

*Independent Auditor's Report*

# *Harper County Development Authority*

*Harper County, Oklahoma*

*Year Ending June 30, 2014*

**Harper County Development Authority  
Harper County, Oklahoma  
June 30, 2014**

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## INDEPENDENT AUDITOR'S REPORT

To the Trustees of  
Harper County Development Authority  
Laverne, Oklahoma 73848

Trustees:

We have audited the accompanying modified cash basis financial statements of the Harper County Development Authority, Harper County, Oklahoma, a component unit of Harper County, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to 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 the 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 of 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 Authority's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we express no such opinion. An audit also

includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### **Opinions**

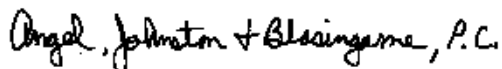
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position-modified cash basis of the Harper County Development Authority as of June 30, 2014, and the respective changes in financial position-modified cash basis and cash flows-modified cash basis, thereof for the year then ended in conformity with the basis of accounting described in Note 1.

### **Basis of Accounting**

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

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

In accordance with Government Auditing Standards, we have also issued our report dated, November 13, 2014, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Authority's internal control over financial reporting and compliance.



Angel, Johnston & Blasingame, P.C.  
Chickasha, Oklahoma  
November 13, 2014

**HARPER COUNTY DEVELOPMENT AUTHORITY**  
**STATEMENT OF NET POSITION - MODIFIED CASH BASIS**  
**PROPRIETARY FUND**  
**June 30, 2014**

**ASSETS**

Current Assets:

Checking Account	\$ 2,074.88
Checking Account (Trails Project)	4,752.71
Checking Account (Parkview Pointe)	143,526.27
Savings Account	8,704.01
Savings Account (Trails Project)	2,606.44
Savings Account (Parkview Pointe)	<u>20,517.02</u>

<i>Total Current Assets</i>	<u>\$ 182,181.33</u>
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Fixed Assets

Senior Housing Facility	2,346,712.99
Senior Housing-FFE	121,328.51
Senior Housing-Parking and sidewalks	26,064.18
Recreational Trail	346,612.73
Land	<u>25,402.25</u>

<i>Total</i>	<u>\$ 2,866,120.66</u>
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Less Accumulated Depreciation	<u>(101,882.03)</u>
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<i>Total Fixed Assets</i>	<u>\$ 2,764,238.63</u>
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<i>Total Assets</i>	<u><u>\$ 2,946,419.96</u></u>
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**LIABILITIES**

Current Liabilities:

Notes Payable-Senior Housing Facility	53,425.87
Notes Payable-Trails	17,696.74
Prepaid Rent and Fees	25,520.00
Payroll Tax Liability	7,113.81
<i>Total Current Liabilities</i>	<u>103,756.42</u>

Non Current Liabilities:

Notes Payable	<u>2,414,670.03</u>
<i>Total Non Current Liabilities</i>	<u>\$ 2,414,670.03</u>

<i>Total Liabilities</i>	<u>\$ 2,518,426.45</u>
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**NET POSITION**

Invested in Capital Assets net of Related Debt	278,445.99
Restricted	7,359.15
Unrestricted	<u>142,188.37</u>

<i>Total Net Position</i>	<u><u>\$ 427,993.51</u></u>
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The accompanying notes are an integral part of the financial statements.

**HARPER COUNTY DEVELOPMENT AUTHORITY**  
**STATEMENT OF REVENUE AND EXPENSES AND CHANGES IN NET POSITION**  
**MODIFIED CASH BASIS - PROPRIETARY FUND**  
**Year Ended June 30, 2014**

