

Association of South Central Oklahoma Governments

**Financial Statements
with Independent Auditors' Report**

June 30, 2016



Association of South Central Oklahoma Governments

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June 30, 2016

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Independent Auditors' Report

Board of Trustees
Association of South Central Oklahoma Governments
Duncan, Oklahoma

Report on the Financial Statements

We have audited the accompanying statement of net position of the governmental activities, each major fund and the aggregate remaining fund information of the Association of South Central Oklahoma Governments as of and for the year ended June 30, 2016 and were engaged to audit the related statement of activities and the statement of revenue, expenditures and changes in fund balance – governmental activities and the related notes to the financial statements, which collectively comprise the Association of South Central Oklahoma Governments 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 this financial statement in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on this financial statement based on our audit. Because of the matters described in the Basis for Disclaimer of Opinion on the Statement of Activities and Statement of Revenues, Expenditures and Change in Fund Balance paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a reasonable basis for an audit opinion on the results of operations.

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 opinion.

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Basis for Disclaimer of Opinion on the Statements of Activities and the Statement of Revenue, Expenditures and Changes in Fund Balance

We were not engaged as auditors of the Association of South Central Oklahoma Governments for the year ended June 30, 2015, for which a disclaimer of opinion was issued on the financial statement. We were unable to satisfy ourselves by performing other auditing procedures concerning the Statement of Net Position as of June 30, 2015. Since opening balances enter into the determination of the Statement of Activities and the Statement of Revenues, Expenditures and Changes in Fund Balances, we were unable to determine whether any adjustments might have been necessary in respect to the changes in fund balances.

Disclaimer of Opinion on the Statement of Activities and the Statement of Revenues, Expenditures and Changes in Fund Balances

Because of the significance of the matter described in the Basis for Disclaimer of Opinion on the Statement of Activities and the Statement of Revenues, Expenditures and Changes in Fund Balances paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the Statement of Activities and the Statements of Revenues, Expenditures and Changes in Fund Balances for the year ended June 30, 2016. Accordingly, we do not express an opinion on the Statement of Activities and the Statements of Revenues, Expenditures and Changes in Fund Balances.

Opinion on the Financial Position and Balance Sheets – Governmental Funds

In our opinion, the Statement of Net Position and the Balance Sheets – Governmental Funds presents fairly, in all material respects, the financial position of the Association of South Central Governments as of June 30, 2016, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages i through viii and pension information will be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



Other Information

Our audit was performed for the purpose of forming an opinion on the financial statements of the Association of South Central Oklahoma Governments taken as a whole. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* and is also not a required part of the basic financial statements. The schedule of expenditures of federal awards are the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 31, 2017 on our consideration of the Authority'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 result 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* in considering the Authority's internal control over financial reporting and compliance.

1-1-17 & Compliance

Tulsa, Oklahoma
July 31, 2017



**Association of South Central Oklahoma Governments
Management's Discussion and Analysis
June 30, 2016**

The following discussion and analysis of the Association of South Central Oklahoma Governments' (hereafter referred to as the Association or ASCOG) financial performance provides an overview of ASCOG's financial activities for the fiscal year ended June 30, 2016. Please read it in conjunction with ASCOG's financial statements.

Financial Highlights

- * General fund expenses exceeded revenues for the year by \$508,207.
- * At the close of the fiscal year, the ending fund balance was \$1,379,984. Of those funds, \$1,379,984 is available for spending at ASCOG's discretion (unassigned fund balance).

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Association's basic financial statements comprised of three components: 1) Association-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

This discussion and analysis of the Association's annual audited financial statements is required by the Governmental Accounting Standards Board (GASB), Statement No. 34. The intent of this discussion is to give management's view and analysis of significant financial activities affecting ASCOG during the fiscal year, along with comparative analysis of ASCOG's financial activities from prior years.

Government-wide financial statements

The Association-wide financial statements are designed to provide readers with a broad view of ASCOG's finances in a manner similar to a private sector business.

The Statement of Net Assets

The statement of net assets presents information on all of the Association's assets and liabilities, with the difference between the two reported as net assets. You can think of ASCOG's net assets as one way to measure the Association's financial health or financial position. Over time, increases or decreases in the Association's net assets are one indicator of whether its financial health is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in Federal or State funding formulas, changes in law and the health of local, state and federal economies to assess the overall health of ASCOG.

The Statement of Activities

The statement of activities presents information showing how ASCOG's net assets changed during the most recent fiscal year. All the current year's revenues and expenses are taken into account regardless of when cash is received or paid. Therefore, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., accounts receivable and earned but unused vacation leave).

In the *Statement of Net Assets* and the *Statement of Activities*, the financial activities reported include employment and training programs, Area Agency on Aging, Rural Economic Action Plan, EDA planning and various local community development contracts. Contracts with members and other governmental entities, as well as state and federal grants finance most of these activities.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Association, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with funding restrictions and other legal requirements. All the funds of the Association are accounted for in the governmental funds (either the general fund or special revenue funds).

ASCOG maintains numerous individual governmental funds; however, data from the various governmental funds are combined into a single, aggregated presentation. Information is presented for the combined funds in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balance.

The Organization as a Whole

As noted earlier, net assets may serve over time as a useful indicator of the Association's financial position. For the year ended June 30, 2016, ASCOG's net assets decreased 27% to \$1,379,984 after a restatement of 2015's net assets was made. This change in net assets occurs as expenses for the period exceeded revenues by \$508,207.

Unrestricted net assets are the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, legislation, or other legal restrictions and totals \$1,316,886. An additional portion of ASCOG's net assets--\$63,098--represents resources that are subject to restrictions imposed due to the nature of the assets (fixed assets, long-term note receivable and interest earnings for programmatic purposes).

General Fund Activities

ASCOG's general fund is used to account for the non-grant funded activities of the organization. Funding is received either through contracts with non-federal or non-state sources including member governments or other organizations who receive services from ASCOG. Services may include but are not limited to planning and technical assistance services, capital improvement planning and local grant administration services. In addition, the Advantage program provides case management services on a fee-for-service basis.

Special Revenue Fund Activities

ASCOG utilizes several special revenue funds to account for the federal and state grant programs that are administered. Each grant award is maintained separately including expenditures and advances or reimbursement of funds by the grantor agency. Administration of the federal or state grant awards cannot result in generation of "profit" for the organization since funds are reimbursed for actual expenditures made.

Fund Balance

The Statement of Revenues, Expenses and Changes in Fund Balance in the audit report shows ASCOG's governmental fund balance decreased \$524,232 since last year due to an excess of expenses over revenues.

Budgetary Highlights

As directed by Title 60, Oklahoma Statutes, Section 176 et seq. ASCOG (a public trust) is required to report, at least annually, the budget and financial condition of the trust to its beneficiaries. ASCOG's budget is prepared on a fiscal year basis and approved by the board of trustees annually. The budget serves as a guide for management of the trust to follow during day-to-day operations.

