

SOUTHERN OKLAHOMA DEVELOPMENT ASSOCIATION
Financial Statements
Year-End: June 30, 2012

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Southern Oklahoma Development Association
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 For the Fiscal Year Ended June 30, 2012

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INTRODUCTORY

Southern Oklahoma Development Association

List of Elected and Appointed Officials

June 30, 2012

Elected Officials

James Dunegan
Beverly Akin
Shon Richardson

President
Vice President
Secretary/Treasurer

Appointed Officials

Wes Bowman
Jon McCormick
Tommy Shepard
Kathy Gooding
Dottie DeMeulenaere

Executive Director
Finance Director
Director Fire Defense Services
Director Area Agency of Aging
Director Community & Economic Development

FINANCIAL



INDEPENDENT AUDITOR'S REPORT

Board of Directors of Southern Oklahoma Development
Durant, Oklahoma

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Southern Oklahoma Development Association (SODA), as of and for the year ended June 30, 2012, which collectively comprise SODA's basic financial statements as listed in the table of contents. These financial statements are the responsibility of SODA's management. Our responsibility is to express opinions on those 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial positions of the governmental activities, each major fund, and the aggregate remaining fund information of Southern Oklahoma Development Association, as of June 30, 2012, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have issued our report dated January 17, 2013 on our consideration of Southern Oklahoma Development Association'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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 9 through 13 and 37 through 39 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Southern Oklahoma Development Association's financial statements as a whole. The introductory section, combining non-major fund and general fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal 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 financial statements. The combining non-major funds and general fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Rahhal Henderson Johnson, PLLC

Ardmore, Oklahoma
January 17, 2013

**Southern Oklahoma Development Association
Management's Discussion and Analysis (Unaudited)
June 30, 2012**

As management of Southern Oklahoma Development Association (SODA), we offer readers of SODA's financial statements this narrative overview and analysis of the financial activities of SODA for the year ended June 30, 2012. We encourage readers to consider the information presented here. The basic financial statements include government-wide financial statements and fund financial statements. For a further understanding of the difference between these financial statements, a detailed discussion is provided on pages 23 through 24.

Financial Highlights

With respect to the government-wide financial statements:

The assets of SODA exceeded its liabilities at June 30, 2012 by \$2,094,608 (*net assets*). Of this amount, \$1,295,725 (*unrestricted net assets*) may be used to meet the entity's ongoing obligations to citizens and creditors.

With respect to the fund financial statements:

As of June 30, 2012, SODA's governmental funds reported combined ending fund balances of \$1,545,441 a decrease of \$449,174 from the prior year. The unassigned balance is *available for spending* at the entity's discretion (*unassigned fund balance*).

At June 30, 2012, unassigned fund balance for the general fund was \$1,329,474, or 168 percent of total general fund expenditures for the year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the entity's basic financial statements. SODA's basic financial statements comprise three components: 1) government-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 themselves.

**Southern Oklahoma Development Association
Management's Discussion and Analysis (Unaudited)
June 30, 2012**

Government-wide financial statements. The *government-wide financial statements* include the statement of net assets and the statement of activities and are designed to provide readers with a broad overview of SODA's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of SODA's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of SODA is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the year ending June 30, 2012. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

The governmental activities of SODA include general government, public safety, health and welfare, intergovernmental expenditures, urban development and housing, economic development, and culture and recreation. These functions are principally supported by intergovernmental revenues, grants and fees.

The government-wide financial statements can be found on pages 15-16 of this report.

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. SODA uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. SODA has only governmental funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements.

**Southern Oklahoma Development Association
Management's Discussion and Analysis (Unaudited)
June 30, 2012**

By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

SODA maintains sixteen individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General fund, REAP, and Area Agency on Aging (AAA) which are considered to be major funds. Data from the other eleven governmental funds are combined into an aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* elsewhere in this report.

SODA adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund and all major funds to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 17-18 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 22-35 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning SODA's budget to actual schedules on major governmental funds. Required supplementary information can be found on page 37-39 of this report.

The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the required supplementary information. Combining fund statements can be found on pages 41-44 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of SODA, assets exceeded liabilities by \$2,094,608 at the close of the most recent fiscal year. The comparison of net assets from year to year serves to measure financial position

**Southern Oklahoma Development Association
Management's Discussion and Analysis (Unaudited)
June 30, 2012**

	<u>Governmental Activities</u>	
	<u>2011</u>	<u>2012</u>
Current and other assets	\$4,189,270	\$3,583,892
Capital assets	<u>153,837</u>	<u>578,864</u>
Total assets	<u>4,343,107</u>	<u>4,162,756</u>
Current liabilities	2,233,714	2,038,452
Long-term liabilities	<u>-</u>	<u>29,696</u>
Total liabilities	<u>2,233,714</u>	<u>2,068,148</u>
Net Assets		
Invested in capital assets	153,836	578,864
Restricted by Grantors and Contributors	283,682	220,019
Unrestricted	<u>1,671,875</u>	<u>1,295,725</u>
Total net assets	<u>\$ 2,109,393</u>	<u>\$ 2,094,608</u>

Governmental activities

The following schedule compares revenues and expenses of SODA for the current and prior fiscal year. Total revenues decreased 16 percent over last year. Approximately 90% of SODA's total revenues come from operating contributions and grants. Total expenses decreased 18 percent over last year.

