

# **Waynoka Mental Health Authority**

## *Financial Statements*

(Prepared on the Modified Cash Basis)

June 30, 2014 and 2013

(With Independent Auditors' Report Thereon)



**WAYNOKA MENTAL HEALTH AUTHORITY**

**FINANCIAL STATEMENTS**

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## **INDEPENDENT AUDITORS' REPORT**

Board of Trustees  
Waynoka Mental Health Authority

### **Report on the Financial Statements**

We have audited the accompanying modified cash basis financial statements of the Waynoka Mental Health Authority (the "Authority"), a component unit of the City of Waynoka, Oklahoma, as of and for the years ended June 30, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to error or fraud.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States 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 auditors consider internal control relevant to the Authority'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.

(Continued)

## **INDEPENDENT AUDITORS' REPORT, CONTINUED**

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the modified cash basis financial position of the Authority, as of June 30, 2014 and 2013, and the changes in modified cash basis financial position and cash flows thereof for the years then ended in accordance with the basis of accounting as described in Note 1.

### **Emphasis of Matters**

#### *Authority-Only Financial Statements*

As discussed in Note 1, the financial statements of the Authority are intended to present the modified cash basis financial position and the changes in modified cash basis financial position and cash flows thereof of only that portion of the City of Waynoka, Oklahoma, that is attributable to the transactions of the Authority. They do not purport to, and do not present fairly the financial position of the City of Waynoka, Oklahoma, as of June 30, 2014 and 2013, the changes in its financial position, or, where applicable, its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States. Our opinion is not modified with respect to this matter.

#### *Basis of Accounting*

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States. Our opinion is not modified with respect to this matter.

### **Other Matters**

#### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The accompanying schedule of expenditures of federal awards—modified cash basis is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic 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 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the schedule of expenditures of federal awards—modified cash basis is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

(Continued)

**INDEPENDENT AUDITORS' REPORT, CONTINUED**

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 7, 2015, on our consideration of the 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 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* in considering the Authority's internal control over financial reporting and compliance.

*Finley + Cook, PLLC*

Shawnee, Oklahoma  
January 7, 2015

# WAYNOKA MENTAL HEALTH AUTHORITY

## STATEMENTS OF NET POSITION—MODIFIED CASH BASIS

<i>June 30,</i>	<i>2014</i>	<i>2013</i>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 185,768	177,070
Interest-bearing deposits	56,472	56,252
Total current assets	<u>242,240</u>	<u>233,322</u>
Noncurrent assets:		
Restricted cash and cash equivalents	6,711	6,115
Capital assets, net of accumulated depreciation	281,528	204,753
Total noncurrent assets	<u>288,239</u>	<u>210,868</u>
Total assets	<u>\$ 530,479</u>	<u>444,190</u>
<b>Liabilities and Net Position</b>		
Current liabilities:		
Note payable to the USDA—current portion (see Note 5)	\$ 2,662	2,545
Total current liabilities	<u>2,662</u>	<u>2,545</u>
Noncurrent liabilities:		
Note payable to the USDA—long-term portion (see Note 5)	69,150	71,915
Total noncurrent liabilities	<u>69,150</u>	<u>71,915</u>
Total liabilities	<u>71,812</u>	<u>74,460</u>
Net position:		
Net investment in capital assets	209,716	130,293
Restricted for debt service	6,711	6,115
Unrestricted	242,240	233,322
Total net position	<u>458,667</u>	<u>369,730</u>
Total liabilities and net position	<u>\$ 530,479</u>	<u>444,190</u>

See Independent Auditors' Report.  
See accompanying notes to financial statements.