ASCOG's budgetary process includes various stages. Budgets for most federal and state grants or contracts must be approved by the governmental agency providing funding. Grant and contract budgets follow award periods, not necessarily the same as ASCOG's fiscal year. Management develops budgets (and amendments) by department by grouping related grants and contracts for approval by the board of trustees. Staff reports financial activity with budgetary comparisons monthly to the board of trustees.

Compilation of ASCOG's budget is based on management design of the organization (by department) and doesn't necessarily follow a GASB 34 categorization. Due to the nature of ASCOG's budgetary process and the complexity of the numerous budget periods, a complete budgetary comparison of ASCOG is confusing and of little significance in evaluating the financial management of the organization. Management has provided individual grant and contract budget comparisons elsewhere in this audit report as required by most funding agencies.

Economic Factor and Funding Dependence

The following charts display ASCOG's dependency on State and Federal funding. Revenue shortfalls and subsequent budget reductions pose a risk to ASCOG's various government-funded grants and contracts. Management has tried to mitigate this risk by building an unrestricted reserve and investing resources into strong local programs.

Contacting ASCOG's Financial Management

This financial report is designed to provide our members, district residents, government agencies and customers with a general overview of the Association's finances and to show ASCOG's accountability for the money it receives. If you have any questions about this report, contact the ASCOG office at 802 Main Street, PO Box 1647, Duncan, Oklahoma 73534 or telephone us at 580.736.7967 or toll free at 800.658.1466.

Robert Denard
Director of Resource Management

Association of South Central Oklahoma Governments
Statements of Net Position
June 30, 2016

	<u>2016</u>
Assets	
Cash	\$ 964,382
Investments	903,581
Accounts receivable	937,444
Prepaid expenses	7,087
Note receivable	513,709
Capital assets, net	<u>63,098</u>
Total Assets	<u>3,389,301</u>
Liabilities	
Accounts payable and accrued expense	536,276
Accrued compensated absences	90,118
Capital lease payable	26,086
Note payable	513,709
Unearned revenue	<u>843,128</u>
Total Liabilities	<u>2,009,317</u>
Net Position	
Net Investment in capital assets	63,098
Restricted for:	
Contractual Agreements	—
Unrestricted	<u>1,316,886</u>
Total Net Position	<u>\$1,379,984</u>





Association of South Central Oklahoma Governments
Statement of Activities
June 30, 2016

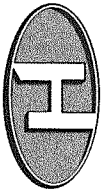
<u>Function/Programs</u>	<u>Program Expenses</u>			<u>Program Revenues</u>			<u>Net Revenue (Expense) & Changes in Net Position</u>
	<u>Direct Expenses</u>	<u>Indirect Expense Allocation</u>	<u>Total Expenses</u>	<u>Operating Grants & Contributions</u>	<u>Operating Grants & Contributions</u>	<u>Capital Grants & Contributions</u>	<u>Governmental Activities</u>
Primary Government							
General government	\$ 755,027	\$ 131,480	\$ 886,507	\$ 377,750	\$ —	\$ —	\$ (508,757)
Employment & Training	1,749,308	88,343	1,837,651	—	1,837,651	—	—
Aging Services	2,769,770	51,165	2,820,935	—	2,820,935	—	—
Rural Economic Action Plan	1,563,803	2,063	1,565,866	—	1,569,416	—	3,550
Economic development	129,892	9,052	138,944	—	138,944	—	—
Public safety	67,152	4,466	71,618	—	71,618	—	—
Community development	370,399	19,603	390,002	—	390,002	—	—
Total Government Activities	<u>\$ 7,405,351</u>	<u>306,172</u>	<u>7,711,523</u>	<u>377,750</u>	<u>6,828,566</u>	<u>—</u>	<u>(505,207)</u>
Change in Net Assets							<u>(505,207)</u>
Net Assets – beginning of year, as originally stated							2,017,849
Restatement							<u>(132,658)</u>
Net Assets – beginning of year, as restated							<u>1,885,191</u>
Net Assets – ending of year							<u>\$ 1,379,984</u>



Association of South Central Oklahoma Government
Governmental Funds Balance Sheet
June 30, 2016

	<u>General Fund</u>	<u>Employment & Training</u>	<u>Aging Services</u>	<u>Rural Economic Action Plan</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets						
Cash	\$ 849,154	\$ —	\$ —	\$ 97,202	\$ 18,027	\$ 964,383
Investments	—	—	—	903,581	—	903,581
Accounts receivable	336,605	207,521	260,243	—	133,075	937,444
Due from Other Fund	294,257	—	—	—	—	294,257
Prepaid expense	7,087	—	—	—	—	7,087
Total Assets	<u>1,487,103</u>	<u>207,521</u>	<u>260,243</u>	<u>1,000,783</u>	<u>151,102</u>	<u>3,106,752</u>
Liabilities						
Accounts payable and Accrued expenses	57,563	58,611	233,125	167,859	19,118	536,276
Due to other fund	—	148,910	27,118	—	118,229	294,257
Unearned revenue	—	—	—	829,374	13,755	843,129
Total Liabilities	<u>57,563</u>	<u>207,521</u>	<u>260,243</u>	<u>997,233</u>	<u>151,102</u>	<u>1,673,662</u>
Fund Balance						
Restricted	—	—	—	3,550	—	3,550
Assigned	—	—	—	—	—	—
Unassigned	1,429,540	—	—	—	—	1,429,540
Total Fund Balance	<u>1,429,540</u>	<u>—</u>	<u>—</u>	<u>3,550</u>	<u>—</u>	<u>1,433,090</u>
Total Liabilities and Fund Balance	<u>\$1,487,103</u>	<u>\$ 207,521</u>	<u>\$ 260,243</u>	<u>\$ 1,000,783</u>	<u>\$ 151,102</u>	<u>\$3,106,752</u>

The Accompanying Notes are an Integral Part of the Financial Statements



Association of South Central Oklahoma Government
Governmental Funds Statement of Revenues, Expenditures
And Changes in Fund Balance
Year Ended June 30, 2016

	General Fund	Employment & Training	Aging Services	Rural Economic Action Plan	Other Governmental Funds	Total Governmental Funds
Revenues						
Federal grants	\$ —	\$1,530,966	\$ 1,231,305	\$ —	\$ 75,000	\$ 2,837,271
State grants and appropriations	—	—	1,030,238	1,534,181	345,344	2,909,763
Local charges and services	1,012,617	—	—	—	233,498	1,246,115
Members due and assessments	204,028	—	—	—	—	204,028
Investment income	4,117	—	—	3,550	—	7,667
Other income	1,472	—	—	—	—	1,472
Match revenue	(844,484)	306,685	312,392	31,685	193,722	—
Total Revenues	<u>377,750</u>	<u>1,837,651</u>	<u>2,573,935</u>	<u>1,569,416</u>	<u>847,564</u>	<u>7,206,316</u>
Expenses						
Salaries	466,316	322,148	515,174	22,513	224,437	1,550,588
Fringe benefits	174,975	183,256	28,581	3,260	89,636	479,708
Indirect costs	131,480	88,343	42,292	2,063	41,994	306,172
Travel	2,418	14,035	22,171	404	53,078	92,106
Other expenses	93,253	5,903	79,599	3,445	2,408	184,608
Program costs	—	1,223,966	—	1,534,181	159,858	2,918,005
Pass-through grants	—	—	1,886,118	—	276,153	2,162,271
Debt Service	3,732	—	—	—	—	3,732
Capital outlays	33,358	—	—	—	—	33,358
Total Expenses	<u>905,532</u>	<u>1,837,651</u>	<u>2,573,935</u>	<u>1,565,866</u>	<u>847,564</u>	<u>7,730,548</u>
Net Change in Fund Balances	(527,782)	—	—	3,550	—	(524,232)
Fund Balance, Beginning of Year	<u>1,957,322</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>1,957,322</u>
Fund Balances, End of Year	<u>\$ 1,429,540</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 3,550</u>	<u>\$ —</u>	<u>\$ 1,433,090</u>

