

# **Lawton Arts & Humanities Council**

Financial Statements

June 30, 2014



RHJ

Lawton Arts & Humanities Council  
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For the Fiscal Year Ended June 30, 2014

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## INDEPENDENT AUDITOR'S REPORT

The Board of Trustees  
Lawton Arts and Humanities Council  
Lawton, Oklahoma

We have audited the accompanying financial statements of Lawton Arts and Humanities Council (the Council), a component unit of the City of Lawton, Oklahoma as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Council's basic financial statement as listed in the table of contents for the year then ended.

### **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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that

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are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Lawton Arts and Humanities Council as of June 30, 2014, and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 7 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated September 25, 2014 on our consideration of the Council's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Council's internal control over financial reporting and compliance.

*Rahhal Henderson Johnson, PLLC*

Ardmore, Oklahoma  
September 25, 2014

Lawton Arts and Humanities Council  
Management's Discussion and Analysis (Unaudited)  
June 30, 2014

Our discussion and analysis of the Lawton Arts & Humanities Council's (the Council) financial position and performance provides an overview of the Council's financial activities for the fiscal year ended June 30, 2014

**FINANCIAL HIGHLIGHTS**

- For the fiscal year ended June 30, 2014, the Council's total net position increased by approximately \$695 or 1% from the prior year.
- For the fiscal year ended June 30, 2014, the Council's operating revenue decreased by approximately \$6,040 or 4% from the prior year, while operating expenses also decreased by approximately \$11,594 or 8% from the prior year.

**USING THIS ANNUAL REPORT**

This annual report is presented in a format consistent with the presentation requirements of the Governmental Accounting Standards Board (GASB) Statement No. 34, as amended, as they relate to special purpose governments engaged only in business-type activities.

As a result, the Council's financial statements include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Net Position, and a Statement of Cash Flows that provide information about the financial activities of the Council.

**ABOUT THE COUNCIL**

The Lawton Arts & Humanities Council is a public trust created pursuant to the laws of the State of Oklahoma, by the City of Lawton, the trust beneficiary, to encourage, coordinate and operate cultural endeavors and activities of the City, and to promote knowledge and appreciation of the fine arts and humanities with the City and surrounding areas. The Council is considered a component unit of the City of Lawton's financial reporting entity, and has also elected to present its own annual financial statements for the component unit itself.

**A FINANCIAL ANALYSIS OF THE AUTHORITY**

One of the most important questions to ask about the Council's finances is:

*"Has the Council's net position increased or decreased as a result of the year's activities?"*

Over time, increase or decreases in the Council's net position provide one indicator of the financial health of the Council. The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position include all of the Council's assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. The following tables provide a summary of the changes in net position over the past year to help answer the above question.

Lawton Arts and Humanities Council  
Management's Discussion and Analysis (Unaudited)  
June 30, 2014

**Net Position and Changes in Net Position**

The following is a condensed summary of the Statement of Net Position for the year ended June 30, 2014 as compared to the prior year:

	<b>2014</b>	<b>2013</b>	<b>% Change</b>
Current assets	\$ 90,968	\$ 88,757	3%
Capital assets, net	-0-	-0-	
Total assets	90,968	88,757	3%
Current liabilities	9,035	7,519	20%
Total liabilities	9,035	7,519	20%
Net Position			
Net Invested in capital assets	-0-	-0-	
Undesignated	81,933	81,238	1%
Total Net Position	81,933	81,238	1%

There were no capital asset additions and current equipment was fully depreciated at year ended June 30, 2014. Liabilities increased in 2014 by 20% from the prior year due to the outstanding Publications Grant which was received and deposited after July 1, 2014. In addition, sponsorships and brochure ads for the 2014 festival were received and deposited prior to June 30, 2014; therefore, the income is deferred and recorded as a liability as of June 30, 2014.