**WAYNOKA MENTAL HEALTH AUTHORITY**

**STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN  
NET POSITION—MODIFIED CASH BASIS**

<i>Years Ended June 30,</i>	<i>2014</i>	<i>2013</i>
Operating revenues:		
Grants	\$ 1,100,819	993,947
Food stamps	41,426	39,105
Other receipts	596	2,382
Total operating revenues	<u>1,142,841</u>	<u>1,035,434</u>
Operating expenses:		
Salaries, payroll taxes, and employee benefits	719,674	755,934
Professional fees	59,274	17,413
Insurance	71,962	68,724
Advertising	4,395	2,759
Lease	10,109	9,935
Consulting and contract labor	7,688	13,947
Food expense	63,303	58,813
Treatment materials	6,667	4,157
Supplies	16,576	15,174
Dues and subscriptions	3,836	5,491
Postage and freight	1,198	2,548
Drug tests	1,800	2,333
Travel and training	1,817	4,664
Maintenance and repairs	51,711	39,899
Vehicle expense	12,953	11,881
Utilities	38,217	38,340
Other	-	1,033
Depreciation	43,680	38,536
Total operating expenses	<u>1,114,860</u>	<u>1,091,581</u>
Operating income (loss)	27,981	(56,147)
Non-operating revenues (expenses):		
Interest income	385	791
Insurance proceeds received, net	43,056	17,495
Interest expense	(3,184)	(3,588)
Net non-operating expenses	<u>40,257</u>	<u>14,698</u>
Changes in net position before contributions	68,238	(41,449)
Contributions	<u>20,699</u>	<u>19,015</u>
Changes in net position	88,937	(22,434)
Net position, beginning of year	<u>369,730</u>	<u>392,164</u>
Net position, end of year	<u>\$ 458,667</u>	<u>369,730</u>

See Independent Auditors' Report.  
See accompanying notes to financial statements.

**WAYNOKA MENTAL HEALTH AUTHORITY**

**STATEMENTS OF CASH FLOWS—MODIFIED CASH BASIS**

**Increase (Decrease) in Cash and Cash Equivalents**

<i>Years Ended June 30,</i>	<i>2014</i>	<i>2013</i>
<b>Cash flows from operating activities:</b>		
Cash received from grants and contracts	\$ 1,100,819	993,947
Cash paid for salaries, payroll taxes, and employee benefits	(719,674)	(755,934)
Cash paid to suppliers	(351,506)	(297,111)
Cash received for food stamps	41,426	39,105
Other receipts	596	2,382
Net cash provided by (used in) operating activities	<u>71,661</u>	<u>(17,611)</u>
<b>Cash flows from noncapital financing activities:</b>		
Contributions	<u>20,699</u>	<u>19,015</u>
Net cash provided by noncapital financing activities	<u>20,699</u>	<u>19,015</u>
<b>Cash flows from capital and related financing activities:</b>		
Acquisition of capital assets	(120,455)	(8,515)
Insurance proceeds received, net	43,056	17,495
Payment of principal on USDA loan	(2,648)	(2,405)
Payment of interest on USDA loan	(3,184)	(3,588)
Net cash (used in) provided by capital and related financing activities	<u>(83,231)</u>	<u>2,987</u>
<b>Cash flows from investing activities:</b>		
Interest income	385	791
Increase in interest-bearing deposits	(220)	(976)
Net cash provided by (used in) investing activities	<u>165</u>	<u>(185)</u>
<b>Net increase in cash and cash equivalents</b>	9,294	4,206
Cash and cash equivalents at beginning of year	<u>183,185</u>	<u>178,979</u>
Cash and cash equivalents at end of year	<u>\$ 192,479</u>	<u>183,185</u>
<b>Reconciliation of operating loss to net cash provided by operating activities:</b>		
Operating income (loss)	\$ 27,981	(56,147)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Depreciation	<u>43,680</u>	<u>38,536</u>
Net cash provided by (used in) operating activities	<u>\$ 71,661</u>	<u>(17,611)</u>

See Independent Auditors' Report.

See accompanying notes to financial statements.

# WAYNOKA MENTAL HEALTH AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

June 30, 2014 and 2013

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### (1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Financial Reporting Entity

The Waynoka Mental Health Authority (the “Authority”) is a component unit of the City of Waynoka, Oklahoma (the “City”) and should be included in the City’s financial statements as an enterprise fund. Enterprise funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges, and the measurement of financial activity focuses on net income measurement similar to the private sector.

Presently the Authority owns the Northwest Substance Treatment Center (the “Center”). The Center has a separate Board of Directors and management.

The financial statements presented represent those of the Authority only. The financial statements of the City are not included within these financial statements. The City’s financial statements can be obtained from its respective administrative office.