	<u>HCDA</u>	<u>Parkview Pointe</u>	<u>Total</u>
<b>Operating Revenue:</b>			
Grants	\$ 101,378.11	\$	\$ 101,378.11
Rents		424,152.36	424,152.36
Fees		82,676.62	82,676.62
Meals		6,519.50	6,519.50
Reimbursements	300.00		300.00
Other Miscellaneous		1,637.44	1,637.44
Contributions	<u>4,941.22</u>	<u>25,010.00</u>	<u>29,951.22</u>
 Total Operating Revenue	 106,619.33	 539,995.92	 646,615.25
<b>Operating Expenses:</b>			
Payroll		252,225.04	252,225.04
Payroll Taxes		21,673.22	21,673.22
Employee Benefits		24,593.84	24,593.84
Professional Fees	1,100.00	9,790.00	10,890.00
Contract Services		8,047.50	8,047.50
Maintenance	1,880.00	1,529.45	3,409.45
Insurance	350.00	27,820.06	28,170.06
Dues and Subscriptions		739.71	739.71
Advertising/Marketing	573.45	4,534.13	5,107.58
Supplies	661.96	48,299.99	48,961.95
License and Fees		978.75	978.75
Security		368.00	368.00
Postage		756.48	756.48
Rent		1,097.33	1,097.33
Utilities		27,124.10	27,124.10
Training and Conferences		531.00	531.00
Travel and Lodging		1,119.12	1,119.12
Depreciation Expense	<u>7,334.80</u>	<u>70,906.75</u>	<u>78,241.55</u>
 Total Operating Expenses	 <u>\$ 11,900.21</u>	 <u>\$ 502,134.47</u>	 <u>\$ 514,034.68</u>
 Net Operating Income (Loss)	 \$ 94,719.12	 \$ 37,861.45	 \$ 132,580.57
<b>Non-Operating Revenue(Expense)</b>			
Interest Income	39.50	17.02	56.52
Interest Expense on Loan	<u>(1,204.74)</u>	<u>(82,959.38)</u>	<u>(84,164.12)</u>
 Total Non-Operating Revenue (Expense)	 \$ (1,165.24)	 \$ (82,942.36)	 \$ (84,107.60)
 Net Income (Loss)	 \$ 93,553.88	 \$ (45,080.91)	 \$ 48,472.97
 Net Position-Beginning of Year	 <u>\$ 247,927.12</u>	 <u>\$ 131,593.42</u>	 <u>\$ 379,520.54</u>
 Net Position-End of Year	 <u><u>\$ 341,481.00</u></u>	 <u><u>\$ 86,512.51</u></u>	 <u><u>\$ 427,993.51</u></u>

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

**HARPER COUNTY DEVELOPMENT AUTHORITY**  
**STATEMENT OF CASH FLOWS - MODIFIED CASH BASIS**  
**PROPRIETARY FUND TYPES**  
**For the Year Ended June 30, 2014**

**Cash flows from operating activities:**

Cash received from grants	\$ 101,378.11
Cash received from contributions	29,951.22
Cash received from rents	424,152.36
Cash received from fees	82,676.62
Cash received from other miscellaneous	8,456.94
Cash paid to employees	(252,225.04)
Cash paid to vendors	(183,568.09)
Net Cash provided (used) by operating activities	<u>210,822.12</u>

**Cash flows from capital and related financing activities:**

Interest Expense	(84,164.12)
Purchase of capital assets	(185,657.35)
Principal paid on capital debt	(133,699.36)
Increase in payroll payable	6,235.26
Increase in prepaid rents	25,520.00
Loan Proceeds	285,213.99
Net Cash provided (used) by capital & related financing activities	<u>(86,551.58)</u>

**Cash flows from investing activities:**

Interest income	56.52
Net Increase (Decrease) in cash and cash equivalents	124,327.06
Cash & Cash equivalents at beginning of year	<u>57,854.27</u>
Cash & Cash equivalents at end of year	182,181.33

**Reconciliation of Operating Income to Net Cash Provided  
(used) by Operating Activities**

Operating Income	132,580.57
Adjustment to Reconcile Operating Income to Net Cash Provided	
Depreciation Expense	78,241.55
Net Cash Provided (used) by Operating Activities	<u>\$ 210,822.12</u>

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

**HARPER COUNTY DEVELOPMENT AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2014**

**Note 1 – Summary of Significant Accounting Policies**

As discussed further in Note 1.C., these financial statements are presented on the modified cash basis of accounting. The modified cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this note.

