

ASSOCIATION FOR SOUTH CENTRAL OKLAHOMA GOVERNMENTS

ANNUAL FINANCIAL STATEMENTS

Year Ended June 30, 2015



Steve Beebe, CPA\PFS, Inc.

A PROFESSIONAL CORPORATION



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Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Association of South Central Oklahoma Governments (Association), as of June 30, 2015 and for the year ended June 30, 2015, 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 these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

Basis for Disclaimer of Opinion

The Association has been having difficulty with the data processing system for a period of years in extracting information and identifying the source of information being posted to the various accounts. The issues, in addition to a lack of experience of critical personnel, resulted in accounts with amounts that could not be explained and did not look reasonable.

Disclaimer of Opinion

Because of the significance of the matter described in the "Basis for Disclaimer of Opinion" paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements as listed in the table of contents for and as of the year ended June 30, 2015.

Other Matters

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 8 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, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it. The Association of South Central Oklahoma Governments has not presented the budgetary comparison information for the general fund and major special revenue funds that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be a part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Association of South Central Oklahoma Governments basic financial statements. The combining and individual fund financial statements designated as supplementary information in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards and schedule of expenditures of state awards is presented for purposes

of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The combining and individual fund financial statements and the schedule of expenditures of federal awards and state awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statement or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. Because of the significance of the matter described in the "Basis for Disclaimer of Opinion" paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion of the Schedule of Federal Financial Assistance and Schedule of State Financial Assistance for and as of the year ended June 30, 2015.

Other Reporting Required by Government Auditing Standards

In accordance with *Governmental Auditing Standards*, we have also issued our report dated December 6, 2016, on our consideration of Association of South Central Oklahoma Governments internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.


Durcan, Oklahoma
December 6, 2016

Association of South Central Oklahoma Governments
Management's Discussion and Analysis
June 30, 2015

The following discussion and analysis of the Association of South Central Oklahoma Government's (hereafter referred to as ASCOG) financial performance provides an overview of ASCOG's financial activities for the fiscal year ended June 30, 2015. Please read it in conjunction with ASCOG's financial statements.

Financial Highlights

*General fund revenues exceeded expenses in FY2015 by \$8,730.

*As of the close of the fiscal year, the ending fund balance was \$2,017,849. Of this amount, \$1,439,521 is unrestricted and 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 ASCOG's three basic financial statements: 1) company-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 ASCOG'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.

Company-wide Financial Statements

Company-wide financial statements are designed to provide readers with a broad view of ASCOG's finances.

The Statement of Net Assets

The Statement of Net Assets presents information on ASCOG's assets and liabilities, with the difference between the two reported as net assets. The amount and annual changes in net assets are one way to measure ASCOG's financial position. Other factors such as changes in federal or state funding formulas, changes in laws and regulations, and general local, state and federal economic conditions also influence the condition of ASCOG.

The Statement of Activities

The Statement of Activities presents information showing how ASCOG's net assets changed during the fiscal year. Current year's revenues and expenses are considered regardless of when cash is received or paid. Therefore, some revenue and expense activity reported in this statement will result in cash flows in future fiscal periods. Examples of such activity is revenue earned and invoiced in the current year but not paid to ASCOG until a future year and accrued leave earned in the current year but not used until future years.

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. ASCOG, 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 ASCOG are accounted for in the governmental funds (either the general fund or special revenue funds). ASCOG maintains numerous individual special revenue funds; however, data from those various funds are aggregated into a single 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 ASCOG's financial position. For the year ended June 30, 2015, ASCOG's net assets increased 0.4% to \$2,017,849. This compares to a net decrease in net assets of 0.5% in the previous fiscal year.

Unrestricted net assets are assets that can be used to finance day-to-day operations without constraints established by debt covenants, legislation, or other legal restrictions and total \$1,439,521. An additional portion of ASCOG's net assets; \$578,328 represents resources that are subject to restrictions imposed due to the nature of the assets (fixed assets, long-term note receivable).

Financial activities reported include Workforce programs, Area Agency on Aging, Rural Economic Action Plan, Economic Development Administration 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.

General Fund Activities

ASCOG's general fund is used to account for activities of the organization that are not funded by federal or state grants. 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 administration of federal and state grant programs. Each grant award is maintained separately and includes expenditures by ASCOG, advances to ASCOG, and reimbursement of funds by the grantor agency. Administration of the federal or state grant awards cannot result in generation of "profit" since ASCOG is reimbursed for actual expenditures only. Indirect expenses not directly attributable to a grant are, however, reimbursable expenses.

Fund Balance

The Statement of Revenues, Expenses and Changes in Fund Balance in the audit report shows ASCOG's governmental fund balance increased \$8,730 from last year due to activities accounted for in the general fund.

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 annually approved by the board of trustees. The budget serves as a guide for ASCOG management to follow during day-to-day operations.

ASCOG's budgetary process includes various stages. Budgets for most federal and state grants contracts must be approved by the grantors of the funding. Non-grant contracts are mutually agreed by ASCOG and the counterparties. Grant and contract periods do not always coincide with ASCOG's fiscal year. Management develops

budgets by divisions by grouping related grants and contracts for approval by the board of trustees. Staff periodically reports financial activity with budgetary comparisons to the board of trustees.

Compilation of ASCOG's budget is based on management's design of the organization (by division) and doesn't necessarily follow GASB 34 categorizations. 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.

Economic Factor and Funding Dependence

ASCOG depends highly on state and federal grant funding. Revenue shortfalls and the resultant budget reductions pose a risk to ASCOG's government-funded grants and contracts. Management has tried to mitigate this risk by building an unrestricted reserve and investing resources into strong local programs.

Restricted revenue totaled 81.4% of ASCOG's funding in FY2015. The remaining 17.6% of funding came from non-federal and non-state grants, local support and programs revenue, contract revenue, membership dues, and interest on cash deposits.

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 ASCOG's finances and to show ASCOG's accountability for money received. If you have any questions about this report, contact the ASCOG office at 802 Main Street, PO Box 1647, Duncan, Oklahoma 73534.