The Authority was created by a trust indenture dated July 7, 1997, for the use and benefit of the City for the public purposes and functions set forth under the provisions of Title 60 Oklahoma Statutes, Sections 176, et seq., as amended and supplemented by other applicable statutes of the State of Oklahoma.

The Authority was created to promote economic development within and without the corporate limits of the City by the provision of mental health and substance abuse services and programs and to provide additional employment which will benefit and strengthen the economy of the city of Waynoka and the state of Oklahoma. To accomplish this purpose, the Authority shall provide a residential substance abuse facility committed to providing quality treatment to pregnant women and women with dependent children, and to such other persons with such other mental health and substance abuse problems as the Authority may determine should be provided. The programs to be offered at such facility shall include, but not be limited to, Moral Recognition Therapy, Parenting Counseling, Sexually Transmitted Disease Counseling, Incest Survivors Counseling, Co-Dependency Counseling, Problem Solving Counseling, Relapse Prevention Counseling, Substance Abuse Education and Counseling, and such other mental health and substance abuse programs and services as may be deemed necessary to provide. Such programs and services may be provided through individual, family, and/or group counseling.

See Independent Auditors’ Report.

**WAYNOKA MENTAL HEALTH AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

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**(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

**Financial Reporting Entity, Continued**

The Authority may also provide mental health and substance abuse services to its clients through half-way houses, outpatient home-based case management, and after-care programs and services. In accomplishing said purpose, the Authority shall take such actions as it may deem necessary to fulfill the purpose as hereinabove stated, so long as such actions are consistent with state and federal statutes and constitutional limitations.

The governing body of the Authority is the Board of Trustees, composed of members appointed by the Mayor and City Council of the City, based upon the recommendation of the Chairman and Trustees of the Authority. There shall be no more than seven (7) Trustees of the Authority. The Chairman of the Trustees shall preside at all meetings and perform other duties designated by the Trustees. A Secretary shall be appointed by the Chairman and Trustees. The Secretary shall keep minutes of all meetings of the Trustees and shall maintain complete and accurate records of all their financial transactions.

**Measurement Focus and Basis of Accounting**

The financial statements have been prepared in accordance with Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments* (GASB 34).

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

***Measurement Focus***

The financial statements of the Authority utilize the economic resources measurement focus. The accounting objective of the economic resources measurement focus is the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent, financial or nonfinancial) associated with the Authority’s activities are reported.

See Independent Auditors’ Report.

WAYNOKA MENTAL HEALTH AUTHORITY

NOTES TO FINANCIAL STATEMENTS, CONTINUED

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(1) **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

**Measurement Focus and Basis of Accounting, Continued**

*Basis of Accounting*

The financial statements are reported on a modified cash basis of accounting. The modified cash basis of accounting is based on the recording of cash and cash equivalents and changes therein, and only recognizes revenues, expenses, assets, and liabilities resulting from cash transactions, adjusted for modifications that have substantial support in accounting principles generally accepted in the United States. These modifications include adjustments for the following balances arising from the following transactions:

- Capital assets purchased or donated and the depreciation of those assets, where applicable
- Long-term debt
- Other cash-based payables

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

**Advertising Costs**

All costs associated with advertising are expensed as incurred.

**Cash and Cash Equivalents**

Cash consists of cash on-hand and demand deposit accounts.

Cash and cash equivalents per the statements of cash flows—modified cash basis were comprised of the following as of June 30:

	<u>2014</u>	<u>2013</u>
Current cash and cash equivalents	\$ 185,768	177,070
Restricted cash and cash equivalents	<u>6,711</u>	<u>6,115</u>
	<u>\$ 192,479</u>	<u>183,185</u>

See Independent Auditors' Report.

**WAYNOKA MENTAL HEALTH AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

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**(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

**Interest-Bearing Deposits**

As of June 30, 2014 and 2013, interest-bearing deposits consisted of a certificate of deposit with a financial institution amounting to \$56,472 and \$56,252, respectively. The certificate of deposit matured on December 17, 2014, and the interest rate was 0.60% as of June 30, 2014.

**Capital Assets**

Capital assets arising from cash transactions or donations are accounted for as assets in the statements of net position—modified cash basis. All capital assets are valued at historical cost, estimated historical cost if actual is unavailable, or fair value at the time of donation. Capital assets acquired by the Authority are considered to be owned by the Authority. Presently the Authority capitalizes, at cost, all expenditures for capital assets in excess of \$250.