**1.A. Financial Reporting Entity**

Harper County Development Authority, Harper County, Oklahoma was established pursuant to Title 60 of Oklahoma State Law. . The purpose of this trust is to promote the economic development of the Harper County, Oklahoma (hereinafter referred to as the “Harper County”), by participating to the greatest degree possible in promoting and attracting new business and industry to Harper County and assisting existing business and industry to expand employment, payroll and benefits. In accomplishing said purpose, the Trust may make financial inducements or take any other necessary action to attract and retain business and industry to the Harper County so long as such actions are consistent with state and federal statutes and constitutional limitations.

**Related Organizations**

**Harper County-**Harper County is the beneficiary of this public trust. Harper County appoints the Authority’s trustees. The Authority’s financials are material to Harper County. The Authority is considered to be a component unit of Harper County.

The accompanying financial statements include all functions and activities over which the Authority exercises financial accountability. Harper County Development Authority is a component unit of the governmental entity of Harper County, Oklahoma. Harper County’s financial information is not presented in these financial statements. Harper County financial audits are readily obtainable at, [www.sai.ok.gov](http://www.sai.ok.gov), the State Auditor’s website.

**1.B. Basis of Presentation**

The Authority’s fund is an enterprise fund. Enterprise funds are proprietary funds used to account for business-like activities provided to the general public. All the activities of the Authority are business type activities. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector.



**HARPER COUNTY DEVELOPMENT AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2014**

**1.C. Measurement Focus and Basis of Accounting**

Measurement focus refers to how transactions are recorded within the various financial statements. Basis of accounting refers to when transactions are recorded regardless of the measurement focus applied.

The Authority's financial statements use the economic resources measurement focus and the modified cash basis of accounting. Revenues are recognized when they are received and expenses are recorded when paid with the following modifications:

- Capital assets are recorded when purchased and related depreciation is recorded.
- Payroll taxes due are recorded as liabilities.

If the Authority utilized the basis of accounting recognized as generally accepted, the financial statements would use the accrual basis of accounting. In other words, revenue would be recognized when earned and expenses would be recorded when the liability is incurred or economic asset used.

**1.D. Assets, Liabilities and Equity**

Cash & Cash Equivalents

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

Note Receivable

The Authority has not issued any loans. As a result of the modified cash basis of accounting, accounts receivable and other revenue related receivables are not reported on the financial statements.

Capital Assets - The cost of capital assets has been accumulated since inception. The assets are recorded at cost and are depreciated over the estimated useful lives using the straight-line depreciation method. The Authority has no policy on capitalization; assets are capitalized based on Board judgement. The range of estimated useful lives by type of asset is as follows:

	<u>Years</u>
Concrete Pathways	40
Buildings	40
Signage	20
Furniture, Fixtures and Equipment	10

Notes Payable - Notes Payable to be repaid from the authority resources are reported as liabilities in the balance sheet. The Notes Payable is comprised of two notes. See Note 3-C.

**HARPER COUNTY DEVELOPMENT AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2014**

Net Position – Net Position is divided into three components:

- a. *Net Investment in Capital Assets* – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributed to the acquisition, construction, or improvements of those assets.
- b. *Restricted net position* – Consists of net assets with constraints placed on the use either by 1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or 2) law through constitutional provisions or enabling legislation.
- c. *Unrestricted net position* – All other net assets that do not meet the definition of “restricted” or “net investment in capital assets.”

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

### **1.E. Revenues and Expenses**

Operating and Nonoperating Revenues - Operating revenues are considered those whose cash flows are related to operating activities, while revenues related to financing, capital and investing activities are reported as non-operating.

Expenses - The Authority reports expenses relating to the use of economic resources including depreciation.

### **Note 2 – Detailed Notes on Transaction Classes/Accounts**

#### **2.A. Cash and Investments**

Deposits and Investments - The Authority does not have a written investment policy that limits its investment choices.

Custodial Credit Risk - Custodial credit risk is the risk that in the event of a bank failure, the Authority’s deposits may not be returned to it. The Authority does not have a written policy for custodial risk. However, the Authority’s balances do not exceed the \$250,000 FDIC insurance level.