The following is a brief summary of the Statement of Revenues, Expenses and Changes in Net Position for the year ended June 30, 2014 as compared to the prior year:

	<b>2014</b>	<b>2013</b>	<b>% Change</b>
Operating revenues	\$ 133,774	\$ 139,814	-4%
Operating expenses	133,079	144,673	-8%
Net operating income	695	(4,859)	-86%
Net Position - beginning of year	81,238	86,097	-6%
Net Position – end of year	81,933	81,238	1%

Revenues decreased by approximately \$6,040 or 4% and expenses also decreased by approximately \$11,594 or 8% from the prior year. Net Position increased by 1%. This is due in part to revenue for FY13-14 being received and recorded after June 30, 2014 for the Publication Grant and also change of in-kind support from year to year for the annual International Festival.

Lawton Arts and Humanities Council  
Management's Discussion and Analysis (Unaudited)  
June 30, 2014

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

Due to the nature of the Council's activities, the Council has a limited amount of capital assets. Such capital assets consist primarily of equipment. At June 30, 2014 the balance of capital assets were fully depreciated. There were no capital additions in the current year.

**Long-Term Debt**

The Council has no long-term debt outstanding.

**BUDGET**

The Council is a public trust created pursuant to 60 O.S. § 176. Such public trusts are not required to prepare a legally adopted annual budget. Therefore, the Council does not operate under legal appropriations.

**ECONOMIC FACTORS AND NEXT YEAR'S ESTIMATES**

The Council will continue to sell limited ad space in each issue of the A&E Magazine. However, we do not anticipate this to have a significant effect on the financial activities or financial position of the Council for the upcoming fiscal year. The internal budget adopted for the Council for the year ending June 30, 2014 is consistent with the prior year budget.

**CONTACTING THE ARTS & HUMANITIES COUNCIL**

This financial report is designed to provide our citizens, customers, taxpayers, bondholders and creditors with a general overview of the Council's finances and to show accountability for the resources it receives. Financial information for the Council is also presented in the Comprehensive Annual Financial Report of the primary government, the City of Lawton, Oklahoma. If you have questions about this report or need additional financial information, contact The Arts & Humanities Council Office by mail at 801 NW Ferris Ave., Lawton, OK 73502 or by telephone at (580) 581-3470/3471.



Lawton Arts and Humanities Council  
Statement of Net Position  
June 30, 2014

**ASSETS**

Current Assets

Cash and Cash Equivalent	\$ 86,120
Grant receivable	4,000
Prepaid expenses	848
Total Current Assets	<u>90,968</u>

Capital assets being depreciated

Equipment	18,456
Less accumulated depreciation	<u>(18,456)</u>

Net capital assets being depreciated	<u>-</u>
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Total Assets	<u>\$ 90,968</u>
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**LIABILITIES AND NET POSITION**

Current Liabilities

Grants payable	\$ 2,000
Deferred event income	7,035
Total Current Liabilities	<u>9,035</u>

Net Position

Unrestricted	81,933
Total net position	<u>\$ 81,933</u>

The notes to the financial statements are an integral part of this statement

Lawton Arts and Humanities Council  
Statement of Revenues, Expenses, and Changes in Fund Net Position  
For the Year Ended June 30, 2014

OPERATING REVENUES

Special events	\$ 58,819
Contributions	225
Contributions in-kind	49,918
Grant revenue	22,777
Reimbursements from City of Lawton	2,035
Total Operating Revenue	<u>\$ 133,774</u>

OPERATING EXPENSES

Direct program expenditures	\$ 119,006
Office expense	14,073
Total Operating Expenses	<u>\$ 133,079</u>

OPERATING INCOME AND CHANGE IN NET POSITION \$ 695

NET POSITION, BEGINNING OF YEAR 81,238

NET POSITION, END OF YEAR \$ 81,933

The notes to the financial statements are an integral part of this statement

Lawton Arts and Humanities Council  
Statement of Cash Flows  
For the Year Ended June 30, 2014

OPERATING ACTIVITIES

Receipts from Customers	\$ 112,356
Receipts from Grantors	22,777
Payments to Vendors	(121,828)
Payments to the City of Lawton	<u>(11,250)</u>

NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 2,055</u>
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NET CHANGE IN CASH	2,055
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CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>\$ 84,065</u>
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CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 86,120</u></u>
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RECONCILIATION OF OPERATION INCOME TO NET CASH  
PROVIDED BY OPERATING ACTIVITIES

Operating income	\$ 695
Changes in assets and liabilities	
Grant Receivable	100
Prepaid Expenses	(255)
Grant Payable	250
Accrued Expenses	1,265
Net Cash Provided by Operating Activities	<u><u>\$ 2,055</u></u>

The notes to the financial statements are an integral part of this statement

Lawton Arts and Humanities Council  
Notes to Financial Statements  
June 30, 2014

**NOTE 1 - PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES**

*Nature of Operations*

The Lawton Arts and Humanities Council (the Council) is a public trust established pursuant to a Trust Indenture, as amended, which was originally adopted in April 1969. Under the Trust Indenture, the Council was created to benefit the City of Lawton. The Trust Indenture was last amended in 2003, with the approval of the City Council of the City of Lawton. The purpose of the Council is to encourage and coordinate cultural endeavors and activities, and to promote knowledge and appreciation of the fine arts and humanities in the City of Lawton, Oklahoma and the surrounding areas. The Council coordinates an annual International Festival and a variety of other programs, performances and special events with grant assistance from the Oklahoma Arts Council to further their endeavor.

The Council operates out of a facility owned and maintained by the City of Lawton (the City). All significant costs of operating and managing the facility are paid for by the City. Such costs are not included in these financial statements. Therefore, these financial statements are not intended to represent a complete presentation of the results of operations of the facility.

Management has applied the criteria set forth in Government Accounting Standards Board (GASB) Statement No. 14, The Financial Reporting Entity, and has determined that the Council is a component unit of the City. The Council is financially dependent upon the City and the governing board of the City appoints the board of trustees to the Council.

*Basis of Accounting*

The Council accounts for its activities within a proprietary fund type. The Council's activities meet the definition of an enterprise fund because it is the intent of the Council to recover, primarily through grants and vendor fees, the reimbursements and costs of providing goods or services to the general public.

The proprietary fund type is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of this fund are included on the statement of net position. Proprietary fund operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in total net position. The accrual basis of accounting is utilized by the proprietary fund. Under this basis of accounting, revenues are recognized when earned and expenses are recognized when the liability is incurred.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. Revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Lawton Arts and Humanities Council  
Notes to Financial Statements  
June 30, 2014

**NOTE 1 - PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES**  
**(continued)**

*Receivables*

Accounts receivable includes a grant which was awarded on a reimbursement basis prior to year-end. The funds have been expended by the Council and reimbursement has been requested. This grant is typically the only outstanding receivable of the Council and is considered fully collectible.

*Cash and Cash Equivalents*

Interest bearing checking accounts and certificates of deposit with maturities of less than three months are included in cash and cash equivalents on the Council's financial statements.

*Investments*

The Council's Funds are generally invested in (1) direct obligation of the U.S. government, its agencies or instrumentalities to the payment of which the full faith and credit of the U.S. government is pledged, (2) collateralized or insured certificates of deposit and other evidences of deposits in banks, savings and loan associations, and credit unions secured by appropriate collateral and (3) money market funds regulated by the Securities and Exchange Commission consisting of authorized domestic securities in compliance with state law. The Council does not have a formal policy for reducing concentration of credit risk.

*Estimates*

The preparation of financial statements in conformity with generally accepted accounting principles includes the use of estimates that affect the financial statements. Accordingly, actual results could differ from those estimates.

*In-Kind Donations*

In-kind donations include contributions of noncash items such as services, property, or equipment. In-kind donations that can be used internally or sold are measured at fair value. During the year, the Council received \$49,918 in donated supplies, materials and services that were used in carrying out their programs. The revenue related to these in-kind donations has been recorded in the financial statements as Contributions in-kind and the expense has been recorded as direct program expenditures on the Statement of Revenues, Expenses, and Changes in Net Position.

