

Independent Auditor's Report

Chickasha Area Economic Development Council

Chickasha, Oklahoma

Year Ending June 30, 2013

**Chickasha Area Economic Development Council
Chickasha, Oklahoma
June 30, 2013**

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CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Chickasha Area Economic Development Council

We have audited the accompanying financial statements of Chickasha Area Economic Development Council (a nonprofit organization), which comprise the Statement of Financial Position as of June 30, 2013, and the related Statement of Activities and Changes in Net Assets and Statement of Cash Flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Chickasha Area Economic Development Council as of June 30, 2013, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Angel, Johnston & Blasingame, P.C.

Angel, Johnston & Blasingame, P.C.
Certified Public Accountants
Chickasha, OK
January 30, 2014

CHICKASHA AREA ECONOMIC DEVELOPMENT COUNCIL

Statement of Financial Position

June 30, 2013

ASSETS

Current Assets

Cash and Cash Equivalents	\$	65,162
Investments		235,056
Accounts Receivable		<u>20,200</u>

Total Current Assets 320,418

Other Assets

Fixed Assets-Net (Note C)		<u>114</u>
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Total Assets \$ 320,532

LIABILITIES & NET ASSETS

Current Liabilities

Payroll Taxes Payable		2,824
Accounts Payable		<u>5,529</u>

Total Current Liabilities 8,353

Total Liabilities \$ 8,353

Current Net Assets

Unrestricted		312,179
Temporarily Restricted		0
Permanently Restricted		<u>0</u>

Total Net Assets 312,179

Total Liabilities and Net Assets \$ 320,532

The accompanying notes are an integral part of the financial statements.

CHICKASHA AREA ECONOMIC DEVELOPMENT COUNCIL
Statement of Activities and Changes in Net Assets
For the Year Ended June 30, 2013

UNRESTRICTED NET ASSETS	
<i>Revenue, Gains and Other Support</i>	
Hotel Motel Tax	\$ 274,281
Miscellaneous	5,000
Investment Return	<u>1,013</u>
<i>TOTAL UNRESTRICTED REVENUE, SUPPORT AND RECLASSIFICATIONS</i>	280,293
 <i>Unrestricted Expenses</i>	
Program Services	276,533
Supporting Services	
Management and General	<u>43,480</u>
<i>TOTAL UNRESTRICTED EXPENSES</i>	<u>320,013</u>
<i>INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS</i>	\$ (39,720)
 TEMPORARILY RESTRICTED NET ASSETS	
<i>INCREASE (DECREASE) IN TEMPORARILY RESTRICTED NET ASSETS</i>	\$ -
 PERMANENTLY RESTRICTED NET ASSETS	
<i>INCREASE (DECREASE) IN PERMANENTLY RESTRICTED NET ASSETS</i>	<u>-</u>
<i>CHANGE IN NET ASSETS</i>	\$ (39,720)
NET ASSETS AT BEGINNING OF YEAR	<u>351,899</u>
NET ASSETS AT END OF YEAR	<u><u>312,179</u></u>

The accompanying notes are an integral part of the financial statement

CHICKASHA AREA ECONOMIC DEVELOPMENT AUTHORITY

Statement of Cash Flows
For the Year Ending June 30, 2012

Cash Flows from Operating Activities	
Cash Received from Hotel/Motel Tax	\$ 278,527
Cash Received from Interest	1,013
Cash Received from Miscellaneous	5,000
Payments for Employee Payroll & Benefits	(97,521)
Payments for Program Costs	(113,505)
Payments to Suppliers & Other Costs	<u>(108,273)</u>
Net Cash Provided by Operating Activities	(34,759)
Cash Flows from Financing Activities	
Capital Assets Purchased	<u>-</u>
Net Cash Provided by Financing Activities	<u>-</u>
Cash Flows from Investing Activities	
Cash Received from Liquidating CDs	0
Interest Earned by Investments	<u>(845)</u>
Net Cash Provided in Investing Activities	<u>(845)</u>
<i>Increase (Decrease) in Cash</i>	<u>(35,604)</u>
<i>Cash and Cash Equivalents Beginning of Year</i>	<u>100,766</u>
<i>End of Year</i>	\$ <u><u>65,162</u></u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities	
Operating Income (Loss)	\$ (39,720)
Adjustments to Reconcile Operating Income (Loss) to Net Cash provided (used) by Operating Activities	
Depreciation Expense	42
Loss on asset transfer	1,146
Change in Accounts Payable	(1,133)
Change in Accounts Receivable	4,246
Change in Payroll Liabilities	<u>660</u>
<i>Net Cash Provided by (used for) Operating Activities</i>	\$ <u><u>(34,759)</u></u>

The accompanying notes are an integral part of the financial statements.