Depreciation of all exhaustible capital assets arising from cash transactions is recorded as an allocated expense in the statements of revenues, expenses, and changes in net position —modified cash basis, with accumulated depreciation reflected in the statements of net position —modified cash basis. Depreciation is provided over the assets’ estimated useful lives using the straight-line method of depreciation. The estimated useful lives by type of asset are as follows:

Buildings and improvements	20 to 27 years
Furniture and equipment	5 to 7 years
Vehicles	5 to 7 years

**Withholding Payable**

Amounts that are withheld from employees’ earnings for federal and state withholding and insurance that have not been paid at year-end are recognized as a liability by the Authority.

**Notes Payable**

All notes payable arising from cash transactions to be repaid are reported as a liability.

See Independent Auditors’ Report.

# WAYNOKA MENTAL HEALTH AUTHORITY

## NOTES TO FINANCIAL STATEMENTS, CONTINUED

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### (1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

#### Equity Classification

Equity is classified as a net position and displayed in one of the following three components:

- a. Net investment in capital assets—consists of capital assets, including restricted capital assets, net of accumulated depreciation.
- b. Restricted for debt service—consists of net positions with constraints placed on the use either by (1) external groups such as creditors, grantees, or contributors, or laws and regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted—all other net positions that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

#### Revenues and Expenses

Operating revenues and expenses result from providing services and producing and delivering goods and/or services. The Authority receives the majority of its operating revenue through grant and contract support from the Oklahoma Department of Mental Health and Substance Abuse Services and the U.S. Department of Housing and Urban Development (see Note 6). Other operating revenue the Authority receives includes food stamp funds (per diem client charge for food costs), WIC supplements, and reimbursements and refunds. Non-operating revenue the Authority receives includes contributions and interest. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor.

#### Use of Estimates

The preparation of financial statements in conformity with the modified cash basis of accounting used by the Authority requires management to make estimates and assumptions that affect certain reported amounts and disclosures (such as estimated useful lives in determining depreciation expense and the estimated value of property contributed); accordingly, actual results could differ from those estimates.

#### Insure Oklahoma

The Authority participates in the Insure Oklahoma program which provides Oklahoma employers subsidies for health insurance. The Authority treats the payments from Insure Oklahoma as reimbursements of insurance premiums paid to offset insurance expense. Total reimbursements for 2014 and 2013 approximated \$17,500 and \$20,000, respectively.

See Independent Auditors' Report.

# WAYNOKA MENTAL HEALTH AUTHORITY

## NOTES TO FINANCIAL STATEMENTS, CONTINUED

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### (1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

#### Recent Accounting Pronouncements

In March 2012, GASB issued Statement No. 66, *Technical Corrections—2012—an amendment of GASB Statements No. 10 and No. 62* (GASB 66). GASB 66 improves accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements: Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The Authority adopted this statement effective July 1, 2013. The adoption had no significant impact on the financial statements of the Authority.

In June 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions* (GASB 68). The primary objective of GASB 68 is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. GASB 68 establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expenses/expenditures. This statement is effective for financial statements for periods beginning after June 15, 2014. The Authority has not determined the effects, if any, of implementing GASB 68.

In April 2013, GASB issued Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees* (GASB 70). GASB 70 will require a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee. The amount of the liability to be recognized should be the discounted present value of the best estimate of the future outflows expected to be incurred as a result of the guarantee. When there is no best estimate but a range of the estimated future outflows can be established, the amount of the liability to be recognized should be the discounted present value of the minimum amount within the range. A government that has issued an obligation guaranteed in a nonexchange transaction is to report the obligation until legally released as an obligor. This statement also provides additional guidance for intra-entity nonexchange financial guarantees involving blended component units. This statement specifies the information required to be disclosed by governments that extend nonexchange financial guarantees. This statement requires new information to be disclosed by governments that receive nonexchange financial guarantees. The Authority adopted this statement effective July 1, 2013. The adoption had no significant impact on the financial statements of the Authority.

#### Date of Management's Review of Subsequent Events

Management has evaluated subsequent events through January 7, 2015, the date that the financial statements were available to be issued, and determined that no subsequent events have occurred which require adjustment to or disclosure in the financial statements.