The Accompanying Notes are an Integral Part of the Financial Statements

Association of South Central Oklahoma Government
Reconciliation of Governmental Funds and
Government-wide Financial Statements
Years Ended June 30, 2016

**Reconciliation of the Government Funds Balance
Sheet to the Statement of Net Assets**

Total fund balances – governmental funds	\$1,433,090
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Amounts reported for governmental activities in the
Statement of Net Assets are different because:

Long term assets used in governmental activities are not financial
resources and, therefore, are not reported in the funds.

Note receivable	513,078
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation of \$1,222,591.	63,098
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Long-term liabilities are not due and payable in the
Current period and therefore, are not reported as liabilities in
the funds. Long-term liabilities consist of:

Note payable, grant award	(513,078)
Capital lease payable	(26,086)
Compensated absences	<u>(90,118)</u>

Net assets of governmental activities	<u>\$1,379,984</u>
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**Reconciliation of the Statement of Revenues,
Expenditures and Changes in fund Balance of
Governmental funds to the Statement of Activities**

Net change in fund balance – governmental funds	\$ (524,232)
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Amounts reported for governmental activities in the
Statement of Activities are different because:

Governmental funds report capital outlays and issue
costs as expenditures, while governmental
activities report depreciation and amortization
expense to allocate those expenditures over the life
of the assets:

Capital asset purchases capitalized	33,358
Depreciation expense	(20,478)

Some expense in the statement of activities do not
require the use of current financial resources and,
therefore, are not reported in government funds

Debt service	3,732
Interest expense	(587)
Compensated absences, net change	<u>—</u>

Change in Net Assets – governmental activities	<u>\$ (508,207)</u>
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Association of South Central Oklahoma Governments
Statements of Net Position
Fiduciary Funds
June 30, 2016

	<u>2016</u>
Assets	
Cash	\$ _____
Total Assets	_____
Liabilities	
Accounts payable	
Funds held for others	_____
Total Liabilities	_____
Total Net Position	\$ _____



Association of South Central Oklahoma Governments
Notes to Financial Statements
June 30, 2016

Note 1: Summary of Significant Accounting Policies

Reporting Entity

The Association of South Central Oklahoma Governments, a Trust Authority, (the Authority) is a public trust organized under Title 60 of the Oklahoma statutes and as a political subdivision of the State of Oklahoma is exempt from federal and state income taxes. The Authority was established to provide a cooperative association of local governments within an eight-county area of South Central Oklahoma, under the inter-local Cooperation Act, Title 74 of Oklahoma statutes, for the purposes of assisting local governments in planning for common needs, coordinating sound regional development and administration of mutually beneficial programs.

Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as is the fiduciary fund financial statement. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Membership dues are recognized as revenues in the year for which they are due.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, ASCOG considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures and expenditures related to compensated absences are recorded only when payment is due.

Grant and contract revenues, membership dues and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by ASCOG.

ASCOG reports the following major governmental funds:

General Fund – The General Fund is ASCOG's primary operating fund. It accounts for all financial resources, except those required to be accounted for in another fund.

Workforce Investment Act Fund – The Workforce Investment Act Fund reports the activities related to contracts with the Oklahoma Department of Commerce to provide employment training services for adult, youth and dislocated workers.



Association of South Central Oklahoma Governments
Notes to Financial Statements
June 30, 2016

Note 1: Summary of Significant Accounting Policies (Continued)

Measurement Focus and Basis of Accounting (Continued)

Area Agency on Aging Fund – The Area Agency on Aging Fund reports the activities related to a grant from the Oklahoma Department of Human Services for the aging services programs. It accounts for revenues from federal and state sources and the expenditures thereof related only to that grant.

Rural Economic Action Plan Fund – The Rural Economic Action Plan Fund reports the activity related to grants from the Oklahoma Department of Commerce for the REAP program. This fund accounts for revenues and related pass-through expenditures to member communities for specific projects.

The other governmental funds account for revenues received from federal and state grants and contracts and the expenditures, thereof, as governmental funds. Grant and contract revenues and expenditures are segregated in the general ledger accounting system.

ASCOG also reports the *911 Wireless Fund* as an agency fund in the fiduciary fund financial statements. This fund is used to account for fiduciary assets held by ASCOG in a custodial capacity as an agent on behalf of others.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all interest.

When both restricted and unrestricted resources are available for use, it is ASCOG's policy to use restricted resources first, then unrestricted resources as they are needed.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of inter-und activity has been removed from these statements. Governmental activities which normally are supported by intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.



Association of South Central Oklahoma Governments
Notes to Financial Statements
June 30, 2016

Note 1: Summary of Significant Accounting Policies (Continued)

Government-wide and Fund Financial Statements (Continued)

The statement of activities demonstrates the degree to which direct and allocated indirect expenses of given functions or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Other items not properly included among program revenues are reported instead as general revenues.

Separate fund financial statements are provided for governmental funds and fiduciary funds, even though the latter is excluded from the government-wide financial statements.

Major individual governmental funds are reported as separate columns in the fund financial statements.

Deposits and Investments

ASCOG's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize ASCOG to invest in obligations of the U.S. Treasury; time deposits with financial institutions, if such deposits are fully insured by federal depository insurance or pledged collateral; and debt securities issued by the State of Oklahoma, an Oklahoma county, school district or municipality.

Investments for ASCOG are reported at fair value.

Accounts Receivable and Other Receivables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of inter-fund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

Advances between funds, as reported in the fund financial statements are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable, available financial resources.

All trade receivables are shown net of allowance for uncollectibles, if applicable.



Association of South Central Oklahoma Governments
Notes to Financial Statements
June 30, 2016

Note 1: Summary of Significant Accounting Policies (Continued)

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets

Capital assets, which include buildings and improvements, vehicles and equipment, are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by ASCOG as assets with an initial, individual cost of \$500 or more and an estimated useful life in excess of one year. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Furniture & Fixtures	7 - 10
Machinery & Equipment	5 - 7
Leasehold Improvements	10 - 15

Fund Balances and Net Position

Fund balances – Governmental fund balances are classified as nonspendable, restricted, committed, assigned and unassigned as follows:

Nonspendable – Includes amounts that cannot be spent because they are either (1) not in spendable form or (2) legally or contractually required to be maintained intact.