Chickasha Area Economic Development Council
Notes To The Financial Statements
For the Year Ended June 30, 2013

Note A - Nature of Activities and Summary of Significant Accounting Policies

Nature of Activities

The Chickasha Area Economic Development Council is incorporated under the laws of the state of Oklahoma and is a nonprofit organization. The Organization promotes economic development in the City of Chickasha and Chickasha area. The Organization is funded through grants, donations and the City of Chickasha hotel/motel tax.

Basis of Accounting

The financial statements of Chickasha Area Economic Development Council are prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities. The accrual basis of accounting is generally accepted.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Accounting Standards Codification (ASC) 958 (formerly SFAS No. 117), Financial Statements of Not-for-Profit Organizations. Under FASB ASC 958, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets, based upon the existence or absence of donor-imposed restrictions.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

For the purpose of the statement of cash flows, the Organization considers all demand deposit accounts, interest bearing checking accounts and time deposit accounts including certificates of deposit with maturities of three months or less to be cash and cash equivalents.

Revenue Recognition

Revenues received are recorded as unrestricted, temporarily restricted, or permanently restricted net position, depending on the existence and/or nature of any donor restrictions.

All donor-restricted support is reported as an increase in the temporarily or permanently restricted net position, depending on the nature of the restriction. When a restriction expires (that is when a stipulated time restriction ends or the purpose restriction is accomplished), temporarily restricted net position is reclassified to unrestricted net position and reported in the Statement of Activities as net position released from restrictions.

Chickasha Area Economic Development Council

Notes To The Financial Statements

For the Year Ended June 30, 2013

Note A - Nature of Activities and Summary of Significant Accounting Policies, (Continued)

Income Taxes

The Organization is exempt from federal income taxes under Section 501(c)(6) of the Internal Revenue Code and applicable state law.

The accounting standard on accounting for uncertainty in income taxes addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under that guidance, the Organization may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities based on the technical merits of the position. Examples of tax positions include the tax-exempt status of the Organization and various positions related to the potential sources of unrelated business taxable income (UBIT). The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. There were no unrecognized tax benefits identified or recorded as liabilities for fiscal year ended June 30, 2013.

The Organization files its forms 990 in the U.S. federal jurisdiction and the Oklahoma Tax Commission. The Organization is generally no longer subject to examination by the Internal Revenue Service for years before 2010.

Fixed Assets

Fixed assets are carried at cost, or in the case of contributed property, at fair market value at the time of acquisition. The Organization follows the practice of capitalizing, at cost, all expenditures for fixed assets in excess of \$500. Depreciation is calculated on the straight line method over the useful lives of the assets generally as follows:

	<u>Years</u>
Furniture & Equipment	5 - 10

Donated Services

Unpaid volunteer officers and committees conduct significant portions of Chickasha Area Economic Development Council's functions. The value of this contributed time is not reflected in the accompanying financial statements since those services do not meet the criteria for recognition under FASB ASC 958-605-25-16 (formerly SFAS No. 116).

Note B – Deposits, Investments, and Collateral

Custodial Credit Risk – Custodial credit risk is the risk that in the event of a bank failure, the Organization's deposits may not be returned to it. At June 30, 2013, the Organization did not exceed FDIC insurance coverage.

Investments – At June 30, 2013, the Organization's investments are as follows:

Chickasha Bank-Certificates of Deposit	\$ 131,146
First National Bank-Certificates of Deposit	<u>103,910</u>
Total	<u>\$235,056</u>

Chickasha Area Economic Development Council
Notes To The Financial Statements
For the Year Ended June 30, 2013

Note C – Fixed Assets

Fixed Assets as of June 30, 2013 consisted of the following:

Furniture & Equipment	\$ 4,691
Less: accumulated depreciation	<u>(4,576)</u>
	<u>\$ 115</u>

Depreciation expense for the year ended June 30, 2013 is \$42.

Note D – Accounts Receivable

Accounts receivable at June 30, 2013 are comprised of the following:

Hotel/Motel Sales Tax	<u>\$ 20,200</u>
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All accounts are considered collectible; therefore no allowance for bad debts has been made.

Note E – Fair Value of Financial Instruments

The following methods and assumptions were used by the Organization in estimating fair values of financial instruments as disclosed herein.

Cash - The carrying amounts of cash approximate their fair value.

Investments - The carrying amount of investments approximate their fair value.

The estimated fair values of the Organizations financial instruments at June 30, 2013 are as follows:

	Fair Value	Quoted Prices in Active Mkts for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Financial Assets:				
Cash	\$ 65,162	\$ 65,162	\$ 0	\$ 0
Investments	<u>235,056</u>	<u>235,056</u>	<u>0</u>	<u>0</u>
Total Assets	<u>\$300,218</u>	<u>\$300,218</u>	<u>\$ 0</u>	<u>\$ 0</u>

Note F – Concentrations: Hotel/Motel Tax

Chickasha Area Economic Development Council is the recipient of funds raised by 90% of the City of Chickasha’s Hotel/Motel Tax. The funds are earmarked for the recruitment of industry and jobs.