Robert Denard
Director of Resource Management

Association of South Central Oklahoma Governments

Statement of Net Position June 30, 2015

	<u>Governmental Activities</u>
<u>Assets</u>	
Current Assets	
Cash	\$ 666,319
Investments	1,612,050
Accounts receivable	1,016,875
Prepaid expenses	4,011
Total Current Assets	<u>3,299,255</u>
Noncurrent Assets	
Notes receivable - long term portion	513,709
Capital assets (net of accumulated depreciation)	64,619
Total Noncurrent Assets	<u>578,328</u>
Total Assets	<u>3,877,583</u>
<u>Liabilities</u>	
Current Liabilities	
Accounts payable and accrued liabilities	<u>407,087</u>
<u>Deferred Revenue</u>	<u>1,452,647</u>
<u>Net Position</u>	
Invested in capital assets and nonspendable	64,619
Restricted for special revenue	513,709
Unrestricted	1,439,521
Total Net Position	<u>\$ 2,017,849</u>

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

Association of South Central Oklahoma Governments

Statement of Activities
June 30, 2015

	Program Expenses		Program Revenues		Program Revenues	Net (Expense) Revenue
	Expenses	Indirect Expense Allocation	Local Match Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities						
General government	\$ 1,368,081	-	319,025	1,057,786	-	\$ 8,730
Workforce investments	1,623,267	213,629	102,695	1,734,201	-	-
Aging services	2,484,416	80,154	245,887	2,318,683	-	-
Rural fire defense	67,343	14,657	12,000	70,000	-	-
Rural economic action plans	1,166,612	7,427		1,174,039	-	-
EDA Planning activities	234,504	6,552	-	241,056	-	-
DOC Appropriation Projects	61,583	13,453	22,491	52,545	-	-
Senior Health Counseling	6,028	875	-	6,903	-	-
Total Governmental Activities	<u>\$ 7,011,834</u>	<u>336,747</u>	<u>702,098</u>	<u>6,655,213</u>	<u>-</u>	<u>8,730</u>
Net Position - Beginning of the year						<u>2,009,119</u>
Net Position - End of the year						<u>\$ 2,017,849</u>

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

Association of South Central Oklahoma Governments

Statement of Net Position - Governmental Funds June 30, 2015

	<u>General Fund</u>	<u>Special Revenue</u>	<u>Total Governmental</u>
<u>Assets</u>			
Current Assets			
Cash	\$ 666,319	-	\$ 666,319
Investments	1,612,050	-	1,612,050
Due from grantors/grantees	-	419,218	419,218
Accounts receivable - other	597,657	-	597,657
Due from special revenue funds	419,218	-	419,218
Due from general fund	-	1,415,004	1,415,004
Prepaid expenses	4,011	-	4,011
Total Current Assets	<u>3,299,255</u>	<u>1,834,222</u>	<u>5,133,477</u>
Noncurrent Assets			
Notes receivable	-	513,709	513,709
Capital assets (net of accumulated depreciation)	64,619	-	64,619
Total Noncurrent Assets	<u>64,619</u>	<u>513,709</u>	<u>578,328</u>
 Total Assets	 <u>3,363,874</u>	 <u>2,347,931</u>	 <u>5,711,805</u>
 <u>Liabilities</u>			
Current Liabilities			
Accounts payable and accrued liabilities	407,087	-	407,087
Due to general fund	-	419,218	419,218
Due to special revenue funds	1,415,004	-	1,415,004
Total Current Liabilities	<u>1,822,091</u>	<u>419,218</u>	<u>2,241,309</u>
 <u>Deferred Revenue</u>	 <u>37,643</u>	 <u>1,415,004</u>	 <u>1,452,647</u>
 <u>Net Position</u>			
Invested in capital assets	64,619	-	64,619
Restricted for special revenue	-	513,709	513,709
Unrestricted	1,439,521	-	1,439,521
Total Net Position	<u>\$ 1,504,140</u>	<u>513,709</u>	<u>\$ 2,017,849</u>

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

Association of South Central Oklahoma Governments

Statement of Revenues, Expenditures and Changes in Net Position
Governmental Funds
June 30, 2015

	General Fund	Special Revenue	Total Governmental
<u>Revenues</u>			
Federal grants applied	\$ -	2,983,002	\$ 2,983,002
State grants applied	-	2,665,687	2,665,687
Other grants applied	157,422	-	157,422
Local support and program revenue	319,025	383,073	702,098
Contract revenue	858,865	-	858,865
Membership dues	37,569	-	37,569
Interest income (local support)	3,930	-	3,930
Total revenues	<u>1,376,811</u>	<u>6,031,762</u>	<u>7,408,573</u>
<u>Expenditures</u>			
Salaries, benefits and payroll taxes	1,049,236	850,661	1,899,897
Fringe Benefits	145,163	347,522	492,685
Overhead	(346,164)	346,164	-
Other costs and pass through	519,846	4,487,415	5,007,261
Total expenditures	<u>1,368,081</u>	<u>6,031,762</u>	<u>7,399,843</u>
Excess of revenues over expenditures	8,730	-	8,730
Net Position - beginning of year	1,495,410	513,709	2,009,119
Net Position - End of year	<u>\$ 1,504,140</u>	<u>513,709</u>	<u>\$ 2,017,849</u>

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

Association of South Central Oklahoma Governments

Notes to Financial Statements Year Ended June 30, 2015

Note 1 - Organization

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 Interlocal 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.

Note 2 - Summary of Significant Accounting Policies

The financial statements of the Authority are prepared in accordance with generally accepted accounting principles (GAAP) of the United States of America. The Authority is considered a governmental entity as defined by the Governmental Accounting Standards Board (GASB) and applies all relevant GASB pronouncements. Its operations are a mix of governmental and proprietary activities in nature and therefore the Authority has adopted a reporting framework similar to governmental type funds.

The basic financial statements include all the accounts of the Authority's operations. Member governments and various local agencies for which grants and funding are issued or administered by the Authority have not been included in the basic financial statements.