	<u>Governmental Activities</u>	
	<u>2011</u>	<u>2012</u>
Revenues		
Program revenues:		
Charges for services	\$ 1,808,857	\$ 405,107
Operating grants and contributions	3,606,341	3,981,707
General revenues:		
Interest	13,581	16,043
Gain (Loss) on sale of assets	<u>(173,081)</u>	<u>1,021</u>
Total revenues	<u>\$ 5,255,698</u>	<u>\$ 4,403,878</u>
Expenses:		
General government	201,191	279,017
Health and welfare	2,434,386	388,277
Culture and recreation	13,724	11,210
Public safety	114,923	104,291
Pass thru expenses	2,381,634	3,302,169
Economic development	218,219	307,106
Urban development and housing	<u>11,103</u>	<u>26,593</u>
Total expenses	<u>5,375,180</u>	<u>4,418,663</u>
Increase (Decrease) in net assets	(119,482)	(14,785)
Net assets, beginning	<u>2,228,875</u>	<u>2,109,393</u>
Total net assets	<u>\$ 2,109,393</u>	<u>\$ 2,094,608</u>

**Southern Oklahoma Development Association
Management's Discussion and Analysis (Unaudited)
June 30, 2012**

Financial Analysis of SODA's Funds

Governmental funds. The focus of SODA's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing SODA's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of June 30, 2012, SODA's governmental funds reported combined ending fund balances of \$1,545,441, a decrease of \$449,174 in comparison with the prior year. Of this amount, \$1,325,422 is unrestricted fund balance, available for spending at the government's discretion within the purposes of the fund.

The general fund is the chief operating fund of SODA. At June 30, 2012, unassigned fund balance is \$1,329,474. The overall fund balance decreased of \$370,334 over the prior year.

General fund budgetary highlights

The original budget was amended to reflect changes in current activities and contracts.

Capital Assets

SODA's investment in capital assets for its governmental activities as of June 30, 2012, was \$578,864. This investment includes land, buildings, improvements, equipment and vehicles. The investment in capital assets increased \$425,027 due to the completion of new office, net of disposals and depreciation.

Requests for Information

This financial report is designed to provide a general overview of SODA's finances for all those with an interest in the entity's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Finance Director, 2704 N. 1st Avenue, Durant, Oklahoma 74701..

BASIC FINANCIAL STATEMENTS

Southern Oklahoma Development Association
Statement of Net Assets
June 30, 2012

	<u>Governmental Activities</u>
ASSETS	
Current Assets	
Cash	\$ 3,051,578
Revenue Receivable	521,191
Prepaid Accounts	11,123
Total Current Assets	<u>3,583,892</u>
Noncurrent Assets	
Capital Assets, Not Being Depreciated	37,930
Capital Assets, Being Depreciated	540,934
Total Noncurrent Assets	<u>578,864</u>
Total Assets	<u>4,162,756</u>
LIABILITIES	
Current Liabilities	
Accounts Payable	201,910
Deferred Revenue	1,836,542
Total Current Liabilities	<u>2,038,452</u>
Long Term Liabilities	
Compensated Absences	<u>29,696</u>
Total Liabilities	<u>2,068,148</u>
NET ASSETS	
Invested in Capital Assets	578,864
Restricted For REAP	220,019
Unrestricted	1,295,725
Total Net Assets	<u><u>\$ 2,094,608</u></u>

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

Southern Oklahoma Development Association
Statement of Activities
For the Year Ended June 30, 2012

		Program Revenues		Net (Expense) Revenue and Change in Net Assets
<i>Functions/Programs</i>	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities
Primary Government				
Governmental Activities				
General Government	\$ 279,017	\$ 57,067	\$ -	\$ (221,950)
Health and Welfare	388,277	5	2,385,021	1,996,749
Culure and Recreation	11,210	-	13,616	2,406
Public Safety	104,291	9,897	70,000	(24,394)
Pass Thru Expenditures	3,302,169	-	1,383,849	(1,918,320)
Economic Development	307,106	172,122	129,221	(5,763)
Urban Development and Housing	26,593	166,016	-	139,423
Total Governmental Activities	4,418,663	405,107	3,981,707	(31,849)
 General Revenues				
Interest				16,043
Special Items				
Gain on Sale of Assets				1,021
Total General Revenues and Special Items				17,064
Change in Net Assets				(14,785)
Net Assets - Beginning				2,109,393
Net Assets - Ending				\$ 2,094,608

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

Southern Oklahoma Development Association
 Balance Sheet
 Governmental Funds
 June 30, 2012