#### **3.A. Restricted Assets**

The amounts reported as restricted assets on the Statement of Net Position are comprised of cash the Authority has restricted for the following uses:

**HARPER COUNTY DEVELOPMENT AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2014**

**3.A. Restricted Assets (continued)**

Laverne Recreational Trail - \$7,359 These funds are to be used for the care and maintenance of the Laverne Recreational Trail and for matching funds of grants for trail expansion.

**3.B. Capital Assets Activity**

The following is a summary of capital assets and accumulated depreciation:

	<u>Beginning</u>	<u>Net Additions</u>	<u>Ending</u>	<u>Accum. Deprec.</u>	<u>Net</u>
Laverne Recreational Trails	\$217,966	\$ 128,647	\$346,613	\$30,975	\$315,638
Land	25,402	0	25,402	0	25,402
Senior Housing-Building	0	2,346,713	2,346,713	58,420	2,430,873
Senior Housing-FFE	0	121,329	121,329	11,998	109,331
Senior Housing-Parking	<u>0</u>	<u>26,064</u>	<u>26,064</u>	<u>489</u>	<u>25,575</u>
Total Capital Assets	<u>\$243,368</u>	<u>\$2,622,753</u>	<u>\$2,866,121</u>	<u>\$101,882</u>	<u>\$2,764,239</u>

Depreciation expense for the year was \$78,242 and was charged against each depreciable capital asset. Construction of the Senior Housing Center was completed in July 2013. Phase II of the Recreational Trail Project was completed in December 2013. Land is not depreciated.

**3.C. Notes Payable/ Construction Line of Credit**

The Authority had the following Line of Credit/Notes Payable outstanding:

The Authority acquired a short term loan in November 2013, for \$119,492, from the Bank of Laverne. The note was for construction of a recreational trail. The note was a 90 day note at 4% interest. \$103,000 was paid on the note in February 2014, of which \$1,205 was interest. The note was extended, and had an outstanding balance of \$17,697, as of June 30, 2014.

Construction Line of Credit to the Northstar Bank of Texas for \$2,500,000. This line of credit is effective from June 12, 2011 until July 2, 2013, (the "Conversion Date"). The interest rate is variable and is the greater of 6.5% or 1% per annum above the minimum prime lending rate, adjusted on the first day of each calendar quarter. On the Conversion Date, the interest rate became a fixed rate equal to the Federal Agricultural Mortgage Corporation 30 year fixed

# HARPER COUNTY DEVELOPMENT AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

June 30, 2014

### 3.C. Notes Payable/ Construction Line of Credit (continued)

rate plus one half percent, and will remain at that rate until maturity, May 12, 2043. The conversion date interest rate is 3.21%. The note is secured by a loan guarantee from the United States Department of Agriculture Rural Development, for the construction of a 26 unit assisted living facility. Payments made totaled \$114,863 of which \$82,959 was interest. The note balance on June 30, 2014 was \$2,468,096.

#### Debt Service Schedule Senior Housing Project:

	Fiscal Year	Principal	Interest
Current Portion	15	53,426	78,382
Non-current Portion	16	55,101	76,707
	17	56,896	74,912
	18	58,749	73,059
	19	60,663	71,145
	20	62,639	69,168
	21-25	345,168	313,871
	26-30	405,174	253,865
	31-35	475,612	183,427
	36-40	558,256	100,744
	41-43	333,414	15,117
Total Non-current		<u>2,414,670</u>	<u>1,232,015</u>

### Note 4 – Other Notes

#### 4.A. Risk Management

The Authority is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; injuries to employees; or acts of God. The Authority purchases surety bonds and commercial insurance to cover these risks. The Authority had the following insurance coverage during the year for Parkview Pointe: Commercial property \$2,600,000, general liability \$1,000,000. The Authority also carries general liability insurance for the Laverne Recreational Trail for \$1,000,000. For each claim the deductible is \$2,500.

The Authority has Fidelity Bonds with Western Surety Company bond number 69539585, for the term September 2, 2013 to September 2, 2014 for the Secretary/Treasurer for the penal amount of \$50,000 and bond number 61481011, for the term October 26, 2013 to October 26, 2014 for the Parkview Pointe Administrator for the penal amount of \$50,000.