The accounts of the Authority are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenue, and expenditures. The Authority only uses two funds. The following two funds are used by the Authority:

1 - General Fund

The General Fund is the primary operating fund of the Authority. It is used to account for all financial resources except those required to be accounted for in the Special Revenue Funds. The General Fund provides services on a contract basis to the member governments. It includes the administration of grants that are not accounted for as Special Revenue Funds.

Association of South Central Oklahoma Governments

Notes to Financial Statements Year Ended June 30, 2015

2 - Special Revenue Fund

Special Revenue Fund is used to account for most, but not all, of grants in which the proceeds of specific revenue resources that are legally, contractually, or administratively restricted to expenditures for specific purposes. The grants included as the Special Revenue Fund are those grants that appear on the schedules of Federal and State financial assistance and include the vast majority of the revenues and expenditures of the Authority. Other minor grants are accounted for under the General Fund along with activities in which services are provided to the public.

Measurement focus, basis of accounting, and financial statement presentation

The financial statements are reported using the economic resources measurement focus and the modified accrual basis of accounting. Revenues are recorded when earned and available 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.

The major sources of revenue are grants, state financial assistance, member government dues, local contributed cash, contributed services, and other revenues as discussed below:

- a. Federal and State Grant Revenue - Grant Revenue is recognized when program expenditures are incurred in accordance with program guidelines. Such revenue is subject to review by the funding agency and may result in disallowance in subsequent periods. When expenses are incurred, the Authority bills the grantor for the expenditures and recognizes revenue at that time.
- b. State Financial Assistance - State financial assistance is appropriated by the Oklahoma Legislature and the revenue is recognized as applied to the expenditures for projects which they support.
- c. Member Government Dues - All member governments are required to pay dues. Dues are recognized as revenue when assessed. Dues are reported in the General Fund and transferred to the Special Revenue Funds as needed to meet matching requirements of the grants.
- d. Local Contributed Cash - Contributions to grant programs from local government and other participants are recognized as revenue when grant expenditures for which the contributions were made are incurred.

Association of South Central Oklahoma Governments

Notes to Financial Statements Year Ended June 30, 2015

- e. In-Kind Contributions - Contributed services provided by individual private organizations, local governments and others are used to match federal and state funding on various grants. Contributed services are therefore reflected as revenue and expenditures in accordance with requirements of the individual grants. Contributed services are recorded as expenditures with a corresponding equivalent amount recorded as revenue. The amounts of such services are recorded in the financial statements as the estimated fair value at the time of receipt.
- f. Other Revenue - The Authority provides a planning and technical assistance department to its member governments on a fee basis. Fees for these services and related cost are reported as revenue and expenditures in the General Fund. The Advantage program provides services to the elderly and is operated in the General Fund. Planning activities funded by grants are reported in the Special Revenue Funds. Other revenues consist primarily of interest and miscellaneous charges and are usually recorded when received in cash because they are generally not measurable until actually received.

Though not required to have an annual budget, the Authority operates under an annual budget as a management tool. The Authority's primary source of funding is from federal, state and local grants, which have varying grant periods that may or may not coincide with the Authority's fiscal year. Because of the Authority's dependency on federal, state, and local funding, revenue estimates are based upon the best available information as to sources of funding. The Authority's annual budget differs from that of other local governments in two respects: (1) the uncertain nature of grant awards from other entities; and (2) conversion of grant budgets to a fiscal year basis. The annual budget is subject to constant change within the fiscal year due to increase or decrease in actual grant awards from amounts estimated, changes in grant periods, unanticipated grant awards not included in the budget, and estimated grant awards that fail to materialize.

Employee benefits and indirect costs are allocated to all grants based upon actual expenditures in accordance with the Office of Management and Budget (OMB) Circular A-87, Cost Principles for State and Local Governments. Employee benefits are allocated to grant project cost as a percentage of direct labor cost. Indirect costs applicable to overall operations are allocated to grant project costs as a percentage of total direct costs less participant salaries and pass through grant funds.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Association of South Central Oklahoma Governments

Notes to Financial Statements
Year Ended June 30, 2015

Subsequent Events

Subsequent events were evaluated through December 1, 2016. Statements were available to be issued December 31, 2016.

Note 3 - Cash and Investments

Deposits with banks and financial institutions are carried at cost. Cash and temporary investments carried on the combined balance sheet include the following accounts:

Checking acct. - First Bank/Trust (Operating acct.)	\$ 654,448
Saving Acct. - First Bank/Trust	11,240
Petty and other cash	10,910
Certificates of Deposit - First Bank/Trust:	1,101,771
Certificates of Deposit - Other banks	<u>500,000</u>
Total	\$ <u>2,278,369</u>

The cash deposit accounts in the main operating account are covered by F.D.I.C. insurance in the amount of \$250,000 and pledged agency securities with a market value in the amount of \$1,341,850. Comparing these amounts to the cash as shown by the bank balances (before outstanding checks and deposits), this leaves deposits in the primary bank deficient of depository security in the amount of \$292,258.

Monies at other banks consist of Certificates of Deposits in various banks and are fully covered by F.D.I.C. insurance.

The Authority has no investments other than interest bearing deposits with financial institutions. The Authority has not formally adopted a deposit and investment policy.

Note 4 - Due Between Funds

Cash receipts from federal and state grants to the Special Revenue Funds are deposited to the General Fund cash account. Differences between actual receipts and actual expenditures of the Special Revenue Funds are carried as amounts due to and due from the General Fund.

Inter-fund balances at June 30, 2015, were as follows:

Due to Special Revenue Fund from General Fund	\$ 1,415,004
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Association of South Central Oklahoma Governments

Notes to Financial Statements
Year Ended June 30, 2015

Due to General Fund from Special Revenue Funds	<u>419,218</u>
Net Due to Special Revenue Funds from General Fund	<u>\$ 995,786</u>

Note 5 - Accounts Receivable

Accounts receivable, consisting of advances to subgrantees, local project service contracts, members' dues, and advances to employees are carried at cost. The Authority uses the specific charge-off method of recording uncollectible accounts and such losses are recognized at the time the account is determined to be uncollectible.

