost separation principles represent estimates pending completion and acceptance of final cost studies. Management believes that recorded amounts represent reasonable estimates of the final amounts.

Compensation for intrastate-intralata and intrastate-interlata toll and access services is based upon access charge tariffs filed with the MPSC.

Taxes collected from customers and remitted to governmental authorities are presented in the accompanying statements of income and retained earnings on a net basis.

Current Economic Environment

The current economic environment presents the business world with difficult circumstances and challenges, which, in some cases, could result in declines in the volume of business, constraints on liquidity and difficulty obtaining financing. Current economic conditions may make it difficult for certain of the Company's customers to pay their bills, which could ultimately have an adverse impact on future operating results.

Note 2: Restricted Cash

Included in cash and cash equivalents is $57,440 and $175,683 as of December 31, 2012 and 2011, respectively, which is restricted for construction purposes under the approval of the Rural Utilities Service (RUS).

Note 3: Telecommunications Plant in Service

The major classes of telecommunications plant and their related straight-line depreciation rates are as follows:

	2012	2011	Rates
Land	$ 11,454	$ 11,454	0.0%
Buildings	82,592	82,592	3.0%
Central office equipment	830,932	1,075,164	8.8%
Station connections	10,922	10,922	10.0%
Pole lines, cable and wire	3,358,174	3,301,553	2.1%-7.4%
Furniture and office equipment	20,985	20,985	10.0%-14.5%
Vehicles	122,898	109,732	20.0%
Tools and other work equipment	111,310	111,310	16.0%
Radio equipment	3,848	3,848	16.0%
	$ 4,553,115	$ 4,727,560	

Application of these rates has resulted in composite rates as applied to average depreciable telecommunications plant investment of 6.16% and 6.58% for 2012 and 2011, respectively.

Note 4: Long-term Debt

Substantially all assets are pledged as collateral for long-term debt due to the RUS, an agency of the United States of America, and are represented 5.0% mortgage notes. These notes are for 17 and 35 years, and principal and interest are payable in monthly and quarterly installments totaling approximately $337,000 on an annual basis. The notes mature at various times from 2021 to 2028.

The following is a summary of long-term debt:

	2012	2011
RUS 5.0% mortgage notes	$ 3,065,665	$ 2,927,095
Less current maturities	(188,000)	(188,000)
	$ 2,877,665	$ 2,739,095

The estimated aggregate annual maturities of long-term debt at December 31, 2012, are:

2013	$ 188,000
2014	198,022
2015	208,136
2016	218,767
2017	229,941
Thereafter	2,022,799
	$ 3,065,665

Note 5: Dividend Restrictions

Under the terms of the RUS and RTB mortgage agreements, dividends and other capital distributions are restricted. At December 31, 2012, no retained earnings were available for payment of dividends.

Note 6: Income Taxes

The Company, for income tax purposes, is included in the consolidated income tax return of Sunflower Enterprises, Inc. For financials statement purposes, the Company computes its income tax by applying the statutory rate to its pretax income reported in the financial statements (separate return method).

For tax purposes, the Company uses accelerated depreciation. The income tax effects of the difference in book and tax depreciation have been recorded as deferred income taxes.

The Company files income tax returns in the U.S. federal jurisdiction and the state of Mississippi. With a few exceptions, the Company is no longer subject to U.S. federal, state and local or non-U.S. income tax examinations by tax authorities for years before 2009.

The provisions (credits) for income taxes include these components:

	2012	2011
Operating		
Current		
Federal	$ (18,308)	$ (32,264)
State	(3,170)	(4,998)
	(21,478)	(37,262)
Deferred		
Federal	(16,905)	4,984
State	(2,927)	772
	(19,832)	5,756
Total operating	(41,310)	(31,506)
Other		
Current		
Federal	18,308	32,264
State	3,170	4,998
Total other	21,478	37,262
Total income tax expense (benefit)	$ (19,832)	$ 5,756

The components of net deferred tax assets recognized in the accompanying balance sheets due to temporary differences are as follows:

	2012	2011
Deferred tax liabilities		
Accelerated tax depreciation	$ (168,158)	$ (26,339)
Deferred tax assets		
Net operating loss carryforward	272,176	110,525
Net deferred tax liability	$ 104,018	$ 84,186

At December 31, 2012, the Company had unused federal operating loss carryforwards of approximately $694,000 for financial statement purposes, which expire beginning 2031.

No valuation allowance for deferred tax assets was required at December 31, 2012 or 2011.

Note 7: Pension Plan

The Company provides a simplified employee pension (SEP) plan for its employees. The Company may make, at its discretion, contributions up to 15% of all participants' gross wages on an annual basis. In 2012 and 2011, the Company contributed $50,597 and $40,424, respectively, to the plan.

Note 8: Related Party Transactions

The Company provides services to its parent, Sunflower Enterprises, Inc. (Sunflower), including outside plant services, general office services and use of certain telephone equipment. Billings for these services totaled $4,599 and $13,575 in 2012 and 2011, respectively.

The Company receives management related services from Sunflower. Total billings for these services were $18,865 and $16,406 in 2012 and 2011, respectively.

Through February 2011, the Company’s central office switching equipment was configured as remote switching equipment which receives its switching capability through the host switch at an affiliate, Sledge Telephone Company (Sledge), under an RUS approved service agreement. Total billings for the year ended December 31, 2011 for these costs was $7,000. There were no billings for the year ended December 31, 2012.