	General Fund	REAP	SUOA AAA	Other Governmental Funds	Total
Assets					
Cash	\$ 1,226,090	\$ 1,768,836	\$ -	\$ 56,652	\$ 3,051,578
Revenue Receivable	19,735	233,006	179,641	88,807	521,189
Interfund Receivables	100,488	-	-	-	100,488
Prepaid Accounts	11,124	-	-	-	11,124
	<u>\$ 1,357,437</u>	<u>\$ 2,001,842</u>	<u>\$ 179,641</u>	<u>\$ 145,459</u>	<u>\$ 3,684,379</u>
Liabilities					
Accounts Payable	\$ 16,521	\$ 6,883	\$ 133,868	\$ 44,637	\$ 201,909
Interfund Accounts Payable	318	-	45,773	54,396	100,487
Deferred Revenue	-	1,786,064	-	50,478	1,836,542
	<u>16,839</u>	<u>1,792,947</u>	<u>179,641</u>	<u>149,511</u>	<u>2,138,938</u>
Fund Balances					
Nonspendable					
Restricted	11,124	208,895	-	-	220,019
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned	1,329,474	-	-	(4,052)	1,325,422
	<u>1,340,598</u>	<u>208,895</u>	<u>-</u>	<u>(4,052)</u>	<u>1,545,441</u>
Total Liabilities and Fund Balances	<u>\$ 1,357,437</u>	<u>\$ 2,001,842</u>	<u>\$ 179,641</u>	<u>\$ 145,459</u>	

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the fund. 578,863

Long term liabilities are not due and payable in the current period and, therefore, are not reported in the funds (29,696)

Net assets of governmental activities. \$ 2,094,608

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

Southern Oklahoma Development Association
Statement of Revenues, Expenditures and
Changes in Fund Balances– Governmental Funds
For the Year Ended June 30, 2012

	General Fund	REAP	SUOA AAA	Other Governmental Funds	Total
REVENUE					
Grants	\$ 2,533	\$ 1,125,136	\$ 2,300,967	\$ 553,075	\$ 3,981,711
Administrative Fee	-	-	-	-	-
Interest	9,668	-	-	-	9,668
Miscellaneous	1,471	-	-	-	1,471
Service Revenue	405,107	-	-	-	405,107
Total Revenue	<u>418,779</u>	<u>1,125,136</u>	<u>2,300,967</u>	<u>553,075</u>	<u>4,397,957</u>
EXPENDITURES					
Current					
General Government	124,857	97,388	-	-	222,245
Health and Welfare	57,270	-	355,002	81,521	493,793
Economic Development	138,832	-	-	36,364	175,196
Culture and Recreation	-	-	-	13,617	13,617
Public Safety	-	-	-	74,052	74,052
Urban Development and Housing	29,148	-	-	92,857	122,005
Pass through Expenditures	-	1,101,123	1,942,330	258,716	3,302,169
Capital Outlay					
General Government	436,672	1,413	-	-	438,085
Health and Welfare	1,528	-	3,635	-	5,163
Economic Development	806	-	-	-	806
Total Expenditures	<u>789,113</u>	<u>1,199,924</u>	<u>2,300,967</u>	<u>557,127</u>	<u>4,847,131</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(370,334)</u>	<u>(74,788)</u>	<u>-</u>	<u>(4,052)</u>	<u>(449,174)</u>
Other Financing Sources					
Transfers In	-	-	-	-	-
Transfers Out	-	-	-	-	-
Total Other Financing Sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	(370,334)	(74,788)	-	(4,052)	(449,174)
Fund Balances	<u>1,710,932</u>	<u>283,683</u>	<u>-</u>	<u>-</u>	<u>1,994,615</u>
Fund Balances - Ending	<u>\$ 1,340,598</u>	<u>\$ 208,895</u>	<u>\$ -</u>	<u>\$ (4,052)</u>	<u>\$ 1,545,441</u>

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

Southern Oklahoma Development Association
 Reconciliation of the Statement of Revenues, Expenditures and
 Changes Fund Balance of Governmental Funds to the Statement of Activities
 For the Year Ended June 30, 2012

Amounts reported for governmental activities
 in the statement of activities are different because:

Net change in fund balances - total governmental funds	\$ (449,174)
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense in the current period.

443,749

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore, are not reported as expenditures in governmental funds

(9,363)

Change in net assets of governmental activities.

\$ (14,788)

Southern Oklahoma Development Association
Statement of Fiduciary Net Assets
June 30, 2012

	<u>911 Service Fee</u>
Assets	
Cash	<u>\$ 40</u>
Total Assets	<u><u>\$ 40</u></u>
Liabilities	
Accounts Payable	<u> 40</u>
Total Liabilities	<u><u> 40</u></u>
Fund Balances	
Total Liabilities and Fund Balances	<u><u>\$ 40</u></u>

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

Southern Oklahoma Development Association
Statement of Changes in Fiduciary Net Assets
For the Year Ended June 30, 2012

	911 Service Fee
Additions	
Service Fee	\$ 779,209
Total Revenue	779,209
 Deductions	
Amounts paid to	779,209
Total Expenditures	779,209
Net Change in Net Assets	-
Net Assets - Beginning	-
	-
Net Assets - Ending	\$ -

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

NOTES TO FINANCIAL STATEMENTS

Southern Oklahoma Development Association
Notes to Financial Statements
June 30, 2012

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. The Reporting Entity

The Southern Oklahoma Development SODA, Oklahoma, (SODA) was established on November 19, 1957, upon its adoption of a set of by-laws and articles of incorporation. On February 21, 1967, it was formally designated as the second Economic Development District in Washington D.C. On December 30, 1969, it was further designated as a regional clearinghouse pursuant to OMB Circular No. A-95 by the Economic Development Administration in Washington D.C. On May 21, 1971, it was designated as a Sub-State Planning District of the State of Oklahoma by Executive Order under Senate Bill 290 of the 1969 Legislature and Section 74 O.S.1971 Sections 1001-1008 (Inter-local Cooperation Act) of State law.