Note 6 - Long-Term Note Receivable

Under a program of the Environmental Protection Agency, the Authority 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 the Authority after twenty years. At June 30, 2015, long term receivables for this program amounted to \$513,709.

Note 7 - Long-Term Obligation

The Authority rents its office space from the South Central Oklahoma Community Development Foundation, Inc. One lease is a long-term net lease, which requires a monthly payment of \$1,250 that will expire December 31, 2017. The other lease is a monthly lease, which requires a monthly payment of \$500.

The required rental under the fifteen-year lease will require the following future rental payments for the remaining two years:

06/30/2016	\$15,000
06/30/2017	\$15,000

Note 8 - Fixed Assets

Fixed assets are recorded at historical cost. Depreciation and accumulated depreciation are recorded for assets purchased with general funds in the amount of \$500 or more. Assets purchased with grant program funds are recorded for control purposes, but depreciation is not recorded for these assets because the cost has been fully recovered through direct charges to grant program cost.

Depreciation on General Fund fixed assets is computed on the following stated useful lives of the assets:

Machinery and Equipment	5-7 years
Furniture and Fixtures	7-10 years

Association of South Central Oklahoma Governments

Notes to Financial Statements
Year Ended June 30, 2015

Leasehold Improvements 5-15 years

A summary of changes in fixed assets for the year ended June 30, 2015, is as follows:

	<u>Balance 6/30/14</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance 6/30/15</u>
<u>General Fund Assets</u>				
Furniture/Equipment	\$ 192,360	2,866		\$ 195,226
Leasehold Improvements	152,220			152,220
Total	<u>\$ 344,580</u>	<u>2,866</u>		<u>\$ 347,446</u>
<u>Accum. Depreciation</u>				
Furniture/Equipment	\$163,998	6,067		\$170,065
Leasehold Improvements	118,828	8,334		127,162
Total	<u>\$ 282,826</u>	<u>14,401</u>		<u>\$ 297,227</u>
<u>Program Assets</u>				
DOL Assets	\$ 524,942			\$ 524,942
DOL Training Assets	3,630			3,630
P & T A Assets	75,072	2,936		78,008
AAA Assets	28,548	1,430		29,978
EDA Assets	576			576
Managed Care	83,284	7,669		90,953
Rural Fire Assets	8,492			8,492
Eldercare Assets	4,875			4,875
DEQ Assets	159,230			159,230
EPA Assets	4,203			4,203
Total	<u>\$ 892,852</u>	<u>12,035</u>		<u>\$ 904,887</u>

Depreciation expense is charged to indirect costs. For the current year this expense was \$14,401, however it was not charged to the overhead pool during the year.

Association of South Central Oklahoma Governments

Notes to Financial Statements Year Ended June 30, 2015

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

The Authority 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.

The Plan provides the following benefits:

- Normal Retirement
- Early Retirement
- Disability
- Vested Severance
- In-Service Death
- Post-Retirement Death
- Post-Retirement Health

During the year ended June 30, 2015, the total payroll was \$1,608,952. All required contributions were paid to the plan. Contributions for the year ended June 30, 2015, were as follows:

Employer	\$ 218,092
Employee	<u>53,532</u>
Total	<u>\$ 271,624</u>

The schedule of required contributions and percentages for the current and two preceding years are as follows:

	Employer Share		Employee Share	
	Percent	Amount	Percent	Amount
YE June 30, 2015	16.5	\$ 218,092	3.5	\$ 53,532
YE June 30, 2014	16.5	\$ 212,440	3.5	\$ 49,223
YE June 30, 2013	16.5	\$ 224,200	3.5	\$ 50,366

Benefits are determined at 2% of the average highest three years annual covered compensation received during the last ten years of participation service multiplied

Association of South Central Oklahoma Governments

Notes to Financial Statements Year Ended June 30, 2015

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

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:

Years of Service	Hours Earned (2-week Period)
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.

Under personnel policies, full-time employees earn 3.75 hours of paid sick leave for each two weeks of employment, with lesser amounts earned by part-time employees. Employees are not paid for accumulated sick leave upon termination of employment.

The liability for earned unpaid compensated absences had been accrued and recorded as follows:

Vacation	<u>\$ 92,061</u>
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Association of South Central Oklahoma Governments

Notes to Financial Statements
Year Ended June 30, 2015

Note 12 - Deferred Revenue:

Federal and state grants are recorded in total as deferred revenue when the grants are received. As stated in Note 2, revenue from the grants is recorded when earned. The unearned portion of grants received is carried on the financial statements as deferred revenue. Amounts due from grantors from revenue earned but not received are carried as receivable in the Special Revenue Funds.

Note 13 - Net Asset Equity

The net asset equity attributable to the long-term portion of the long-term note receivable is carried as a restricted fund balance because this amount of the net asset equity is not available for appropriation or expenditure.

Changes to net asset equity during the current year were as follows:

Balance, June 30, 2014	\$2,009,119
Revenue over	
Expenditures, Current Year	<u>8,730</u>
Balance, June 30, 2015	<u>2,017,849</u>
Invested in Capital Assets	
(Net)	64,619
Reserved for Special	
Revenue	<u>513,709</u>
Unrestricted Portion of	
Fund Balance	<u>\$1,439,521</u>

Note 14 - Insurance and Bond Coverage of Contingencies:

The Authority carries the following insurance coverage as protection against possible loss contingencies:

- Employee Blanket Bond
- Public Officials and Employee Liabilities
- General Commercial Liability
- Products Liability
- Fire Damage Liability
- Building and Contents
- Workers Compensation and Employer Liability

Insurance is carried through a variety of insurance companies.

Association of South Central Oklahoma Governments

Notes to Financial Statements
Year Ended June 30, 2015

Note 15 - Working Capital

Changes in net working capital of the General Fund during the current year were as follows:

	June 30, 2014	June 30, 2015	Change
Current Assets	\$ 3,822,424	3,261,612	\$ (560,812)
Current Liabilities	2,389,802	1,822,091	(567,711)
Net Working Capital	\$ 1,432,622	1,439,521	\$ 6,899

Note 16 - Economic Dependence:

The Authority is dependent upon the federal and state funding to maintain continuing operations.