Note 9: Nonregulated Operations

The Company provides internet access to customers in the general vicinity of its local exchange area. Details of the nonregulated operations are as follows:

	2012	2011
Internet access revenues	$ 83,191	$ 72,637
Internet expenses	(13,867)	(10,244)
	$ 69,324	$ 62,393

Although the Company has identified the principal revenues and expenses of nonregulated operations, certain interdependence and overlaps between regulated and nonregulated operations exist, particularly as to sharing of commercial office and administrative expenses. Accordingly, the information provided may not be indicative of the operating results of nonregulated activities conducted as an independent unit.

Note 10: Subsequent Events

Subsequent events have been evaluated through the date of the Independent Auditor's Report, which is the date the financial statements were available to be issued.

BKD LLP
CPAs & Advisors

The Pinnacle at Jackson Place
190 E. Capitol Street, Suite 500
Jackson, MS 39201-2190
601.948.6700 Fax 601.948.6000 www.bkd.com

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance With *Government Auditing Standards*

Board of Directors
Lakeside Telephone Company, Inc.
Glen Allan, Mississippi

We have audited, 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, the financial statements of Lakeside Telephone Company, Inc. (the Company), a wholly-owned subsidiary of Sunflower Enterprises, Inc., which comprise the balance sheets as of December 31, 2012, and the related statements of operations and retained earnings and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated May 23, 2013.

Internal Control Over Financial Reporting

Management of the Company is responsible for establishing and maintaining effective internal control over financial reporting (internal control). In planning and performing our audit, we considered the Company's internal control to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we do not express an opinion on the effectiveness of the Company's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses and, therefore, there can be no assurance that all material weaknesses have been identified. However, as discussed in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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 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. 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 Company's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses as items 2012-01, 2012-02 and 2012-03 to be material weaknesses.

Compliance

As part of obtaining reasonable assurance about whether the Company'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*.

Company's Response to Findings

The Company's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the Company's responses and, accordingly, we express no opinion on them.

Other Matters

We also noted certain additional matters that we reported to the Company's management in a separate letter dated May 23, 2013.

The purpose of this communication 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 compliance. This communication is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Company's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BKD, LLP

Jackson, Mississippi
May 23, 2013

Lakeside Telephone Company, Inc.

A Wholly-owned Subsidiary of Sunflower Enterprises, Inc.

Schedule of Findings and Responses

Year Ended December 31, 2012

Reference Number	Finding
2012-1	***Criteria or Specific Requirement*** – Management is responsible for establishing and maintaining effective internal control over financial reporting.
	Condition – Management relies on its outside auditors to assist in the preparation of external financial statements and related footnote disclosures.
	Context – Under auditing standards generally accepted in the United States of America, outside auditors cannot be considered a part of the Company's internal control structure, and the design of the Company's internal control structure does not include procedures for the preparation of external financial statements.
	Effect – Potentially material misstatements in the financial statements and related footnote disclosures could occur and not be prevented or detected by the Company's internal control structure.
	Cause – Due to limitations of the Company's small accounting staff, the Company has not designed internal control procedures for preparing external financial statements.
	Recommendation – Management should periodically evaluate the cost versus the benefit of developing internal control procedures or other compensating controls over the preparation of external financial statements and implement those changes it deems appropriate for which benefits are determined to exceed costs.
	View of Responsible Officials and Planned Corrective Actions – Management acknowledges this finding and, at this point, considers the cost to correct the condition in excess of the benefits that would be derived. Management will continue to monitor the condition for future cost versus benefit.

Reference Number	Finding
2012-2	***Criteria or Specific Requirement*** – Management is responsible for establishing and maintaining effective internal control over financial reporting.

Condition – Limited separation of functions exist within the accounting system.

Context – There are incompatible duties within cash receipts, cash disbursements, payroll and billing.

Effect – Potentially material misstatements in the financial statements or material misappropriations of assets due to error or fraud could occur and not be prevented or detected in a timely manner.

Cause – Due to limitations of the Company's small accounting staff, the Company has not designed internal control procedures for separation of duties in various functional accounting areas.

Recommendation – Management should periodically evaluate the cost versus the benefit of developing internal control procedures or other compensating controls over the functional accounting areas and implement those changes it deems appropriate for which benefits are determined to exceed costs.

View of Responsible Officials and Planned Corrective Actions – Management acknowledges this finding and, at this point, considers the cost to correct the condition in excess of the benefits that would be derived. Management will continue to monitor the condition for future cost versus benefit.

Reference Number	Finding
2012-3	***Criteria or Specific Requirement*** – Management is responsible for establishing and maintaining effective internal control over financial reporting.

Condition **–** The design of the Company's accounting process does not provide for appropriate review of journal entries recorded to adjust accounts in significant transaction areas.

Context – There is no process providing for the review of journal entries.

Effect – Potentially material misstatements in the financial statements or material misappropriations of assets due to error or fraud could occur and not be prevented or detected in a timely manner.

Cause – Due to limitations of the Company's small accounting staff, the Company has not designed internal control procedures for appropriate review of journal entries recorded to adjust accounts in significant transaction areas.

Recommendation **–** Management should periodically evaluate the cost versus the benefit of developing internal control procedures or other compensating controls over the review of journal entries and implement those changes it deems appropriate for which benefits are determined to exceed costs.

View of Responsible Officials and Planned Corrective Actions **–** Management acknowledges this finding and, at this point, considers the cost to correct the condition in excess of the benefits that would be derived. Management will continue to monitor the condition for future cost versus benefit.