In evaluating how to define SODA for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting is made by applying the criteria set forth in GASB Statement 14. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations and accountability for fiscal matters. The other criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether SODA is able to exercise oversight responsibilities. Based upon the application of these criteria, there are no potential component units included in SODA's reporting entity.

B. Government-wide and fund financial statements

Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements.

Southern Oklahoma Development Association
Notes to Financial Statements
June 30, 2012

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

B. Government-wide and fund financial statements (continued)

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

Fund Financial Statements

Separate financial statements are provided for governmental funds and fiduciary funds. Major individual governmental funds are reported as separate columns in each fund-type financial statements.

C. Measurement focus, basis of accounting, and financial statement presentation

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

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

Southern Oklahoma Development Association
Notes to Financial Statements
June 30, 2012

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

C. Measurement focus, basis of accounting, and financial statement presentation - continued

SODA reports the following major government funds:

General Fund - is the SODA's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Rural Economic Action Plan (REAP) - is a special revenue fund which accounts for grant funding to improve economic development in a ten county area.

Area Agency on Aging (AAA) - is a special revenue fund to provide senior citizens in the ten county region with services such as nutrition, transportation, legal counsel, family care giver support program, etc. This fund receives state and federal grants.

Additionally, SODA has a fiduciary fund type, 911 Service Fee Fund that is used to account for assets held by SODA as an agent for other governmental units. Because by definition, these assets are being held for the benefit of a third party and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, and 2) operating grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues.

Southern Oklahoma Development Association
Notes to Financial Statements
June 30, 2012

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

D. Assets, liabilities, and net assets or equity

1. *Deposits and investments*

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

SODA has a written investment policy that limits its investment choices to those limitations stated in the *Oklahoma Statutes*. *Oklahoma Statutes* allow investment in bonds of cities, school districts, or counties within the State of Oklahoma; public trust bonds whose beneficiary is a county, municipality or school district, except industrial development bonds; direct obligations of the United States; and certificates of deposit.

Investments for SODA are reported at cost, which approximates fair value.

2. *Receivables and payables*

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either due to/from other funds (i.e., the current portion of interfund loans). All other outstanding balances between funds are reported as due to/from other funds.

3. *Capital assets*

Capital assets, which include land, construction in progress, vehicles and trailers, and equipment, are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$500 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed.

Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Southern Oklahoma Development Association
Notes to Financial Statements
June 30, 2012

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

D. Assets, liabilities, and net assets or equity- continued

Major outlays for capital assets and improvements are capitalized as projects are constructed. Property, plant, and equipment of the primary government, is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Vehicles and trailers	5
Equipment	5
Buildings	39
Building Improvements	20

4. *Deferred Revenue*

Deferred revenue consists of Rural Economic Action Plan (REAP) monies awarded from the State of Oklahoma to SODA on a fiscal year basis. SODA subsequently awards grants to qualified entities over a three year period, resulting in deferred revenue until contracts are fulfilled.

5. *Compensated absences*

It is SODA's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since SODA does not have a policy to pay any amounts when employees separate from service. All vacation pay is accrued when earned by the employee. The amount estimated to be used in subsequent fiscal years is reported as a general long-term obligation in the government-wide statement of net assets.

6. *Governmental fund balances*

Fund Balance Classification: The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the entity is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

Nonspendable: This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact.

Southern Oklahoma Development Association
Notes to Financial Statements
June 30, 2012

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

D. Assets, liabilities, and net assets or equity- continued

Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. SODA has restricted resources from federal grants as of June 30, 2012.

Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal ordinance or resolution of the Board of Directors. These amounts cannot be used for any other purpose unless the Board of Directors removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. SODA did not have any committed resources as of June 30, 2012.

Assigned: This classification includes amounts that are constrained by SODA's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Board of Directors or through the Board delegating this responsibility to the manager through the budgetary process. SODA did not have any assigned resources as of June 30, 2012.

Unassigned: This classification includes the residual fund balance for the General Fund. The Unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of Assigned fund balance amounts.

SODA would typically use Restricted fund balances first, followed by Committed resources, and then Assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend Unassigned resources first to defer the use of these other classified funds.