Restricted – Consists of fund balance with constraints placed on the use of resources either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or (2) laws through constitutional provisions or enabling legislation.

Committed – Includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the entity's highest level of decision-making authority.

Assigned – Includes amounts that are constrained by the entity's intent to be used for specific purposes but are neither restricted nor committed. Assignments of fund balance may be made by board of trustees' action or management decision when the board has designated that authority.

Unassigned – Represents fund balance that has not been assigned to other funds and has not been restricted, committed or assigned to specific purposes within the general fund.



Association of South Central Oklahoma Governments
Notes to Financial Statements
June 30, 2016

Note 1: Summary of Significant Accounting Policies (Continued)

Fund Balances and Net Position (Continued)

It is the entity's policy to first use restricted fund balance prior to the use of unrestricted fund balance when an expense is incurred for purposes for which both restricted and unrestricted fund balance are available. The entity's policy for the use of unrestricted fund balance amounts require that committed amounts would be reduced first, followed by assigned amounts and then unassigned amounts when expenditures are incurred for purposes for which amount in any of those unrestricted fund balance classifications could be used.

The constraints placed on fund balance as of June 30, 2016, are as follows:

	General Fund	REAP	Nonmajor Government Funds	Total
Restricted for -				
Community development	\$ —	\$ 3,550	\$ —	\$ 3,550
Committed to -	—	—	—	—
Unassigned	1,429,540	—	—	1,429,540
	<u>\$ 1,429,540</u>	<u>\$ 3,550</u>	<u>\$ —</u>	<u>\$1,433,090</u>

Net Position – Net position are displayed in three components as follows:

Net Investment in Capital Assets – Consists of capital assets, net of accumulated depreciation and reduced by outstanding balances of any debt or other borrowings that are attributable to the acquisition, construction, or improvement of the assets.

Restricted – Consists of net position with constraints placed on the use either by 1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or 2) law through constitutional provisions or enabling legislation.

Unrestricted – All other net position that does not meet the definitions of "net investment in capital assets" or "restricted".

It is ASCOG's policy to first use restricted net position prior to the use of unrestricted net position when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

Restatement

The beginning Fund Balance as of June 30, 2015 has been restated to reflect the correction of accounting errors made in the prior year's financial statement. The effect of these corrections was to decrease fund balance as of June 30, 2015 by \$132,658.



Association of South Central Oklahoma Governments
Notes to Financial Statements
June 30, 2016

Note 1: Summary of Significant Accounting Policies (Continued)

Allocation of Employee Benefits and Indirect Costs

ASCOG's employee benefits and indirect costs are allocated based upon actual expenditures to all grants in accordance with *Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards*, (2) C.F.R. Part 200. ASCOG's employee benefits are allocated to grants and other projects as a percentage of direct labor costs. Indirect costs necessary to sustain overall operations are allocated as a percentage of direct costs charged to grants and other projects.

Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position.

Accounting Pronouncements Adopted in Fiscal Year 2016

Association of South Central Oklahoma Governments adopted the following new accounting pronouncement during the year ended June 30, 2016:

GASB Statement No. 72 addresses accounting and financial reporting issues related to fair value measurements. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

In June 2015, GASB issued Statement No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68 and Amendments to Certain Provisions of GASB Statements 67 and 68 (GASB 73). GASB 73 addresses accounting and financial reporting for pensions that do not meet the criteria for applying GASB Statement No. 68, Accounting and Financial Reporting for Pensions (GASB 68) and amends certain disclosure requirements of GASB 67 and GASB 68. GASB 73 amendments include restricting additional disclosures related to 10-year schedules required by GASB 67 to be limited to factors over which the plan or government has influence, such as a change in investment policies. Amendments also address payables to a plan that are not separately financed specific liabilities and the timing of employer recognition of revenue for the support of nonemployer contributing entities. Certain provisions of GASB 73 are applicable for fiscal years beginning after June 15, 2015 and those provisions were adopted by the Authority as of July 1, 2015 and did not have a significant impact on the Authority's financial statements. Other provisions of GASB 73 that are applicable for years beginning after June 15, 2016, are not expected to have a significant impact on the Authority's financial statements.



Association of South Central Oklahoma Governments
Notes to Financial Statements
June 30, 2016

Note 1: Summary of Significant Accounting Policies (Continued)

Accounting Pronouncements Adopted in Fiscal Year 2016 (Continued)

In June 2015, GASB issued Statement No. 76, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments (GASB 76). GASB 76 identifies accounting sources used to prepare state and local government financial statements in conformity with GAAP and established a GAAP hierarchy of these resources. This Statement improves financial reporting by raising the category of GAAP Implementation Guides in the GAAP hierarchy, by emphasizing the importance of analogies to authoritative literature when an accounting event is not specified in authoritative GAAP and by requiring the consideration of consistency with GASB Concept Statements when evaluating accounting treatments in non- authoritative GAAP. The Authority adopted GASB 76 as of July 1, 2015 and its adoption had no significant effects on the financial statements.

In December 2015, GASB issued Statement No. 79, Certain Investment Pools and Pool Participants (GASB 79). GASB 79 establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. Specific criteria address (1) the way the external investment pool transacts with participants; (2) requirements for portfolio maturity, quality, diversification and liquidity; and (3) calculation and requirements of a shadow price. The Authority adopted the required provisions of GASB 79 on July 1, 2015. The adoption of the provisions had no significant effect on the financial statements.

Note 2: Deposits and Investments

Deposits

ASCOG's carrying amount of deposits was \$1,867,663 as of June 30, 2016 and the bank balances totaled \$1,942,465. Deposits are carried at cost.

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, ASCOG's deposits may not be returned to it. ASCOG does not have a deposit policy for custodial credit risk. As of June 30, 2016 and, all of ASCOG's bank balances of \$1,942,465, were FDIC insured or collateralized by pledges from the banks.

Investments

As of June 30, 2016, ASCOG had the following investments.

Investment	Maturities	Fair Value
Certificates of Deposit	< 1 year	\$ 903,581
Total		\$ 903,581



Association of South Central Oklahoma Governments
Notes to Financial Statements
June 30, 2016

Note 2: Deposits and Investments (Continued)

Interest Rate Risk

ASCOG does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

State statutes limit investments to the following: a) direct obligations of the U.S. Government, its agencies or instrumentalities; b) collateralized or insured certificates of deposit within the state and insured certificates only if out of state; c) savings accounts or savings certificates; d) fully collateralized prime banker acceptances, prime commercial paper, repurchase agreements, or SEC regulated money market funds; e) obligations to the payment of which the full faith and credit of the state is pledged; f) county, municipal or school district and valorem tax funded debt; g) bonds, notes or money judgments of a county, municipality or school district; h) revenue anticipation notes of a public trust of which the municipality is beneficiary; or i) any bond, note or other debt of any public trust of which the municipality is sole beneficiary or other entities whose governing boards were appointed by the municipality. ASCOG has no investment policy that would further limit its investment choices. As of June 30, 2016, ASCOG's investments in certificates of deposit were all federally insured.