See Independent Auditors' Report.

**WAYNOKA MENTAL HEALTH AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

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**(2) CASH AND INVESTMENTS**

**Custodial Credit Risk—Cash**

As of June 30, 2014 and 2013, the Authority had deposits in financial institutions, reported as components of cash and cash equivalents, with a bank balance of \$198,987 and \$190,996, respectively. The Authority had depository insurance on amounts up to \$250,000. As of June 30, 2014 and 2013, no deposits were exposed to custodial credit risk.

**Investments**

The Authority had no investments as of June 30, 2014 or 2013.

**(3) RESTRICTED NET POSITION**

As of June 30, 2014 and 2013, the amount reported as restricted net position of \$6,711 and \$6,115, respectively, was composed of cash restricted for payments of long-term debt as required by the debt agreement.

**(4) CAPITAL ASSETS**

Capital asset activity, resulting from cash transactions and donations, for the fiscal years ended June 30, 2014 and 2013, was as follows:

	<u>Balance</u> <u>June 30, 2013</u>	<u>Additions</u> <u>(Deletions)</u>	<u>Balance</u> <u>June 30, 2014</u>
Capital assets:			
Land	\$ 750	-	750
Buildings	44,250	-	44,250
Leasehold improvements	166,960	67,587	234,547
Furniture and equipment	224,602	20,868	245,470
Vehicles	49,699	32,000	81,699
	<u>486,261</u>	<u>120,455</u>	<u>606,716</u>
Less accumulated depreciation:			
Buildings	4,097	1,639	5,736
Leasehold improvements	64,931	8,931	73,862
Furniture and equipment	168,009	25,961	193,970
Vehicles	44,471	7,149	51,620
	<u>281,508</u>	<u>43,680</u>	<u>325,188</u>
Capital assets, net	<u>\$ 204,753</u>	<u>76,775</u>	<u>281,528</u>

See Independent Auditors' Report.

**WAYNOKA MENTAL HEALTH AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

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**(4) CAPITAL ASSETS, CONTINUED**

	<u>Balance</u> <u>June 30, 2012</u>	<u>Additions</u> <u>(Deletions)</u>	<u>Balance</u> <u>June 30, 2013</u>
Capital assets:			
Land	\$ 750	-	750
Buildings	44,250	-	44,250
Leasehold improvements	166,960	-	166,960
Furniture and equipment	216,087	8,515	224,602
Vehicles	49,699	-	49,699
	<u>477,746</u>	<u>8,515</u>	<u>486,261</u>
Less accumulated depreciation:			
Buildings	2,458	1,639	4,097
Leasehold improvements	58,750	6,181	64,931
Furniture and equipment	142,638	25,371	168,009
Vehicles	39,126	5,345	44,471
	<u>242,972</u>	<u>38,536</u>	<u>281,508</u>
Capital assets, net	<u>\$ 234,774</u>	<u>(30,021)</u>	<u>204,753</u>

**(5) NOTE PAYABLE**

At June 30, 2014 and 2013, the Authority had a note payable to the United States Department of Agriculture (USDA) dated July 18, 2002.

The USDA loan was for the use of providing a mental health treatment and clinic facility and to pay associated costs for the issuance of the loan. The loan is payable in monthly installments. Payments are \$486 per month, including principal and interest at 4.5%. The loan matures in 2032. The loan is collateralized with the building and improvements made.

See Independent Auditors' Report.

**WAYNOKA MENTAL HEALTH AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

**(5) NOTE PAYABLE, CONTINUED**

The following is a summary of the note payable transactions of the Authority for the years ended June 30:

	<u>USDA Loan Payable</u>	
	<u>2014</u>	<u>2013</u>
Balance, beginning of year	\$ 74,460	76,865
Repayments	<u>(2,648)</u>	<u>(2,405)</u>
Balance, end of year	<u>\$ 71,812</u>	<u>74,460</u>

The annual debt service requirements for retirement of the USDA loan principal and payment of interest are as follows:

<u>Year Ending</u> <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 2,662	3,170	5,832
2016	2,776	3,056	5,832
2017	2,912	2,920	5,832
2018	3,046	2,786	5,832
2019	3,186	2,646	5,832
2020–2024	18,251	10,909	29,160
2025–2029	22,765	6,395	29,160
2030–2032	<u>16,214</u>	<u>1,103</u>	<u>17,317</u>
	<u>\$ 71,812</u>	<u>32,985</u>	<u>104,797</u>

Interest expense paid on the note payable during the current fiscal year totaled \$3,184.