Southern Oklahoma Development Association
Notes to Financial Statements
June 30, 2012

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

D. Assets, liabilities, and net assets or equity- continued

7. *Government-wide Net Assets*

Government-wide net assets are divided into three components:

- Invested in capital assets, net of related debt – consist of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets.
- Restricted net assets – consist of net assets that are restricted by creditors, by the state enabling legislation, by grantors (both federal and state), and by other contributors.
- Unrestricted – all other net assets are reported in this category

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets

The governmental fund balance sheet includes a reconciliation of the \$549,168 difference between *fund balance - total governmental funds* and *net assets - governmental activities* as reported in the government-wide statement of net assets.

One element of that reconciliation explains that “long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.”

Compensated absences	\$ (29,696)
Net adjustment to reduce <i>fund balance - total governmental funds</i> to arrive at <i>net assets - governmental activities</i>	<u>\$ (29,696)</u>

Southern Oklahoma Development Association
Notes to Financial Statements
June 30, 2012

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS – (continued)

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets - continued

Another element of that reconciliation is capital assets used in governmental activities that are not financial resources.

Capital assets, not being depreciated	\$ 37,930
Capital assets, being depreciated	689,234
Less Accumulated Depreciation	<u>(148,301)</u>
Net adjustment to increase <i>fund balance</i> to arrive at <i>net assets - governmental activities</i>	<u><u>\$ 578,863</u></u>

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities.

The government fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation of the \$434,387 difference between *net changes in fund balances - total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities.

One element of that reconciliation explains that “Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.”

Capital Outlay	\$ 422,127
Depreciation Expense	21,622
	<u><u>\$ 443,749</u></u>

Southern Oklahoma Development Association
Notes to Financial Statements
June 30, 2012

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS – (continued)

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities - continued

The last element of that reconciliation states that “some expenses reported in the statement of activities do not require the use of current financial resources and therefore, are not reported as expenditures in governmental funds.”

Decrease in compensated absences payable	<u>\$ (9,363)</u>
Net adjustment to increase <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$ 434,387</u>

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary information

Under GASB No. 34, budgetary comparison information is required to be presented for the general fund and each major special revenue fund with a legally adopted budget. The Southern Oklahoma Development Association is not legally required to adopt a budget for the general fund and special revenue funds. Therefore, the budget comparison information is included as other supplementary information in the financial statements.

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and investments

Custodial Credit Risk - Custodial credit risk for deposits is the risk that in the event of a bank failure, the SODA’s deposits may not be returned or the SODA will not be able to recover collateral securities in the possession of an outside party. The SODA’s policy requires collateral for demand deposits and certificates of deposit for all amounts not covered by federal deposit insurance. As of June 30, 2012, SODA is not exposed to custodial credit risk.

Southern Oklahoma Development Association
Notes to Financial Statements
June 30, 2012

IV. DETAILED NOTES ON ALL FUNDS – (continued)

A. Deposits and investments - continued

Credit Risk - Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. SODA's investment policies are governed by *Oklahoma Statutes*. Permissible investments include direct obligations of the United States government and agencies; certificates of deposit of savings and loan SODAs, and bank and trust companies; and savings accounts or savings certificates of savings and loan SODA and bank and trust companies. Collateral is required for demand deposits and certificates of deposit for all amounts not covered by federal depository insurance.

B. Revenue Receivables

Receivables as of June 30, 2012 for the SODA's individual major funds and nonmajor governmental funds in the aggregate, are as follows:

	General Fund	REAP	SUOA AAA	Other Governmental Funds	Total
Grants	\$ -	\$ 233,006	\$ 179,641	\$ 88,807	\$ 501,454
Other	19,735	-	-	-	19,735
	<u>\$ 19,735</u>	<u>\$ 233,006</u>	<u>\$ 179,641</u>	<u>\$ 88,807</u>	<u>\$ 521,189</u>

C. Accounts Payable

Accounts payables as of June 30, 2012 for the SODA's individual major funds and nonmajor governmental funds in the aggregate, are as follows:

	General Fund	REAP	SUOA AAA	Other Governmental Funds	Total
Pass Thru Grants	\$ -	\$ -	\$ 127,990	\$ 34,228	\$ 162,218
Payroll Taxes & Benefits	14,964	6,868	2,755	6,791	31,378
Other	1,557	15	3,095	3,618	8,285
	<u>\$ 16,521</u>	<u>\$ 6,883</u>	<u>\$ 133,840</u>	<u>\$ 44,637</u>	<u>\$ 201,881</u>

Southern Oklahoma Development Association
Notes to Financial Statements
June 30, 2012

IV. DETAILED NOTES ON ALL FUNDS – (continued)

D. Capital assets

Capital asset activity for the year ended June 30, 2012, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<i>Governmental Activities:</i>				
<i>Capital assets, not being depreciated</i>				
Land	\$ 37,930	\$ -	\$ -	\$ 37,930
Construction in progress	68,451	-	68,451	-
Total capital assets, not being depreciated	<u>106,381</u>	<u>-</u>	<u>68,451</u>	<u>37,930</u>
<i>Capital assets, being depreciated</i>				
Equipment	\$ 154,331	\$ 13,889	\$ 15,908	\$ 152,312
Building	-	470,393	-	470,393
Improvements	-	31,269	-	31,269
Vehicles	35,260	-	-	35,260
Total capital assets, being depreciated	<u>189,591</u>	<u>515,551</u>	<u>15,908</u>	<u>689,234</u>
Less Accumulated Depreciation	<u>142,135</u>	<u>21,622</u>	<u>15,456</u>	<u>148,301</u>
Total capital assets, being depreciated, net	<u>47,456</u>	<u>493,929</u>	<u>452</u>	<u>540,933</u>
Governmental activities capital assets, net	<u>153,837</u>	<u>493,929</u>	<u>68,903</u>	<u>578,863</u>
Total Primary Government	<u>\$ 153,837</u>	<u>\$ 493,929</u>	<u>\$ 68,903</u>	<u>\$ 578,863</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