Note 3: Accounts Receivable

Receivables as of June 30, 2016, for the Association of South Central Oklahoma Governments individual major funds, including the applicable allowances for uncollectible accounts, are as follows:

	General	Workforce Investment Act	AAA	Nonmajor Government Funds	Total
Accounts Receivables:	\$ 432,461	\$ —	\$ —	\$ —	\$ 432,461
Due from other governments		111,665	260,243	646,784	1,018,692
Less: allowance for uncollectibles	—	—	—	—	—
Net total receivables	<u>\$ 432,461</u>	<u>\$ 111,665</u>	<u>\$260,243</u>	<u>\$646,784</u>	<u>\$1,451,153</u>



Association of South Central Oklahoma Governments
Notes to Financial Statements
June 30, 2016

Note 4: Other Receivables

Interfund receivable, payables and transfers

The composition of interfund balances as of June 30, 2016, is as follows:

Due to/from other funds:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General fund	Governmental funds	<u>\$ 294,257</u>

Note 5: Long-Term Note Receivable

Under a program of the Environmental Protection Agency, ASCOG loans grant funds for projects in which will remediate environmental hazards. Under the terms of the program, the funds are to be paid back to ASCOG after twenty years. At June 30, 2016, long term receivable for this program amounted to \$513,709.

Note 6: Capital Assets

Capital asset balances and activities for the year ended June 30, 2016, were as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities				
Capital assets, being depreciated:				
Leasehold Improvements	\$ 152,220	\$ —	\$ —	\$ 152,220
Furniture & Equipment	1,100,113	33,357	---	1,133,470
Total capital assets, being depreciated	<u>1,252,333</u>	<u>33,357</u>	<u>\$ —</u>	<u>1,285,690</u>
Less accumulated depreciation for:				
Leasehold Improvements	(127,162)	(7,934)	—	(135,096)
Furniture & Equipment	(1,074,952)	(12,544)	—	(1,087,496)
Total accumulated depreciation	<u>(1,202,114)</u>	<u>(20,478)</u>	<u>—</u>	<u>(1,222,592)</u>
Governmental activities capital assets, net	<u>\$ 50,219</u>	<u>\$ 12,879</u>	<u>\$ —</u>	<u>\$ 63,098</u>

Depreciation expense for the years ended June 30, 2016 was charged to functions/programs of the primary government as follows:

	<u>2016</u>
Governmental activities:	
General government	\$ 20,478
Employment and training	
Aging services	
Total depreciation expense – governmental activities	<u>\$ 20,478</u>



Association of South Central Oklahoma Governments
Notes to Financial Statements
June 30, 2016

Note 7: Long-Term Liabilities

Leases

Capital Leases

In October of 2015, ASCOG entered into a capital lease agreement for a new telephone system. The term of the lease is for 60 months with fixed monthly payments at \$533.18 per month for principal and interest. The balance on the lease was \$26,086 for the year ended June 30, 2016.

The scheduled principal payments related to the lease are as follows:

2017	5,548
2018	5,752
2019	5,962
2020	6,182
2021	2,642
	<u>\$ 26,086</u>

Notes payable

Under a program of the Environmental Protection Agency, ASCOG receives grant funds for projects that will remediate environmental hazards. Under the terms of the program, the grant funds in effect become a revolving loan fund (RLF) and the funds can be re-distributed pursuant to the original terms of the grant. If the funds are not going to be loaned out, then the full grant balance amount will become due to the EPA. At June 30, 2016, the long term note payable balance for this program is \$513,709.

Note 8: Unearned Revenue

Unearned revenues represent advances on grants or contracts which have not been expended.

Unearned revenues for the year ended June 30, 2016 totaled \$843,128 and included the following:

	<u>2016</u>
REAP funds	\$ 829,374
Masonic funds	13,754
Total	<u>\$ 843,128</u>



Association of South Central Oklahoma Governments
Notes to Financial Statements
June 30, 2016

Note 9: Cafeteria Plan

Full-time employees of the Authority are eligible to participate in an employee benefit cafeteria plan. The plan was created in accordance with Section 125 of the Internal Revenue Code and permits employees to obtain certain benefits with pre-tax medical and dental expense reimbursement, dependent care assistance and group term life insurance.

Note 10: Pension Plan

ASCOG provides pension or retirement benefits to its employees by participating in the Oklahoma Public Employee Retirement Plan (a cost-sharing multiple-employee PERS). The plan covers all full-time employees. Part-time employees with less than 1,000 hours annual service are not covered. All eligible full-time employees are required to become covered in the first month following the month of employment.

Employees are required to contribute 3.5% of their compensation while ASCOG contributes 16.5% of compensation plus monthly contribution.

Funding Policy – Covered payroll for the year ended June 30, 2016 was \$1,312,739. Employees contributed \$51,995 to the Plan during 2016, while ASCOG's required contribution to the Plan for 2016 was \$216,602.

Benefits are determined at 2% of the average highest three years annual covered compensation received during the last ten years of participation service multiplied by the number of years of credited service. Normal retirement age under the plan is 62. Members become eligible to vest fully upon completing eight years of credited service. Members' contributions may be withdrawn upon termination of employment. Members who become a member before July 1, 1992, qualify for full retirement benefits at their specific normal retirement age or when the sum of the member's age and their years of service equal or exceeds 80. Members who were employed after July 1, 1992, can begin receiving benefits when the member's age and their years of service equal 90. A member with minimum of 9 years, 6 months of participating service may elect early retirement with reduced benefits beginning at age 55.

The Board of Trustees of the Oklahoma Public Employees Retirement System and a separate report showing actuarial assumptions, plan assets, projected benefits payable and financial status of the plan may be obtained from: Oklahoma Public Employees Retirement System 580 Jim Thorpe Building P.O. Box 53007 Oklahoma City, Ok 73152.



Association of South Central Oklahoma Governments
Notes to Financial Statements
June 30, 2016

Note 11: Compensated Absences

Under personnel policies, all employees working 20 or more hours per week earn vacation leave at varying amounts based upon length of service. Vacation leave accrues each two-week pay period as follows:

<u>Years of Service</u>	<u>Hours Earned</u>
0-5	3.75
6-10	4.75
11-19	5.75
20 or more	6.50

The maximum amount of vacation leave that can be carried forward is 200 hours. Payment of accrued leave must be approved by management.

Full time employees earn sick leave 3.75 hours of paid sick leave for each two weeks of employment, with lessor amounts earned by part-time employees. There is no liability for accumulated unpaid sick leave since ASCOG does not pay accumulated amounts for sick leave when employees separate from service. All vacation accumulated is reported when incurred in the governmental activities in the government-wide financial statements. The liability for earned unpaid compensated absences at June 30, 2016 is:

	<u>2016</u>
Governmental activities:	<u>\$90,118</u>
Total compensated absences	<u>\$90,118</u>

Note 12: Subsequent Events

Management has evaluated subsequent events through July 31, 2017 the date which the financial statements were available to be issued.