In accordance with the USDA loan agreement, the Authority is required to set aside \$5,832 (approximately one year’s debt service) into a separate cash account. No additional deposits to the account are required except to replace any withdrawals. As of June 30, 2014 and 2013, the reserve account had a balance of \$5,832 and \$5,668, respectively.

See Independent Auditors’ Report.

**WAYNOKA MENTAL HEALTH AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

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**(6) SUMMARY OF GRANT FUNDING**

Grant funding for the year ended June 30, 2014, was derived from the following:

<u>Funding Source</u>	<u>Grant Period</u>	<u>Total Grant</u>	<u>Prior Year Recognized Support</u>	<u>Current Year Recognized Support</u>	<u>Total Grant Remaining</u>
Oklahoma Department of Mental Health and Substance Abuse Services:					
Substance Abuse and Prevention Block Grant	7/1/12 to 6/30/13	\$ 826,922	736,424	90,498	-
Substance Abuse and Prevention Block Grant	7/1/13 to 6/30/14	826,922	-	781,607	45,315
U.S. Department of Housing and Urban Development:					
2012 Supportive Housing Program Grant	3/31/13 to 3/31/14	228,714	-	228,714	-
2013 Supportive Housing Program Grant	3/31/14 to 3/31/15	228,714	-	-	<u>228,714</u>
Total grant funding				<u>\$ 1,100,819</u>	<u>274,029</u>

**(7) EMPLOYEE BENEFIT PLAN**

As of February 1, 2002, the Authority adopted a cafeteria plan (the “Plan”), within the context of Section 125 of the Internal Revenue Code, for the benefit of eligible employees. All employees of the Authority are eligible to participate in the Plan the first day of the month following 30 days of employment.

Benefits offered under the Plan include group medical coverage, vision care coverage, short-term disability income, cancer insurance, group dental coverage, group term life insurance, intensive care insurance, accident insurance, and hospital indemnity insurance. The maximum amount of pre-tax premiums a participant can contribute is the aggregate cost of the applicable benefit plans or policies selected minus any nonelective contribution made by the employer.

See Independent Auditors’ Report.

**WAYNOKA MENTAL HEALTH AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

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**(8) NET INSURANCE PROCEEDS**

During the year ended June 30, 2013, the Authority filed an insurance claim for damage to its roof. The roof was repaired using the insurance proceeds, and there was approximately \$17,000 of proceeds in excess of repairs. The net proceeds have been reflected as non-operating revenues in the statements of revenues, expenses, and changes in net position—modified cash basis. The Authority paid some additional expenses related to the roof subsequent to June 30, 2013.

During the year ended June 30, 2014, the Authority filed a claim with its insurance carrier to be reimbursed for legal expenses associated with the settlement of a lawsuit with a former employee. The proceeds from the insurance carrier amounted to \$42,000 and is included in the statements of revenues, expenses, and changes in net position—modified cash basis as non-operating revenues.

**(9) RISK MANAGEMENT**

The Authority is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; employee health and life; and natural disasters. The Authority maintains insurance coverage for these risks.

**(10) COMMITMENTS AND CONTINGENCIES**

**Litigation**

The nature of the Authority's business may result in claims and litigation alleging that the Authority is liable for damages arising from the conduct of its employees or others. In the opinion of management, there are no pending legal proceedings that would have a material effect on the financial position or results of operations of the Authority.

During 2009, the administrator of the estate of a former employee filed a claim against the Authority for wrongful termination and other allegations. The litigation was settled during 2014. The cost of the settlement was considered a covered event and was fully reimbursed by the Authority's insurance carrier.

**Leases**

During the normal course of business, the Authority has entered into various equipment leases. The minimum annual charges on the leases are approximately \$6,600, with additional charges based on usage. During fiscal years 2014 and 2013, the expenses related to these leases approximated \$7,800 and \$7,200, respectively.