Note 17 - Contingencies:

In the normal course of operations, the Authority disburses funds from numerous federal and state grant programs. These expenditures are subject to audit and approval by the grantors of their representatives. Such audits could lead to claims in reimbursement of expenditures deemed unallowable under the terms of the grants. Presently, management is unaware of any liability for such expenditures, and in the opinion of management, such amounts would not be considered material.

Note 18 - Subsequent events:

At the end of the year ended June 30, 2016, the State of Oklahoma transferred the Workforce programs to a different vendor and the Authority will not be administering those programs beginning July 1, 2016.

State revenues from some of the programs are being held by the state pending the submission of this audit report. This began with the fiscal year starting July 1, 2016.

Subsequent events have been evaluated through December 1, 2016 and the report is expected to be finalized December 31, 2016.

Supplementary Information

Association of South Central Oklahoma Governments

Combining Balance Sheet
Grants Comprising Special Revenue Funds
June 30, 2015

	Assets			Liabilities		Net Assets
	Due from General	Due from Others	Total Assets	Due to General	Deferred Revenue	Total Liabilities
Federal Financial Assistance Funds						
DOC Planning Organizations	\$ -	83,138	83,138	83,138	-	83,138
DOL SCSEP 15010171	-	4,129	4,129	4,129	-	4,129
DOL Trade Adj. Asst.	-	4,541	4,541	4,541	-	4,541
DOL WASY 15752 14	-	324	324	324	-	324
DOL-SC-FY-12-WDS 15998	-	38,664	38,664	38,664	-	38,664
DOL-SC-FY-12-WAS 16203	-	38,759	38,759	38,759	-	38,759
DOL 15924 WYS 14	-	61,111	61,111	61,111	-	61,111
DOL WYS 15523 SC PY13	-	6,587	6,587	6,587	-	6,587
DOL 15999 SC FY 14 WDW	-	15,058	15,058	15,058	-	15,058
DOL 15761 SC FY 14 WDW	97	-	97	-	97	97
DOL 16204 SC FY 12 WDW 15	-	25,033	25,033	25,033	-	25,033
DHS AAA Administration	-	78,722	78,722	78,722	-	78,722
DHS Living Choices 143L	-	965	965	965	-	965
DHS Living Choices 153L	-	1,417	1,417	1,417	-	1,417
SWODA Service Provider	-	11,355	11,355	11,355	-	11,355
Incentive Grant	-	-	-	-	-	-
Total Federal Financial Assistance Funds	97	369,803	369,900	369,803	97	369,900

Association of South Central Oklahoma Governments

Combining Balance Sheet
Grants Comprising Special Revenue Funds
June 30, 2015

	Assets			Liabilities		Net Assets
	Due from General	Due from Others	Total Assets	Due to General	Deferred Revenue	Total Liabilities
State Financial Assistance Funds						
DOC State Appropriation 15312 SS 14	\$ -	2,093	2,093	2,093	-	2,093
DOC 16017 CENA 15	-	32,594	32,594	32,594	-	32,594
DOC REAP Administration	13,032	-	13,032	-	13,032	13,032
DOC 16017 REAP 15	577,470	-	577,470	-	577,470	577,470
DOC 15569 REAP 14	223,924	-	223,924	-	223,924	223,924
DOC 15281 REAP 13	285,812	-	285,812	-	285,812	285,812
DOC 14770 REAP 12	150,496	-	150,496	-	150,496	150,496
DOC 14448 REAP 11	143,087	-	143,087	-	143,087	143,087
DOC 13906 REAP 10	21,086	-	21,086	-	21,086	21,086
DOA Rural Fire Defense	-	7,917	7,917	7,917	-	7,917
DOI Senior Health Ins. Counselling	-	194	194	194	-	194
DOI Senior Health Ins. Counselling	-	6,617	6,617	6,617	-	6,617
Total State Financial Assistance Funds	<u>1,414,907</u>	<u>49,415</u>	<u>1,464,322</u>	<u>49,415</u>	<u>1,414,907</u>	<u>1,464,322</u>
Total Special Revenue Funds	<u>\$ 1,415,004</u>	<u>419,218</u>	<u>1,834,222</u>	<u>419,218</u>	<u>1,415,004</u>	<u>1,834,222</u>

Association of South Central Oklahoma Governments

Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Grants Comprising Special Revenue Funds
June 30, 2015

	Revenues				Expenditures					Net
	Federal Grants	State Grants	Other Revenue	Total Revenue	Salaries	Fringe Benefits	Overhead	Other Costs	Total Expense	Revenues
Federal Financial Assistance Funds										
DOC Planning Organizations	\$ 52,545	-	22,491	75,036	26,300	18,305	13,453	16,978	75,036	\$ -
DOL SCSEP 15010171	491,628	-	102,695	594,323	372,703	29,726	23,317	168,577	594,323	-
DOL Trade Adj. Asst.	34,755	-	-	34,755	-	-	-	34,755	34,755	-
DOL WASY 15752 14	119,431	-	-	119,431	25,961	15,763	21,789	55,918	119,431	-
DOL-SC-FY-12-WDS 15998	71,098	-	-	71,098	10,660	7,419	11,349	41,670	71,098	-
DOL-SC-FY-12-WAS 16203	232,259	-	-	232,259	56,573	37,362	34,401	103,923	232,259	-
DOL 15924 WYS 14	386,411	-	-	386,411	4,937	-	60,750	320,724	386,411	-
DOL WYS 15523 SC PY13	55,740	-	-	55,740	2,070	-	8,467	45,203	55,740	-
DOL 15999 SC FY 14 WDW	62,148	-	-	62,148	20,467	14,244	10,378	17,059	62,148	-
DOL 15761 SC FY 14 WDW	103,732	-	-	103,732	26,210	16,076	16,970	44,476	103,732	-
DOL 16204 SC FY 12 WDW 15	176,999	-	-	176,999	41,719	29,035	26,208	80,037	176,999	-
DHS Title III B	188,887	36,386	-	225,273	-	-	-	225,273	225,273	-
DHS Title III C1	348,325	640,731	154,494	1,143,550	-	-	-	1,143,550	1,143,550	-
DHS Title III C2	174,039	231,372	68,809	474,220	-	-	-	474,220	474,220	-
DHS NSIP	114,676	-	-	114,676	-	-	-	114,676	114,676	-
DHS AAA Administration	151,988	178,461	22,584	353,033	134,588	90,432	62,411	65,602	353,033	-
DHS Title III D	11,399	2,011	-	13,410	-	-	-	13,410	13,410	-
DHS Title III E	100,397	33,466	-	133,863	-	-	-	133,863	133,863	-
DHS Living Choices 143L	1,081	-	-	1,081	-	-	-	1,081	1,081	-
DHS Living Choices 153L	1,941	-	-	1,941	-	-	311	1,630	1,941	-
SWODA Service Provider	103,220	-	-	103,220	42,169	29,348	17,432	14,271	103,220	-
Incentive Grant	303	-	-	303	-	-	-	303	303	-
Total Federal Financial Assistance Funds	2,983,002	1,122,427	371,073	4,476,502	764,357	287,710	307,236	3,117,199	4,476,502	-