Note 13: Risk Management

ASCOG is exposed to various risks of loss related to torts, property damage, errors and omissions and personal injury. ASCOG carries commercial insurance for property, general liability, public official's liability, worker's compensation and unemployment. ASCOG retains the first \$500-\$2,500, depending on the policy, of risk of loss in the form of deductibles.

Note 14: Commitments and Contingencies

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability to ASCOG. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although ASCOG expects such amounts, if any, to be immaterial.



Association of South Central Oklahoma Governments
Notes to Financial Statements
June 30, 2016

Note 15: Economic Dependence

The Association of South Central Oklahoma Governments is dependent upon the federal and state funding to maintain continuing operations.

Note 16: New Accounting Standards Issued not yet Adopted

New Accounting Pronouncements Issued Not Yet Adopted: The GASB has also issued several new accounting pronouncements which will be effective to the Authority in subsequent years. A description of the new accounting pronouncements, the fiscal year in which they are effective and the Authority's consideration of the impact of these pronouncements are described below:

- *GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*

GASB No. 74 was issued in June 2015 and replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. It also includes requirements for defined contribution OPEB plans that replaces the requirements for those OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as amended, Statement 43 and Statement No. 50, *Pension Disclosures*. This Statement is effective for financial statements for fiscal years beginning after June 15, 2016. The Authority has not yet determined the impact that implementation of GASB 75 will have on its net position.

- *GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*

GASB No. 75 was issued in June 2015 and addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources and expense/expenditures. For a defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed. This Statement is effective for fiscal years beginning after June 15, 2017. The Authority has not yet determined the impact that implementation of GASB 75 will have on its net position.



Association of South Central Oklahoma Governments
Notes to Financial Statements
June 30, 2016

Note 16: New Accounting Standards Issued not yet Adopted (Continued)

- *GASB Statement No. 77, Tax Abatement Disclosures*

GASB 77 was issued in August 2015 and establishes financial reporting standards for tax abatement agreements entered into by state and local governments. The disclosures required by this Statement encompass tax abatements resulting from both (a) agreements that are entered into by the reporting government and (b) agreements that are entered into by other governments and that reduce the reporting government's tax revenues. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2015. The Authority has not yet determined the impact that implementation of GASB 75 will have on its net position.

- *GASB Statement No. 78, Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans*

GASB 78 was issued in December 2015 and amends the scope and applicability of Statement 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). This Statement establishes requirements for recognition and measurement of pension expense, expenditures and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above. The requirements of this Statement are effective for reporting periods beginning after December 15, 2015. The statement does not affect the Authority's financial statement.



Association of South Central Oklahoma Governments
Notes to Financial Statements
June 30, 2016

Note 16: New Accounting Standards Issued not yet Adopted (Continued)

- *GASB Statement No. 79, Certain External Investment Pools and Pool Participants*

GASB 79 was issued in December 2015 and addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. An external investment pool qualifies for that reporting if it meets all of the applicable criteria established in this Statement. The specific criteria address (1) how the external investment pool transacts with participants; (2) requirements for portfolio maturity, quality, diversification and liquidity; and (3) calculation and requirements of a shadow price. Significant noncompliance prevents the external investment pool from measuring all of its investments at amortized cost for financial reporting purposes. Professional judgment is required to determine if instances of noncompliance with the criteria established by this Statement during the reporting period, individually or in the aggregate, were significant. The requirements of this Statement are effective for reporting periods beginning after June 15, 2015, except for certain provisions on portfolio quality, custodial credit risk and shadow pricing. Those provisions are effective for reporting periods beginning after December 15, 2015. At this time, the impact to the Authority is unknown.

- *GASB Statement No. 80, Blending Requirements for Certain Component Units*

An Amendment of GASB Statement No. 14 – GASB 80 was issued in January 2016 and amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, Determining Whether Certain Organizations Are Component Units. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016. At this time, the impact to the Authority is unknown.

- *GASB Statement No. 81, Irrevocable Split-Interest Agreements*

GASB 81 was issued in March 2016, to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The Authority does not believe that GASB No. 81 will have significant impact on its financial statements.





Association of South Central Oklahoma Governments
Combining Balance Sheets
Nonmajor Governmental Funds
June 30, 2016

	Medicaid	Ombudsman	Masonic	CENA	EDA	Rural Fire	CDBG
Assets							
Cash	\$ 169	\$ 1,195	\$ 14,345	\$ —	\$ —	\$ —	\$ —
Investments	—	—	—	—	—	—	—
Accounts receivable	—	—	—	47,402	75,000	7,400	—
Due from other funds	—	—	—	—	—	—	—
Prepaid expenses	—	—	—	—	—	—	—
Deposits	—	—	—	—	—	—	—
Total Assets	<u>\$ 169</u>	<u>\$ 1,195</u>	<u>\$ 14,345</u>	<u>\$ 47,402</u>	<u>\$ 75,000</u>	<u>\$ 7,400</u>	<u>\$ —</u>
Liabilities							
Accounts payable and accrued expenses	169	1,195	590	14,068	171	254	—
Due to other funds	—	—	—	33,334	74,829	7,146	—
Unearned revenue	—	—	13,755	—	—	—	—
Total Liabilities	<u>169</u>	<u>1,195</u>	<u>14,345</u>	<u>47,402</u>	<u>75,000</u>	<u>7,400</u>	<u>—</u>
Fund Balances							
Nonspendable	—	—	—	—	—	—	—
Restricted	—	—	—	—	—	—	—
Committed	—	—	—	—	—	—	—
Assigned	—	—	—	—	—	—	—
Unassigned	—	—	—	—	—	—	—
Total Fund Balances	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total Liabilities and Fund Balances	<u>\$ 169</u>	<u>\$ 1,195</u>	<u>\$ 14,345</u>	<u>\$ 47,402</u>	<u>\$ 75,000</u>	<u>\$ 7,400</u>	<u>\$ —</u>



Association of South Central Oklahoma Governments
Combining Balance Sheets
Nonmajor Governmental Funds
June 30, 2016

	GIS	CED	BRBRB	Hazard Mitigation	Resource Management	Total Other Governmental Funds
Assets						
Cash	\$ —	\$ —	\$ —	\$ 2,318	\$ —	\$ 18,027
Investments	—	—	—	—	—	—
Accounts receivable	—	3,273	—	—	—	133,075
Due from other funds	—	—	—	—	—	—
Prepaid expenses	—	—	—	—	—	—
Deposits	—	—	—	—	—	—
Total Assets	<u>\$ —</u>	<u>\$ 3,273</u>	<u>\$ —</u>	<u>\$ 2,318</u>	<u>\$ —</u>	<u>\$ 151,102</u>
Liabilities						
Accounts payable and accrued expenses	—	353	—	2,318	—	19,118
Due to other funds	—	2,920	—	—	—	118,229
Unearned revenue	—	—	—	—	—	13,755
Total Liabilities	<u>—</u>	<u>3,273</u>	<u>—</u>	<u>2,318</u>	<u>—</u>	<u>151,102</u>
Fund Balances						
Nonspendable	—	—	—	—	—	—
Restricted	—	—	—	—	—	—
Committed	—	—	—	—	—	—
Assigned	—	—	—	—	—	—
Unassigned	—	—	—	—	—	—
Total Fund Balances	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total Liabilities and Fund Balances	<u>\$ —</u>	<u>\$ 3,273</u>	<u>\$ —</u>	<u>\$ 2,318</u>	<u>\$ —</u>	<u>\$ 151,102</u>