General government	\$ 13,429
Public safety	1,647
Health and Welfare	<u>6,546</u>
Total depreciation expense - governmental activities	<u>\$ 21,622</u>

Southern Oklahoma Development Association
Notes to Financial Statements
June 30, 2012

IV. DETAILED NOTES ON ALL FUNDS – (continued)

E. Interfund Receivables and Payables

Advances from/to other funds consist of the following at June 30, 2012:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	SUOA AAA	\$ 45,774
	USDOC EDA	9,176
	OSDA Rural Fire	5,299
	ODOC SSPD	2,640
	CENA Admin	37,281
	OKDHS Living Choice	318
		<u>\$ 100,488</u>

All amounts are to be collectible from the respective funds.

F. Long Term Obligations

Long-term liabilities activity for the year ending June 30, 2012 is as follows:

	Beginning Balance 6/30/11	Additions	Used	Ending Balance 6/30/12	Due within one year
Compensated Absences	<u>\$ 39,059</u>	<u>\$ 1,872</u>	<u>\$ (11,235)</u>	<u>\$ 29,696</u>	<u>\$ -</u>

For governmental activities, compensated absences are liquidated by the general fund.

G. Pension plans

SODA, as an employer contributes to a 403-(b) defined contribution plan for each qualified employee at the rate of 5% of gross annual wages. The plan is administered by July Business Services. The employee is not required to contribute to the plan. A qualified employee must be employed a minimum of six months. Total contribution for the year ended June 30, 2012 was \$29,479.

Southern Oklahoma Development Association
Notes to Financial Statements
June 30, 2012

IV. DETAILED NOTES ON ALL FUNDS – (continued)

H. Economic Dependency

SODA receives a significant portion of its revenue from funds provided through federal and state grants. The grant amounts are appropriated each year by the federal and/or state level, and the amount of the funds SODA receives could be reduced significantly and have an adverse impact on its operations. Management is not aware of any actions that will adversely affect the amount of funds expected to be received in the next fiscal year.

I. Risk Management

SODA is exposed to various risks of loss (torts, theft of, damage to, or destruction of assets, business interruptions, errors and omissions, job-related illnesses or injuries to employees, and acts of God) and has established a risk management strategy that attempts to minimize losses and the carrying cost of insurance. There have been no significant reductions in insurance coverage from the prior year and settlements have not exceeded coverage in the past three years.

BUDGET TO ACTUAL MAJOR GOVERNMENTAL FUNDS

Southern Oklahoma Development Association
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget to Actual (Unaudited)
General Fund
For the Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		
REVENUE				
Interest	\$ 10,500	\$ 9,800	\$ 9,668	\$ (132)
Miscellaneous	-	-	1,470	1,470
Service Revenue	260,853	229,519	229,189	(330)
Total Revenue	<u>271,353</u>	<u>239,319</u>	<u>240,327</u>	<u>1,008</u>
EXPENDITURES				
Current				
General Government	158,979	137,585	124,857	12,728
Economic Development	127,373	142,671	138,832	3,839
Capital Outlay	-	-	436,672	(436,672)
Total Expenditures	<u>286,352</u>	<u>280,256</u>	<u>700,361</u>	<u>(420,105)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(14,999)</u>	<u>(40,937)</u>	<u>(460,034)</u>	<u>(419,097)</u>
Other Financing Sources (Uses)				
Transfers In	91,479	67,185	-	(67,185)
Transfers Out	(76,480)	(26,248)	-	26,248
Total Other Financing Sources (Uses)	<u>14,999</u>	<u>40,937</u>	<u>-</u>	<u>(40,937)</u>
Net Change in Fund Balances	-	-	(460,034)	(460,034)
Fund Balance - Beginning	<u>1,510,050</u>	<u>1,510,050</u>	<u>1,510,050</u>	-
Fund Balance - Ending	<u>\$ 1,510,050</u>	<u>\$ 1,510,050</u>	<u>\$ 1,050,016</u>	<u>\$ (460,034)</u>