Association of South Central Oklahoma Governments

Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Grants Comprising Special Revenue Funds
June 30, 2015

	Revenues				Expenditures				Net	
	Federal Grants	State Grants	Other Revenue	Total Revenue	Salaries	Fringe Benefits	Overhead	Other Costs	Total Expense	Revenues
State Financial Assistance Funds										
DOC State Appropriation 15312 SS 14	-	24,897	-	24,897	8,601	5,986	4,454	5,856	24,897	-
DOC 16017 CENA 15	-	216,159	-	216,159	4,447	2,893	2,098	206,721	216,159	-
DOC 16017 REAP 15	-	407,280	-	407,280	16,452	11,450	7,427	371,951	407,280	-
DOC 15569 REAP 14	-	438,664	-	438,664	-	-	-	438,664	438,664	-
DOC 15281 REAP 13	-	143,004	-	143,004	-	-	-	143,004	143,004	-
DOC 14770 REAP 12	-	117,129	-	117,129	-	-	-	117,129	117,129	-
DOC 14448 REAP 11	-	64,045	-	64,045	-	-	-	64,045	64,045	-
DOC 13906 REAP 10	-	3,917	-	3,917	-	-	-	3,917	3,917	-
DOA Rural Fire Defense	-	70,000	12,000	82,000	36,664	25,466	14,657	5,213	82,000	-
DOI Senior Health Ins. Counselling	-	51,262	-	51,262	17,232	12,276	9,417	12,337	51,262	-
DOI Senior Health Ins. Counselling	-	6,903	-	6,903	2,908	1,741	875	1,379	6,903	-
Total State Financial Assistance Funds	-	1,543,260	12,000	1,555,260	86,304	59,812	38,928	1,370,216	1,555,260	-
Total Special Revenue Funds	\$ 2,983,002	2,665,687	383,073	6,031,762	850,661	347,522	346,164	4,487,415	6,031,762	\$ -



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS.

To the Trustees
Association of South Central Oklahoma Governments

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 governmental activities, the business-type activities, and the aggregate remaining fund information of Association of South Central Oklahoma Governments (ASCOG), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise ASCOG's basic financial statements and have issued our report thereon dated December 6, 2016.

Internal Control over Financial Reporting

In planning and performing our audit, we considered ASCOG's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of ASCOG's internal control over financial reporting. Accordingly, we do not express an opinion of the effectiveness of ASCOG's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weakness or significant deficiencies may exist that were not

identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questions costs that we consider to be material weaknesses identified as 2014-001 (repeat finding) and 2015-001 in the accompanying Schedule of Findings and Responses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether ASCOG's financial statements are free of material misstatements, 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 statements 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*.

ASCOG's Response to Finding

ASCOG'S response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Their response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.


J. B. Duncan
Duncan, Oklahoma
December 6, 2016


CPA/CFE, Inc.

SCHEDULE OF FINDINGS AND RESPONSES

Association of South Central Oklahoma Governments

Findings required to be Reported by *Government Auditing Standards*

FINDING 2014-001 (Repeat Finding)

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") in a timely manner and that ensures ASCOG complies with applicable laws, regulations, contracts and grant agreements.

Condition: ASCOG was unable to produce financial statements for the year ended June 30, 2015 in accordance with U.S. GAAP in a timely manner.

Cause: The cause of the delay was a result of two issues. ASCOG has been using accounting software which required significant user intervention in order to make the journals and program reporting modules to agree to the general ledger module. In previous years, this issue was corrected by an experienced Chief Financial Officer. During the year under audit, there were personnel changes in which the Chief Financial Officer did not have the background knowledge required to perform these functions.

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 not available at the specified target date of October 1, 2015 and were completed in the fourth quarter of 2016.
- Grant Status Reports had processing errors and because of such, did not agree to general ledger reports. Reports were not adequate for reviewing status of grants for some grants.

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.

Views of a Responsible Official

ASCOG's management and Board of Trustees recognize and acknowledge the necessity for internal control over financial reporting as a basis for operations as well as for auditing procedures. ASCOG has always received Unqualified Audit Opinions and promptly provided copies of the audit appropriately.

Extensive personnel changes in our Resource Management Division prevented a timely audit this past fiscal year (2014-2015). Of the four employees in that division (including the director), the three, each with a minimum of 20 years' experience, either took a planned retired or took another job making more money within a few months. The remaining member had less than 6 months of experience leaving the division with all new personnel unfamiliar with the proprietary software used for accounting and with limited documentation on how to properly utilize the software to produce the reports required for the audit.