#### 4.B. Commitments and Contingencies

The Authority is not involved with any legal proceedings, which normally occur in the course of governmental operations at this time. Therefore, the financial statements do not include accruals or provisions for loss contingencies. While legal proceedings cannot be foreseen, the

**HARPER COUNTY DEVELOPMENT AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2014**

**4.B. Commitments and Contingencies (continued)**

Authority feels that any settlement or judgment not covered by insurance would not have a material effect on the financial condition of the Authority.

**4.C. Use of Estimates**

Certain estimates are made in the preparation of the financial statements, such as estimated lives for capital assets depreciation. Estimates are based on management's best judgments and may vary from actual results.

**4.D. Grants**

The Authority also was approved to receive a Federal Grant in the amount of \$119,492 from the Recreational Trails Program to extend the Laverne Recreational Trail (Phase II). There have been expenditures of \$101,378 from this grant as of June 30, 2014.

*Report on Internal Control  
and Compliance*



**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  
Harper County Development Authority  
Laverne, Oklahoma 73848

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 accompanying modified cash basis financial statements of the Harper County Development Authority, a component unit of Harper County, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated, November 13, 2014.

The report was a special report on the Authority's use of a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

**Internal Control over Financial Reporting**

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

Our consideration of the 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.

*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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Authority'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. We consider the deficiency described in the accompanying schedule of findings and responses to be a material weakness. 14-01.

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. No significant deficiencies were identified.

### **Compliance and Other Matters**

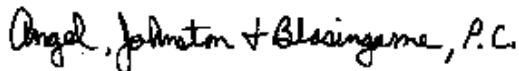
As part of obtaining reasonable assurance about whether Harper County Development Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Harper County Development Authority's Response to Findings**

Harper County Development Authority's response to the finding identified in our audit is 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 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 the *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Angel, Johnston & Blasingame, P.C.  
Chickasha, Oklahoma  
November 13, 2014



**Harper County Development Authority  
Schedule of Awards  
June 30, 2014**

<u>Grantor/Program Title</u>	<u>Federal Project #</u>	<u>State Project #</u>	<u>Award Amount</u>	<u>Award Beg. Bal.</u>	<u>Current Year Awards Expended</u>
<b>Federal Awards:</b>					
Recreational Trails Program	CFDA-20.219	N/A	\$ 119,492.00	\$ 119,492.00	\$ 101,378.11
<b>TOTAL AWARDS:</b>			\$ <u>119,492.00</u>	\$ <u>119,492.00</u>	\$ <u>101,378.11</u>
<b>TOTAL AWARDS ENDING BALANCE:</b>			\$ <u>18,113.89</u>		

**Harper County Development Authority**  
**Schedule of Findings**  
**For the Year Ended June 30, 2014**

14-01 *Criteria* – The segregation of duties and responsibilities between different individuals for custody of assets, record keeping for those assets, and reconciliation of those asset accounts is an important control activity needed to adequately protect the entity’s assets and ensure accurate financial reporting.

*Condition* – Presently the same individual performs all accounting functions; receives cash donations, makes bank deposits, writes checks, reconciles the monthly bank statements and prepares monthly financial summaries.

*Cause* – The entity’s limited size and staffing resources have made it difficult for management to provide sufficient staffing to fully segregate incompatible duties in a cost-effective manner.

*Effect or Potential Effect* – Without sufficient segregation of duties, the risk significantly increases that errors and fraud related to the accounting functions, including misappropriation of assets, could occur and not be detected within a timely basis.

*Recommendation* – While it may not be cost effective to hire the additional administrative staff that would be necessary in order to adequately segregate the responsibilities, the Board should consider a formal evaluation of their risks associated with this lack of segregation of duties. In response to the identified risks, consideration should be given to identifying and implementing controls that could help mitigate the risks associated with lack of segregation of duties.

*Management response* – Management has hired an accounting firm to perform some of the accounting functions of the Authority, reducing risks associated with segregation of accounting duties.