Note G– Employee Retirement Plan

The Council does not have a retirement plan but is paying into the employee’s individual retirement account. The amount contributed to the IRA for the fiscal year ended June 30, 2013 was \$4,031; 4% of employee’s gross pay. This amount was ran through payroll and treated as taxable compensation to the employee.

Chickasha Area Economic Development Council
Notes To The Financial Statements
For the Year Ended June 30, 2013

Note H – Subsequent Events

Management has evaluated subsequent events through, January 30, 2014, the date which the financial statements were available to be issued.

The Council entered into a one year contract, July 1, 2013, with the Chickasha Industrial Authority (CIA), to provide services to plan and develop programs to attract economic and industrial development and to increase the quality and quantity of jobs for the City of Chickasha, the beneficiary. Consideration for the contract is \$242,400. This contract supersedes the 90% of Hotel/Motel Tax revenue the Council was receiving.

The Council entered into a contract to lease equipment. The company leasing the equipment is owned by a voting, board member. We consider this contract to be a related party transaction. There has been no amounts ascribed to the company during the audit year.

Note I – Advertising

The Council advertises and markets economic development for the Chickasha area. These costs are expensed as incurred. Total advertising and marketing costs were \$17,683 for the year.

Note J- Compensated Absences

On June 30, 2013 the Council had a liability for accrued vacation and sick \$14,885.

Other Information

Chickasha Area Economic Development Council

Statement of Functional Expenses
For The Year Ended June 30, 2013

	<u>Program Services</u>	<u>Support Services</u>	<u>Total</u>
Accounting/Audit Fees		5,568	5,568
Advertising & Marketing	11,415	1,268	12,683
Bank Service Charges/Interest Expense		46	46
Communication (Newspaper Ad)	17	2	19
Conference	93	92	185
Commercial Zone Rehab	50,000		50,000
Depreciation		42	42
Dues, Fees, Subscription	4,750	1,583	6,333
Equipment Lease		898	898
Executive Director Search	30,013	3,335	33,348
Grants	2,000		2,000
Insurance		2,273	2,273
Maintenance & Repairs		213	213
Meals	124	124	247
Miscellaneous	579	579	1,159
Moving Expenses	1,395	155	1,550
Office Expenses/Printing	288	2,595	2,883
Payroll Taxes & Benefits	6,428	714	7,143
Phone/DSL	756	756	1,512
Professional Development	750	750	1,499
Rent		11,000	11,000
Retail Consultant	43,338		43,338
Retail Targeted Marketing	5,000		5,000
Salaries	81,934	9,104	91,037
Secretarial Contract		2,383	2,383
Tourism Development	2,001		2,001
Tourism/Marketing Director	9,167		9,167
Tourism Sponsorships	7,000		7,000
Travel & Entertainment	1,990		1,990
Website Design	17,495		17,495
	<u>\$ 276,533</u>	<u>\$ 43,480</u>	<u>\$ 320,013</u>

Chickasha Area Economic Development Council
Schedule of Findings
For the Year Ended June 30, 2013

13-01 *Criteria* – A good system of internal controls includes signing or initialing board minutes to document accuracy and approval, and prevent possible manipulation of the minutes after approved by the Board.

Condition – Board minutes are not being signed or initialed by a board member or the executive director.

Cause – Minutes clerk was not aware of this internal control procedure.

Effect or Potential Effect – By not using this procedure there is increased risk that the official minutes could be changed to not reflect what was actually approved.

Recommendation – Board minutes should be signed or initialed after approved to ensure accuracy of recorded actions.

Management response – Management agrees.

13-02 *Criteria* – All employee pay and allowances should be processed through payroll.

Condition – An employee received a stipend for moving expenses and it was not processed through payroll.

Cause – Management was not aware of the requirement.

Effect or Potential Effect – By not processing all pay and allowances through payroll, the risk of fraud is increased. There is also the possibility that payroll tax, salaries, and stipends could be understated.

Recommendation – All pay and allowances should be processed through payroll.

Management response – Management agrees.

Chickasha Area Economic Development Council
Schedule of Findings
For the Year Ended June 30, 2013

13-03 *Criteria* – Authorized signatories should be updated with financial institutions when there is a change to those authorized to conduct business with financial institutions.

Condition – During confirmation of signatories with financial institutions, it was found that only one currently serving member was an authorized signor.

Cause – When management changed, the authorized signatories were not updated with the financial institution.

Effect or Potential Effect – There is the possibility management's ability to conduct financial transaction would be restricted or that transactions could occur by individuals not authorized to conduct the transactions.

Recommendation – Council should review and update authorized signatories of record with the financial institutions it conducts business with.

Management response – Management will review and update authorized signatories.