Lawton Arts and Humanities Council  
Notes to Financial Statements  
June 30, 2014

**NOTE 1 - PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES**  
**(continued)**

*Capital Assets*

The cost of capital assets over \$1,000 are capitalized and depreciated over the estimated useful life of the related asset. These assets are depreciated using the straight-line method over the useful lives ranging from five to seven years.

*Income Taxes*

The Council does not pay income taxes due to its exemption as a municipal entity.

*Budgetary Comparisons*

The Council is not legally required to adopt a budget. Therefore, budget comparison information is not included in the Council's financial statements.

*Net Position Disclosure*

Net position classifications comprise a hierarchy based primarily on the extent to which the organization is bound to honor constraints on the specific purpose for which amounts in the funds can be spent.

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

The Council classifies net position in the proprietary fund financial statements as follows:

- **Net Investment in Capital Assets** includes the Council's capital assets (net of accumulated depreciation) reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- **Restricted Net Position** includes assets that have third-party (statutory, bond covenant, or granting agency) limitations on their use. The Council typically uses restricted assets first, as appropriate opportunities arise, but reserves the right to selectively defer the use until a future project.
- **Unrestricted Net Position** typically includes unrestricted liquid assets. The Council's board has the Council to revisit or alter this designation.

Lawton Arts and Humanities Council  
Notes to Financial Statements  
June 30, 2014

**NOTE 2 – PROGRAMS**

Program revenues and direct program expenditures consist of the following for the year ended June 30, 2014:

	International Festival	Native American Program	Children's Art Studio	Student Performance Program	Publications Program	Other Programs	Total
Total Program							
Revenues	\$ 99,805	\$ 5,936	\$ 6,459	\$ 8,206	\$ 13,308	\$ 60	\$ 133,774
Program							
Expenditures	99,111	5,501	4,322	5,300	4,772	-	119,006
Over (Under)	<u>694</u>	<u>435</u>	<u>2,137</u>	<u>2,906</u>	<u>8,536</u>	<u>60</u>	<u>14,768</u>

**NOTE 3 - RELATED PARTY TRANSACTIONS**

Included in Direct Program Expenditures are payments to the City that represent reimbursements to the City for Council expenditures paid directly by the City because certain grant funds had not been received by the Council at the time the event occurred. Reimbursements to the City consist of the following for the year ended June 30, 2014:

International Festival	\$ 6,000
Native American Program	500
Children's Art Studio	1,500
Student Performance	1,250
Publications	<u>2,000</u>
Total City Reimbursements	<u>\$ 11,250</u>

**NOTE 4 - GRANT REVENUE**

Grants were awarded by the Oklahoma Arts Council for all fiscal year 2014 programs. Grant revenue consists of the following for the year ended June 30, 2014:

International Festival	\$ 12,250
Native American Program	1,027
Children's Art Studio	3,000
Student Performance	2,500
Publications	<u>4,000</u>
Total Grant Revenue	<u>\$ 22,777</u>

Lawton Arts and Humanities Council  
Notes to Financial Statements  
June 30, 2014

**NOTE 5 - COMMITMENTS AND CONTINGENCIES**

The Council receives its resources primarily from sources within Comanche County. Consequently, the Council's ability to operate as a going concern is dependent on the economic conditions of this area.

**NOTE 6 - CUSTODIAL CREDIT RISK**

Custodial credit risk is the risk that in the event of a bank failure, the Council's deposits may not be returned to it. State law requires collateral for all deposits not covered by Federal Deposit Insurance Corporation Insurance. At June 30, 2014, the Council was not exposed to custodial credit risk.

**NOTE 7-DESIGNATED FUNDS**

The Council's Board of Trustees has designated \$10,491 for the Council's equipment replacement fund. This money has been designated and is not restricted.