Management quickly responded to this sudden, (and for the most part) unexpected departure of long-time employees in the resource management division. ASCOG engaged an independent CPA with several years of government accounting to assist in preparing documentation for the audit. Her efforts were somewhat limited due to unfamiliarity with the software program that ASCOG has used for about twenty years. ASCOG paid the software provider to send their staff members to come and provide fast track training on the software particularly as it pertains to developing internal control structures, processes and oversight that would produce timely reconciliation of accounts, proper monitoring of revenues and expenditures, and timely preparation of annual financial statements.

ASCOG's experience with losing personnel continued during fiscal year 2015 with three turnovers in the Resource Management Director position. Problems with the accounting software also continued for the 2015 audit cycle. In mid-June 2016, ASCOG's installation of the accounting software disappeared from the server. ASCOG's IT provider attempted a restoration off the program and data files, but the restored installation contained many corrupted and unusable files. ASCOG worked closely with the software vendor over a period of several weeks to restore a usable instance of the software. The restored instance closely matched printed records that were produced before the loss of the software in June but did not match perfectly. Again, experience and training issues impeded the production of information for ASCOG's auditor. Of notable effect was the inability to complete detailed analyses of key items needed by the auditor. In November 2016, the employee most familiar with the workings of the accounting system resigned his position to take other employment.

ASCOG has closely observed internal controls related to cash receipts and disbursements but still has deficiencies in cross-training. Options related to cross-training have been hampered by the small number of employees available

in the Resource Management Division (three). Segregation of duties relevant to cash control must be maintained, so cross-training possibilities are very much limited.

In late 2015, ASCOG selected a new accounting software vendor and that new software system went live on January 1, 2016.

Management, staff and the Board of Trustees are committed to full compliance with audit requirements.

FINDING 2015-001

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 ASCOG 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.

SCHEDULE OF PRIOR AUDIT FINDINGS.

Finding 2014-001 Functioning of accounting personnel and data processing system.

Resolution Changes were made in the accounting personnel directly affecting the problem areas however this was not completed until December 2016. New data processing equipment was purchased and went on line January 2016. This audit finding is repeated for the fiscal year ended June 30, 2015.

Association of South Central Oklahoma Governments

Schedule of Expenditures of Federal Awards
Year ended June 30, 2015

Federal Pass-Through Grantor <u>Program Title</u>	Federal CFDA <u>Number</u>	Pass-Through Grantor Number	Grant Period	Program Award Amount	Disbursements Expenditures Recognized
U.S. Department of Commerce Economic Development Administration Economic Development Support for Planning Organizations	11.302	4,006	1/1/14-12/31/16	\$ 180,000	52,545
Subtotal 11.302				180,000	52,545
Total USDOC				180,000	52,545
U.S. Department of Labor Oklahoma Employment Security Commission Senior Community Employment Program	17.235	15010171	7/1/13-9/30/14	594,628	491,628
Subtotal 17.235				594,628	491,628
Trade Adjustment Assistance	17.245	170-002	7/1/95-6/30/15	3,826,378	34,755
Subtotal 17.245				3,826,378	34,755
Oklahoma Department of Commerce WIA Adult Program	17.258	15752-SC-FY14-WASY 14	10/1/13-6/30/16	411,336	119,431
WIA Adult Program	17.258	15998 WAS 14	10/1/13-6/30/16	82,434	71,098
WIA Adult Program	17.258	16203-SC-FY12-WAS 15	10/1/14-6/30/16	396,021	232,259
Subtotal 17.258				889,791	422,788
WIA Youth Activities	17.259	15924 WYS 14	4/1/14-6/30/15	475,943	386,411
WIA Youth Activities	17.259	15523-SC-PY13-WYS	4/1/13-6/30/15	433,142	55,740
Subtotal 17.259				909,085	442,151
WIA Dislocated Workers	17.278	15999-SC-FY-14-WDW	10/1/14-6/30/15	67,090	62,148

Association of South Central Oklahoma Governments

Schedule of Expenditures of Federal Awards
Year ended June 30, 2015

Federal Pass-Through Grantor <u>Program Title</u>	Federal CFDA <u>Number</u>	Pass-Through Grantor Number	<u>Grant Period</u>	Program Award <u>Amount</u>	Disbursements Expenditures <u>Recognized</u>
WIA Dislocated Workers	17.278	15761-SC-FY-14-WDW	10/1/13-6/30/15	323,163	103,732
WIA Dislocated Workers	17.278	16204-SC-FY12-WDS 15	7/1/14-6/30/15	285,036	176,999
WIA Dislocated Workers					
Subtotal 17.278				675,289	342,879
Cluster Total 17.258, 17.259, and 17.278				2,474,165	1,207,818
Total USDOL				6,895,171	1,734,201
U.S. Department of Health and Human Ser Area Agency on Aging					
Grants for Supportive Services Senior Ctr	93.044	Title III B	7/01/14-6/30/15	258,455	188,887
Subtotal				258,455	188,887
Nutrition Services	93.045	Title III C1	7/01/14-6/30/15	348,265	348,325
Nutrition Services	93.045	Title III C2	7/01/14-6/30/15	175,000	174,039
Subtotal				523,265	522,364
Nutrition Services Incentive Program	93.053	NSIP	7/01/14-6/30/15	249,502	114,676
Cluster Total				1,031,222	825,927

Association of South Central Oklahoma Governments

Schedule of Expenditures of Federal Awards
Year ended June 30, 2015

Federal Pass-Through Grantor Program Title	Federal CFDA Number	Pass-Through Grantor Number	Grant Period	Program Award Amount	Disbursements Expenditures Recognized
AAA Administration	93.041-93.052		7/01/12-6/30/13	152,000	151,988
Disease prevention and Health Promotion	93.043	Title III D	7/01/12-6/30/13	18,523	11,399
National Family Caregiver Support	93.052	Title III E	7/01/12-6/30/13	117,794	100,397
Medicare Improvements for Patients & Provider	143L and 153L	Living Choices	1/01/14-12/31/15	7,011	3,022
Total USDHHS				1,326,550	1,092,733
SWODA Service Provider		20123 SWODA	7/01/14-6/30/15	208,529	103,220
Incentive Grant		15,925		500	303
Total Federal Awards				\$ 8,610,750	\$ 2,983,002

Association of South Central Oklahoma Governments

Notes to Schedule of Expenditure of Federal Awards Year Ended June 30, 2015

Note 1 - Organization

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 public trust 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 Interlocal 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.