Southern Oklahoma Development Association, Oklahoma
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget to Actual (Unaudited)
REAP Fund
For the Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		
REVENUE				
Grants	\$ 1,343,662	\$ 1,343,662	\$ 1,125,136	\$ (218,526)
Interest Income	7,000	7,000	-	(7,000)
Total Revenue	<u>1,350,662</u>	<u>1,350,662</u>	<u>1,125,136</u>	<u>(225,526)</u>
EXPENDITURES				
Current				
General Government	75,880	97,331	97,388	(57)
Pass Through Expenditures	1,293,000	1,293,000	1,101,123	191,877
Capital Outlay				
General Government	-	-	1,413	(1,413)
Total Expenditures	<u>1,368,880</u>	<u>1,390,331</u>	<u>1,199,924</u>	<u>190,407</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(18,218)</u>	<u>(39,669)</u>	<u>(74,788)</u>	<u>(35,119)</u>
Other Financing Sources (Uses)				
Transfers In	18,218	39,669	-	(39,669)
Transfers Out	(429)	-	-	-
Total Other Financing Sources (Uses)	<u>17,789</u>	<u>39,669</u>	<u>-</u>	<u>(39,669)</u>
Net Change in Fund Balances	(429)	-	(74,788)	(74,788)
Fund Balance - Beginning	<u>408,140</u>	<u>408,140</u>	<u>283,683</u>	<u>(124,457)</u>
Fund Balance - Ending	<u>\$ 408,140</u>	<u>\$ 408,140</u>	<u>\$ 208,895</u>	<u>\$ (199,245)</u>

Southern Oklahoma Development Association
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget to Actual (Unaudited)
SUOA AAA Fund
For the Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		
REVENUE				
Grants	\$ 2,341,115	\$ 2,341,115	\$ 2,300,967	\$ (40,148)
Miscellaneous	-	-	-	-
Total Revenue	<u>2,341,115</u>	<u>2,341,115</u>	<u>2,300,967</u>	<u>(40,148)</u>
EXPENDITURES				
Current				
Health and Welfare	359,874	356,174	355,002	1,172
Pass Through Expenditures	1,981,241	1,981,241	1,942,330	38,911
Capital Outlay	-	3,700	3,635	65
Total Expenditures	<u>2,341,115</u>	<u>2,341,115</u>	<u>2,300,967</u>	<u>40,148</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other Financing Sources (Uses)				
Transfers In	-	-	-	-
Transfers Out	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	-	-	-	-
Fund Balance - Beginning	-	-	-	-
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**COMBINING NONMAJOR FUND AND
GENERAL FUND STATEMENTS AND
SCHEDULES**

Southern Oklahoma Development Association
Combining Balance Sheet
Nonmajor Governmental Special Revenue Funds
June 30, 2012

	<u>USDOC EDA</u>	<u>OSDA Rural Fire</u>	<u>ODOC SSPD</u>	<u>CENA Admin</u>	<u>O4A Fund</u>	<u>AAA Special Projects</u>	<u>Total</u>
Assets							
Cash	\$ -	\$ -	\$ -	\$ -	\$ 46,947	\$ 9,705	\$ 56,652
Revenue Receivables	10,000	4,182	3,030	71,595	-	-	88,807
Total Assets	<u>\$ 10,000</u>	<u>\$ 4,182</u>	<u>\$ 3,030</u>	<u>\$ 71,595</u>	<u>\$ 46,947</u>	<u>\$ 9,705</u>	<u>\$ 145,459</u>
Liabilities							
Cash Overdraft	\$ -	\$ -	0	0	\$ -	\$ -	\$ -
Accounts Payable	824	2,935	390	34,314	3,224	2,950	44,637
Interfund Payables	9,176	5,299	2,640	37,281	-	-	54,396
Deferred Revenue	-	-	-	-	43,723	6,755	50,478
Total Liabilities	<u>10,000</u>	<u>8,234</u>	<u>3,030</u>	<u>71,595</u>	<u>46,947</u>	<u>9,705</u>	<u>149,511</u>
Fund Balances							
Restricted	-	-	-	-	-	-	-
Unassigned	-	(4,052)	-	-	-	-	(4,052)
Reserved	-	-	-	-	-	-	-
Total Fund Balances	<u>-</u>	<u>(4,052)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(4,052)</u>
Total Liabilities and Fund Balances	<u>\$ 10,000</u>	<u>\$ 4,182</u>	<u>\$ 3,030</u>	<u>\$ 71,595</u>	<u>\$ 46,947</u>	<u>\$ 9,705</u>	<u>\$ 145,459</u>

Southern Oklahoma Development Association
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Nonmajor Governmental Special Revenue Funds
For the Year Ended June 30, 2012

	USDOC EDA	OSDA Rural Fire	ODOC SSPD	CENA Admin	O4A Fund	AAA Special Projects	Total
REVENUE							
Grants	\$ 92,857	\$ 70,000	\$ 36,364	\$ 272,333	\$ 72,715	\$ 8,806	\$ 553,075
Total Revenue	<u>92,857</u>	<u>70,000</u>	<u>36,364</u>	<u>272,333</u>	<u>72,715</u>	<u>8,806</u>	<u>553,075</u>
EXPENDITURES							
Current							
Health and Welfare	-	-	-	-	72,715	8,806	81,521
Economic Development	-	-	36,364	-	-	-	36,364
Culture and Recreation	-	-	-	13,617	-	-	13,617
Public Safety	-	74,052	-	-	-	-	74,052
Urban Development and Housing	92,857	-	-	-	-	-	92,857
Pass through Expenditures	-	-	-	258,716	-	-	258,716
Total Expenditures	<u>92,857</u>	<u>74,052</u>	<u>36,364</u>	<u>272,333</u>	<u>72,715</u>	<u>8,806</u>	<u>557,127</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>(4,052)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(4,052)</u>
Other Financing Sources							
Transfers In	-	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-	-
Total Other Financing Sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	-	(4,052)	-	-	-	-	(4,052)
Fund Balances - Beginning	-	-	-	-	-	-	-
Fund Balances - Ending	<u>\$ -</u>	<u>\$ (4,052)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (4,052)</u>