**NOTE 8- CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2014 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Capital assets being depreciated:</b>				
Equipment	\$ 18,456	\$ -	\$ -	\$ 18,456
<b>Total capital assets being depreciated:</b>	<u>18,456</u>	<u>-</u>	<u>-</u>	<u>18,456</u>
<b>Less accumulated depreciation for:</b>				
Equipment	\$ (18,456)	\$ -	\$ -	\$ (18,456)
<b>Total accumulated depreciation</b>	<u>(18,456)</u>	<u>-</u>	<u>-</u>	<u>(18,456)</u>
<b>Total capital assets being depreciated</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>





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 Board of Trustees  
Lawton Arts and Humanities Council  
Lawton, Oklahoma

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Lawton Arts and Humanities Council as of and for the year ended June 30, 2014, and the related notes to the financial statements and have issued our report thereon dated September 25, 2014.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Lawton Arts and Humanities Council internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purposes of expressing an opinion on the effectiveness of the Council's internal control. Accordingly, we do not express an opinion on the effectiveness of the Council's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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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. We consider the deficiency described in the accompanying schedule of findings and responses as 2014-1 to be a material weakness.

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. We consider the deficiencies described in the accompany schedule of findings and questioned costs as 2014-2 to be a significant deficiency.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Lawton Arts and Humanities Council's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings and responses as item 2014-2.

### **Lawton Arts and Humanities Council's Response to Findings**

The Council's response to findings identified in our audit is described in the accompanying schedule of findings and responses. The Council's 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.

*Rahhal Henderson Johnson, PLLC*

Ardmore, Oklahoma  
September 25, 2014

Lawton Arts and Humanities Council  
Schedule of Findings and Responses  
June 30, 2014

**2014-1 Preparation of financial statements and related material adjustments**

**Condition** – The trial balance provided for the year-end financial reporting did not include all final journal entries, and cash balance for the Equipment replacement fund is not reconciled to the bank statement.

**Criteria** – The development and implementation of a year-end financial reporting control system is the responsibility of management. Management should have a process in place to ensure that the trial balance used in the financial statement preparation process is final, contains all valid journal entries made, and is in balance and that all accounts reconcile to bank statements.

**Cause** – Current procedures do not incorporate all the necessary controls to ensure the trial balance is complete.

**Effect** – Material adjusting entries were necessary to record and adjust in-kind donations, accruals, cash and fund balance.

**Recommendation** – We recommend the Council's members evaluate and weigh the cost against the benefits of enhancing the year-end financial reporting process through the hiring of an external consultant to assist in the process of ensuring the trial balance is complete and that the disclosures are accurate.

**Management Response** – Management will thoroughly review the financial statements, notes, and supporting schedules and compare to a current disclosure checklist prior to issuance of financial statements.

**2014-2 Receipt and deposit compliance**

**Condition** – All payment receipts including cash lack documentation to support segregation of duties controls; therefore, compliance with state laws over deposits cannot be determined.

**Criteria** – Title 62 Section 517.3 of Oklahoma state statutes require the treasurer of every public entity shall deposit daily not later than the immediately next banking day, all funds, in either state or county depositories within Oklahoma. Additionally, a well documented set of controls over cash receipts includes separation of duties between the duties of receiving payments, depositing payments, and recording revenue into the general accounting ledger.

**Context** – Receipts are not written for all forms of payments therefore determination of deposits within 1 business day of receipt could not be determined.

**Cause** – Historically receipts for payments from programs were not written for all forms of payment. Receipts were only issued to those people who requested them or when payments were made with currency.

Lawton Arts and Humanities Council  
Schedule of Findings and Responses  
June 30, 2014

**Effect** – Compliance with state statute requirements could not be determined, and there is a lack of controls over cash receipts process

**Recommendation** – We recommend that LAHC continue to develop and enforce policies and procedures to ensure that a complete set of receipt records are kept for all types of payments that documents the date, amount and from whom the payments were received. Then this record should be able to support deposits and the general ledger. In addition, this record and process will help to insure that deposits are made in a timely manner.

**Management Response** – Management will continue to improve procedures to be in compliance with state laws.