See Independent Auditors' Report.

**WAYNOKA MENTAL HEALTH AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

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**(10) COMMITMENTS AND CONTINGENCIES, CONTINUED**

**Grants**

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

See Independent Auditors' Report.

**WAYNOKA MENTAL HEALTH AUTHORITY**

**REPORTS AND SCHEDULES REQUIRED BY**  
***GOVERNMENT AUDITING STANDARDS AND***  
**OMB CIRCULAR A-133**

**WAYNOKA MENTAL HEALTH AUTHORITY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS—MODIFIED CASH BASIS**

*Year Ended June 30, 2014*

<u>Federal Grantor/Program Through Grantor Program Title</u>	<u>Federal CFDA #</u>	<u>Grant Revenues</u>	<u>Grant Expenditures</u>
<i>U.S. Department of Health and Human Services</i>			
<i>Pass-through the Oklahoma Department of Mental Health and Substance Abuse Services:</i>			
<i>Substance Abuse and Prevention Block Grant</i>	93.959	\$ 872,105	872,105
<i>Total U.S. Department of Health and Human Services</i>		<u>872,105</u>	<u>872,105</u>
 <i>U.S. Department of Housing and Urban Development*</i>			
2012 Supportive Housing Program Grant	14.235	228,714	228,714
2013 Supportive Housing Program Grant	14.235	<u>-</u>	<u>-</u>
<i>Total U.S. Department of Housing and Urban Development</i>		<u>228,714</u>	<u>228,714</u>
 <b>Total Federal Award Programs</b>		 <u>\$ 1,100,819</u>	 <u>1,100,819</u>

\* Monies received from the Substance Abuse and Prevention Block Grant were used to satisfy the matching requirement of this grant.

See Independent Auditors' Report.

See accompanying Notes to Schedule of Expenditures of Federal Awards—Modified Cash Basis.

**WAYNOKA MENTAL HEALTH AUTHORITY**

**NOTES TO SCHEDULE OF EXPENDITURES OF  
FEDERAL AWARDS—MODIFIED CASH BASIS**

**June 30, 2014**

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**(1) BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal grant activity of the Authority under programs of the federal government for the year ended June 30, 2014. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of the Authority, it is not intended to and does not present the modified cash basis financial position, changes in modified cash basis financial position, or cash flows of the Authority.

**(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the modified cash basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local, and Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**(3) SUBRECIPIENTS**

The Authority had no subrecipients for the year ended June 30, 2014.

See Independent Auditors’ Report.



**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**

Board of Trustees  
Waynoka Mental Health Authority

We have audited, in accordance with the auditing standards generally accepted in the United States 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 Waynoka Mental Health Authority (the "Authority"), a component unit of the City of Waynoka, Oklahoma, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated January 7, 2015. Our report also includes explanatory paragraphs to emphasize the fact that the financial statements include only that portion of the City of Waynoka, Oklahoma, that is attributable to transactions of the Authority and that the financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the 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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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.

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. 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.

(Continued)

**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, CONTINUED**

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from 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 Authority'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.

A handwritten signature in black ink that reads "Finley + Cook, PLLC". The signature is written in a cursive, flowing style.

Shawnee, Oklahoma  
January 7, 2015



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

Board of Trustees  
Waynoka Mental Health Authority

**Report on Compliance for Each Major Federal Program**

We have audited the Waynoka Mental Health Authority's (the "Authority") 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 Authority's major federal programs for the year ended June 30, 2014. The Authority's major federal programs are identified in the summary of auditors' 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.

**Auditors' Responsibility**

Our responsibility is to express an opinion on compliance for each of the Authority's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States; 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*. Those standards and OMB Circular A-133 require that we 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 occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Authority's compliance.

**Opinion on Each Major Federal Program**

In our 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 for the year ended June 30, 2014.

(Continued)

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

**Report on Internal Control Over Compliance**

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program 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 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, we do not express an opinion on the effectiveness of the Authority'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 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 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 that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our 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. We did not identify any deficiencies in internal control over compliance that we 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 our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Handwritten signature in black ink that reads "Finley + Cook, PLLC". The signature is written in a cursive, flowing style.