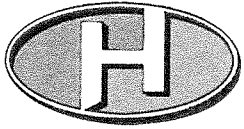
Association of South Central Oklahoma Governments
Combining Statements of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
June 30, 2016

	Medicaid	Ombudsman	Masonic	CENA	EDA	Rural Fire	CDBG
Revenues							
Federal grants	\$ —	\$ —	\$ —	\$ —	\$ 75,000	\$ —	\$ —
State grants and appropriations	37,652	10,687	—	185,057	—	—	22,663
Local charges and services	—	—	58,840	—	—	66,500	46,024
Members' dues and assessments	—	—	—	—	—	—	—
Investment income	—	—	—	—	—	—	—
Match revenue	8,983	42,792	25,415	15,308	10,465	5,118	(21,432)
Total Revenues	<u>\$ 46,635</u>	<u>\$ 53,479</u>	<u>\$ 84,255</u>	<u>\$ 200,365</u>	<u>\$ 85,465</u>	<u>\$ 71,618</u>	<u>\$ 47,255</u>
Expenditures							
Salaries	19,265	22,197	215	3,720	42,175	47,361	21,956
Fringe benefits	6,556	17,796	162	1,220	14,395	8,700	9,566
Indirect costs	8,669	4,586	302	204	5,789	4,466	1,717
Travel	5,576	6,415	—	774	18,557	6,846	1,232
Other expense	380	60	19	54	479	497	38
Program costs	6,189	2,425	1,437	360	4,070	3,748	12,746
Pass-through grants	—	—	82,120	194,033	—	—	—
Debt service	—	—	—	—	—	—	—
Capital outlays	—	—	—	—	—	—	—
Total Expenditures	<u>46,635</u>	<u>53,479</u>	<u>84,255</u>	<u>200,365</u>	<u>85,465</u>	<u>71,618</u>	<u>47,255</u>
Changes in Fund Balances	—	—	—	—	—	—	—
Fund Balance, Beginning of Year	—	—	—	—	—	—	—
Fund Balances, End of Year	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>



Association of South Central Oklahoma Governments
Combining Statements of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2016

	GIS	CED	BRBRB	Hazard Mitigation	Resource Management	Total Other Governmental Funds
Revenues						
Federal grants	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 75,000
State grants and appropriations	—	70,268	19,017	—	—	345,344
Local charges and services	—	8,188	3,800	50,146	—	233,498
Members' dues and assessments	—	—	—	—	—	—
Investment income	—	—	—	—	—	—
Match revenue	4,693	(26,610)	33,313	32,053	63,624	193,722
Total Revenue	<u>\$ 4,693</u>	<u>\$ 51,846</u>	<u>\$ 56,130</u>	<u>\$ 82,199</u>	<u>\$ 63,624</u>	<u>\$ 847,564</u>
Expenditures						
Salaries	—	31,200	—	—	36,348	224,437
Fringe benefits	170	11,109	—	—	19,962	89,636
Indirect costs	3,077	4,304	1,145	1,547	6,188	41,994
Travel	—	1,689	8,196	3,793	—	53,078
Other expenses	40	479	1	316	45	2,408
Program costs	1,406	3,065	46,788	76,543	1,081	159,858
Pass-through grants	—	—	—	—	—	276,153
Debt service	—	—	—	—	—	—
Capital outlays	—	—	—	—	—	—
Total Liabilities	<u>4,693</u>	<u>51,846</u>	<u>56,130</u>	<u>82,199</u>	<u>63,624</u>	<u>847,564</u>
Change in Fund Balances						
Fund Balance, Beginning of Year	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Fund Balance, End of Year	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>



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**Independent Auditors' 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 Trustees
Association of South Central Oklahoma Governments
Duncan, Oklahoma

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Association of South Central Oklahoma Governments, as of and for the year ended June 30, 2016 and the related notes to the financial statements, which collectively comprise Association of South Central Oklahoma Governments basic financial statements and have issued our report thereon dated July 31, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Association of South Central Oklahoma Governments internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Association of South Central Oklahoma Governments internal control. Accordingly, we do not express an opinion on the effectiveness of Association of South Central Oklahoma Governments 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 identify deficiencies in internal control that we consider to be material weakness. However, material weaknesses may exist that have not been identified. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as item 2016-1 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Association of South Central Oklahoma Governments 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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Filed & Compared

Tulsa, Oklahoma
July 31, 2017





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**Independent Auditors' Report on Compliance for Each Major Federal
Program: Report on Internal Control over Compliance; and Report on Schedule of
Expenditures of Federal Awards Required by the Uniform Guidance**

Board of Trustees
Association of South Central Oklahoma Governments
Duncan, Oklahoma

Report on Compliance for Each Major Federal Program

We have audited the Association of South Central Oklahoma Governments compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have direct and material effect on each of the Association of South Central Oklahoma Governments major federal programs for the year ended June 30, 2016. Association of South Central Oklahoma Governments major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations and the terms and conditions 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 of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance 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 Association of South Central Oklahoma Governments 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, 2016.

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Report on Internal Control Over Compliance

Management of the Association of South Central Oklahoma Governments 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 the Uniform Guidance, 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 Association of South Central Oklahoma Governments 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 considered 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the Association of South Central Oklahoma Governments as of and for the year ended June 30, 2016 and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements. We issued our report thereon dated July 31, 2017, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance 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 financial statements and certain auditing procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements themselves and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Tulsa, Oklahoma
July 31, 2017

Hill & Company



Association of South Central Oklahoma Governments
Schedule of Expenditures of Federal Awards
June 30, 2016