Note 2 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the Authority under programs of the federal government for the year ended June 30, 2015. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of the Authority, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Authority.

Note 3 - Summary of Significant Accounting Policies

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

Note 4 - Insurance Coverage

The federal programs are covered by the same insurance policies covering all activities of the Authority. Costs of this insurance is included in the overhead pool and allocated to all programs.

Note 5 - Loan Guarantees and Federal In-Kind Awards

There were no loans guarantees made with Federal Funds, nor Federal In-Kind proceeds received that were passed through to beneficiaries of the program(s).

Association of South Central Oklahoma Governments

Schedule of Expenditures of State Awards
Year Ended June 30, 2015

<u>State Grantor Program Title</u>	<u>Contract Number</u>	<u>Contract Period</u>	<u>Audit Period</u>	<u>Contract Amount</u>	<u>Disbursements Expenditures Recognized</u>
Oklahoma Department of Commerce					
State Appropriation	15312 SS 15	7/1/14-6/30/15		\$ 36,364	\$ 24,897
CENA	16017 CENA 15	7/1/14-6/30/15		216,159	216,159
REAP	REAP 15	7/1/14-6/30/15		1,415,474	407,280
REAP	15569 REAP 14	7/1/13-6/30/15		1,103,362	438,664
REAP	15281 REAP 13	7/1/12-6/30/15		1,209,590	143,004
REAP	14770 REAP 12	7/1/11-6/30/15		1,101,101	117,129
REAP	14448 REAP 11	7/1/10-6/30/15		1,223,846	64,045
REAP	13906 REAP 10	7/1/09-6/30/15		1,432,817	3,917
Total ODOC				<u>7,738,713</u>	<u>1,415,095</u>
Oklahoma Department of Agriculture					
Rural Fire Defense	PO	7/1/14-6/30/15		<u>70,000</u>	<u>70,000</u>
Oklahoma Department of Human Services					
Grants for Supp Serv & Senior Centers	Title III B	7/1/14-6/30/15		50,019	36,386
Nutrition Services	Title III C1	7/1/14-6/30/15		640,735	640,731
Nutrition Services	Title III C2	7/1/14-6/30/15		216,844	231,372
AAA Administration		7/1/14-6/30/15		176,099	175,871
Disease Prevention & Health Promotion	Title III D	7/1/14-6/30/15		3,269	2,012
SART		7/1/14-6/30/15		2,588	2,588
National Family Caregiver Support	Title III E	7/1/14-6/30/15		<u>39,264</u>	<u>33,466</u>
Total DHS				<u>1,128,818</u>	<u>1,122,426</u>
Oklahoma Department Of Insurance					
Senior Health Insurance Counseling		7/1/14-6/30/15		51,262	51,262
Senior Health Insurance Counseling MIPPA		9/1/14-8/31/15		<u>49,850</u>	<u>6,903</u>
Total Department of Insurance				<u>101,112</u>	<u>58,165</u>
Total State Financial Assistance				<u>\$ 9,038,643</u>	<u>\$ 2,665,686</u>



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED
BY OMB CIRCULAR 1-133

To the Trustees
Association of South Central Oklahoma Governments

Report on Compliance for Each Major Federal Program

We have audited Association of South Central Oklahoma Governments' (Authority) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Association for South Central Oklahoma Government's major federal programs for the year ended June 30, 2015. The Authority's 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 the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

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

Basis for Disclaimer of Opinion on the AAA Program Cluster

As described in the Schedule of Findings and Questioned Costs problems with the data processing system prohibited analysis of the accounts and testing of the distribution of expenses. Consequently, we could not satisfy ourselves as to the amount the system was showing as internal funding.

Disclaimer of Opinion

Because of the significance of the matter described in the Basis for Disclaimer of Opinion paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an opinion on compliance of the AAA Program Cluster. Accordingly, we do not express an opinion on the Authority's compliance with the specific program compliance requirements referred to in the first paragraph.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs (Workforce Program Cluster) for the year ended June 30, 2015.

Internal Control Over Compliance

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Authority's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirements 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 for 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 deficiencies, significant deficiencies, or material weaknesses. We did identify deficiencies in internal control over compliance that we consider to be *material weaknesses*, as defined above. However, other material weaknesses may exist that have not been identified.

The Authority's responses to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and responses. The Authority's response was not subjected to the auditing procedures applied in the audit of compliance and accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose. This report is intended solely for the information and use of management, the Trustees, federal and state awarding agencies, and pass-through entities; it is not intended to be and should not be used by anyone other than these specified parties.


Duncan, Oklahoma
December 6, 2016

Association of South Central Oklahoma Governments

Schedule of Findings and Questioned Costs
June 30, 2015

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Disclaimer
Internal control over financial reporting:	
Material weakness(es) identified?	Yes
Significant deficiencies identified that are not considered to be material weakness(es)	No
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	Yes
Significant deficiencies identified that are not considered to be material weakness(es)?	No
Type of auditor's report issued on compliance for major programs:	Disclaimer/Unqualified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	No
Identification of major programs:	

CFDA Numbers

Name of Federal Program or Cluster

WIA Workforce Cluster

17.258

WIA Adult Programs

17.259

WIA Youth Activities

17.260

WIA Dislocated Workers

AAA Nutrition Cluster

93.044

Supportive Services

93.045

Nutrition Services

93.053

Nutrition Services Incentive Cluster AAA Nutrition

Dollar threshold used to distinguish between type A and type B programs:	\$ 500,000
Auditee qualified as low-risk auditee?	Yes

Section II - Summary of Auditor's Results

Certain issues arose with the data processing system, which combined with lack of staff experience delayed the audit beyond the normal due date. This condition is considered a material weakness of internal control. The opinion on financial statements was disclaimed because of problems with liabilities.