Shawnee, Oklahoma  
January 7, 2015

**WAYNOKA MENTAL HEALTH AUTHORITY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

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*June 30, 2014*

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**SECTION I—SUMMARY OF AUDITORS’ RESULTS**

**Financial Statements**

Type of auditors’ report issued: **Unmodified**

Internal control over financial reporting:

Material weakness(es) identified?  Yes  No

Significant deficiency(ies) identified?  Yes  None Reported

Noncompliance material to financial statements noted?  Yes  No

**Federal Awards**

Internal control over major federal programs:

Material weakness(es) identified?  Yes  No

Significant deficiency(ies)?  Yes  None Reported

Type of auditors’ report issued on compliance for the major federal programs: **Unmodified**

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?  Yes  No

Identification of major federal programs:

<u>Federal CFDA#</u>	<u>Name of Federal Program or Cluster</u>
<b>14.235</b>	<b>Supportive Housing Program Grant</b>
<b>93.959</b>	<b>Substance Abuse and Prevention Block Grant</b>

Dollar threshold used to distinguish between type A and type B programs: **\$300,000**

Auditee qualified as low-risk auditee?  Yes  No

**WAYNOKA MENTAL HEALTH AUTHORITY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED**

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*June 30, 2014*

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**SECTION II—FINANCIAL STATEMENT FINDINGS**

None noted.

**SECTION III— FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

None noted.

**WAYNOKA MENTAL HEALTH AUTHORITY**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

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*June 30, 2014*

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There were no findings or questioned costs noted in the audit report for the year ended June 30, 2013.

**WAYNOKA MENTAL HEALTH AUTHORITY**  
**SUPPLEMENTARY INFORMATION**



**INDEPENDENT AUDITORS' REPORT ON  
SUPPLEMENTARY INFORMATION**

Board of Trustees  
Waynoka Mental Health Authority

We have audited the modified cash basis financial statements of the Waynoka Mental Health Authority as of and for the year ended June 30, 2014, and our report thereon dated January 7, 2015, which expressed an unmodified opinion on those modified cash basis financial statements, appears on pages 1–3. Our audit was conducted for the purpose of forming an opinion on the modified cash basis financial statements as a whole. The schedule of allocated expenses—modified cash basis, which is the responsibility of management, is presented for purposes of additional analysis and is not a required part of the modified cash basis financial statements. Such information, except for that portion marked “unaudited,” was derived from and relates directly to the underlying accounting and other records used to prepare the modified cash basis financial statements. That information has been subjected to the auditing procedures applied in the audit of the modified cash basis financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the modified cash basis financial statements or to the modified cash basis financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, that information is fairly stated in all material respects in relation to the modified cash basis financial statements as a whole. The information marked “unaudited” has not been subjected to the auditing procedures applied in the audit of the modified cash basis financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

*Finley & Cook, PLLC*

Shawnee, Oklahoma  
January 7, 2015

**WAYNOKA MENTAL HEALTH AUTHORITY**

**SCHEDULE OF ALLOCATED EXPENSES—MODIFIED CASH BASIS**

*June 30, 2014*

	(Unaudited) Allocation*		
	<u>Administrative</u>	<u>Program</u>	<u>Total</u>
Salaries, payroll taxes, and employee benefits	\$ 597,329	122,345	719,674
Professional fees	49,197	10,077	59,274
Insurance	59,728	12,234	71,962
Advertising	3,648	747	4,395
Lease	8,390	1,719	10,109
Consulting and contract labor	6,381	1,307	7,688
Food expense	52,541	10,762	63,303
Treatment materials	5,534	1,133	6,667
Supplies	13,758	2,818	16,576
Dues and subscriptions	3,184	652	3,836
Postage and freight	994	204	1,198
Drug tests	1,494	306	1,800
Travel and training	1,508	309	1,817
Maintenance and repairs	42,920	8,791	51,711
Vehicle expense	10,751	2,202	12,953
Utilities	31,720	6,497	38,217
Depreciation	36,255	7,425	43,680
Total operating expenses	<u>\$ 925,332</u>	<u>189,528</u>	<u>1,114,860</u>

\* Management allocated expenses between administrative costs and program costs based on function and payroll costs.

See Independent Auditors' Report on Supplementary Information.