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures	Subrecipient Expenditures
FEDERAL PROGRAMS				
<u>U.S. Department of Labor</u>				
Pass-Through Program From:				
Oklahoma Department of Commerce -				
<i>Workforce Investment Opportunity Act (WIOA)</i>				
<i>Cluster</i>				
WIOA Title I Adult	17.258	WAS PY15	\$ 29,539	
		new WAS 15 Adult	131,270	
		6-554306 WAS FY 16 Adult	<u>210,883</u>	
			<u>371,692</u>	
WIOA Title I Youth	17.259	6-553936 PY 14 Youth	86,649	
		6-553306 PY 15 Youth	<u>354,960</u>	
			<u>441,609</u>	
WIOA Title I Dislocated Worker	17.278	6-553936 FY 15 DLW	107,224	
		6-553426 PY 15 DLW	47,133	
		6-554426 FY 16 DLW	<u>140,999</u>	
			<u>295,356</u>	
			<u>\$ 1,108,657</u>	
Oklahoma Department of Human Services -				
Title V, Senior Community Services				
Employment Program				
Oklahoma Employment Security Commission				
	17.235	SCSEP Title V	<u>422,309</u>	
			<u>422,309</u>	
Total U.S. Department of Labor			<u>\$ 1,530,966</u>	
<u>U.S. Department of Health and Human Services</u>				
Pass-Through Program From:				
Oklahoma Department of Human Services -				
<i>Aging Cluster</i>				
Special Programs for the Aging, Title III -				
Part B, Grants for				
Supportive Services & Senior Centers				
	93.044	34081011 FY 15-16	289,080	234,723
Part C, Nutrition Services				
	93.045	34081011 FY 15-16	569,641	508,124
Nutrition Services Incentive Program				
	93.053	34081011 FY 15-16	<u>229,224</u>	<u>229,224</u>
			<u>\$ 1,087,945</u>	<u>\$ 972,071</u>



Association of South Central Oklahoma Governments
Schedule of Expenditures of Federal Awards
June 30, 2016

(Continued)

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Expenditures	Subrecipient Expenditures
FEDERAL PROGRAMS				
<i>Other Programs</i>				
Pass-Through Program From:				
Oklahoma Department of Human Services -				
Special Programs for the Aging, Title III -				
Part E, National Family Caregiver Support	93.052	34081011 FY 15-16	\$ 132,680	\$ 119,308
Title VII, Programs for Prevention of Elder -				
Abuse, Neglect and Exploitation	93.041	34081011 FY 15-16	4,728	—
MIPPA	93.071	15015257	5,105	—
MFP – Money Follows the Person	93.791	16012788	847	—
			<u>143,360</u>	<u>119,308</u>
Total U.S. Department of Health & Human Services			<u>1,231,305</u>	<u>1,091,379</u>
 <u>U.S. Department of Commerce</u>				
Direct Program -				
Title II, Section 203 Planning Assistance:				
Continuation Planning (EDA)	11.302	08-83-04940	<u>75,000</u>	—
Total U.S. Department of Commerce			<u>75,000</u>	—
Total Expenditures of Federal Awards			<u>\$2,837,271</u>	<u>\$ 1,091,379</u>



Association of South Central Oklahoma Governments
Notes to Schedule of Expenditures of Federal Awards
June 30, 2016

Note A: Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal awards activity of Association of South Central Oklahoma Governments for the year ended June 30, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Association of South Central Oklahoma Governments, it is not intended to and does not present the financial position, changes in net position, or cash flows of Association of South Central Oklahoma Governments.

Note B: Summary of Significant Accounting Policies

1. Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
2. ASCOG has elected not to use the 10 percent de minimis cost rate allowed under Section 200.414(f) of the Uniform Guidance.



Association of South Central Oklahoma Governments
Schedule of Findings and Questioned Costs
Year Ended June 30, 2016

(Continued)

Summary of Auditors' Results (Continued)

8. The threshold used to distinguish between Type A and Type B programs as those terms are defined in the Uniform Guidance was \$750,000.
9. Auditee qualified as a low-risk auditee as that term is defined in the Uniform Guidance. ☐ Yes ☒ No

Section II--Findings Required to be Reported in Accordance with Government Auditing Standards

Finding 2016-1

Criteria: In accordance with the Generally Accepted Auditing Standards (GAAS), the organization should have adequate design and implementation of controls over the preparation of the financial statements being audited such that the financial statements are fairly presented in conformity with generally accepted accounting principles.

Condition: Due to the incompatibility to merge the financial data of the old accounting system to the new accounting software system, the organization did not have adequate design of controls over the preparation of the financial statements being audited such that they are in conformity with Generally Accepted Accounting Principles (GAAP).

Effect: The organization was unable to close their books correctly.

Cause: In some instances, the organizations old accounting system was unable to roll forward financial data modules to the new accounting software and because data was not backed up, the income statements had to be manually re-entered into the new accounting system from July 1, 2015 through December 31, 2015.

Recommendation: For the organizations accounting team to periodically back up financial data.

Views of the responsible officials and planned corrective actions: The Director agrees with this finding.

Name of contact person: Mr. Ronnie Ward, Executive Director

Corrective Action:

The Organization has implemented daily back up of financial data.



Association of South Central Oklahoma Governments
Schedule of Findings and Questioned Costs
Year Ended June 30, 2016

Section III--Findings Required to be Reported in Accordance with the Uniform Guidance

None to report for the June 30, 2016 period.



Association of South Central Oklahoma Governments
Summary Schedule of Prior Audit Findings
June 30, 2016

Findings Required to be Reported by Government Auditing Standards

Finding 2015-1

Criteria: ASCOG should maintain a system of internal controls that ensures financial statements are prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP).

Condition: ASCOG had numerous errors in the omission of payables and or the accrual of payables at June 30, 2015. Some accounts showing liabilities could not be analyzed because of the difficulty in extracting data from the accounting system. Since ASCOG is on the accrual basis, accurate accrual of liabilities is required to produce a financial statement in accordance with generally accepted accounting principles.

Cause: The cause of the delay was a result of two issues. The Chief Financial Officer did not have the background knowledge required to perform these tasks or the understanding they were required. Also, the computer data system would not allow analysis of some amounts.

Effect: The inability to ensure appropriate resources for internal controls and oversight had the following significant effects:

- Working trial balances and reports required for financial statement preparation were unavailable until several months after the audit date and balances were wrong.

Recommendation: ASCOG's management should be proactive in cross training personnel so a loss of a key person would not handicap the financial reporting function. This includes producing not only accurate and timely annual financial reports, but also monthly reports that can enable the governing body to exercise appropriate oversight of the financial activities in a timely manner. Also, so program administrators can provide appropriate oversight of program activities.

ASCOG changed accounting systems effective January 2016. The new system needs to have reports designed to fit the needs of the users of the system. Especially financial statements of the two major types of funds and grant status reports used by program managers to monitor the programs.

Views of a Responsible Official

The employee responsible for preparation of financial statements related to fiscal year 2015 left AS COG in November. ASCOG adopted new accounting software on January 1, 2016. Along with the adoption of the accounting software came a de facto reorganization of ASCOG's management reporting structure. This new structure requires reconfiguration of reporting. Inaccurate account balances were, in some cases, moved from the legacy accounting system to the new accounting system. Work continues identifying and addressing these data issue. Organization-wide income statements and balance sheets were first produced in October 2016 but were distorted by the presence of inaccurate data loaded into the new accounting system.



Association of South Central Oklahoma Governments
Summary Schedule of Prior Audit Findings
June 30, 2016

Findings Required to be Reported by Government Auditing Standards

Finding 2015-1 (continued)

Name of contact person: Mr. Ronnie Ward, Executive Director

Corrective Action:

This finding is communicated in Finding 2016-1.