Southern Oklahoma Development Association
Combining Balance Sheet
General Fund
June 30, 2012

	<u>General Fund</u>	<u>OHFA Housing</u>	<u>Aging & Fund Raising</u>	<u>FEMA</u>	<u>OKDHS Living Choice</u>	<u>Total</u>
Assets						
Cash	\$ 930,074	\$ 266,343	\$ 9,330	\$ 20,343	\$ -	\$ 1,226,090
Revenue Receivables	19,632	-	-	-	103	19,735
Interfund Receivables	100,488	-	-	-	-	100,488
Prepaid Accounts	<u>11,124</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,124</u>
Total Assets	<u><u>\$ 1,061,318</u></u>	<u><u>\$ 266,343</u></u>	<u><u>\$ 9,330</u></u>	<u><u>\$ 20,343</u></u>	<u><u>\$ 103</u></u>	<u><u>\$ 1,357,437</u></u>
Liabilities						
Cash Overdraft	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts Payable	11,302	2,331	-	2,743	145	16,521
Interfund Payables	-	-	-	-	318	318
Deferred Revenue	-	-	-	-	-	-
Total Liabilities	<u>11,302</u>	<u>2,331</u>	<u>-</u>	<u>2,743</u>	<u>463</u>	<u>16,839</u>
Fund Balances						
Nonspendable	11,124					11,124
Unassigned	<u>1,038,892</u>	<u>264,012</u>	<u>9,330</u>	<u>17,600</u>	<u>(360)</u>	<u>1,329,474</u>
Total Fund Balances	<u>1,038,892</u>	<u>264,012</u>	<u>9,330</u>	<u>17,600</u>	<u>(360)</u>	<u>1,329,474</u>
Total Liabilities and Fund Balances	<u><u>\$ 1,050,194</u></u>	<u><u>\$ 266,343</u></u>	<u><u>\$ 9,330</u></u>	<u><u>\$ 20,343</u></u>	<u><u>\$ 103</u></u>	<u><u>\$ 1,346,313</u></u>

Southern Oklahoma Development Association
Combining Statement Revenues, Expenditures and Changes in Fund Balance
General Fund
For the Year Ended June 30, 2012

	General Fund	OHFA Housing	Aging & Fund Raising	FEMA	OKDHS Living Choice	Total
REVENUE						
Grants	\$ -	\$ -	\$ -	\$ -	\$ 2,533	\$ 2,533
Administrative Fee	-	-	-	-	-	-
Interest	9,668	-	-	-	-	9,668
Miscellaneous	1,471	-	-	-	-	1,471
Service Revenue	229,188	166,017	5	9,897	-	405,107
Total Revenue	<u>240,327</u>	<u>166,017</u>	<u>5</u>	<u>9,897</u>	<u>2,533</u>	<u>418,779</u>
EXPENDITURES						
Current						
General Government	124,857	-	-	-	-	124,857
Health and Welfare	-	-	386	53,991	2,893	57,270
Economic Development	138,832	-	-	-	-	138,832
Urban Development and Housing	-	29,148	-	-	-	29,148
Capital Outlay						
General Government	436,672	-	-	-	-	436,672
Urban Development and Housing	-	1,528	-	-	-	1,528
Health and Welfare	-	-	-	806	-	806
Total Expenditures	<u>700,361</u>	<u>30,676</u>	<u>386</u>	<u>54,797</u>	<u>2,893</u>	<u>789,113</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(460,034)</u>	<u>135,341</u>	<u>(381)</u>	<u>(44,900)</u>	<u>(360)</u>	<u>(370,334)</u>
Net Change in Fund Balances	(460,034)	135,341	(381)	(44,900)	(360)	(370,334)
Fund Balances - Beginning	<u>1,510,050</u>	<u>128,671</u>	<u>9,711</u>	<u>62,500</u>	<u>-</u>	<u>1,710,932</u>
Fund Balances - Ending	<u>\$ 1,050,016</u>	<u>\$ 264,012</u>	<u>\$ 9,330</u>	<u>\$ 17,600</u>	<u>\$ (360)</u>	<u>\$ 1,340,598</u>

INTERNAL CONTROL AND COMPLIANCE



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*

Board of Directors
Southern Oklahoma Development Association
Durant, Oklahoma

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Southern Oklahoma Development Association as of and for the year ended June 30, 2012, which collectively comprise Southern Oklahoma Development Association's basic financial statements and have issued our report thereon dated January 17, 2013. 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.

Internal Control Over Financial Reporting

Management of Southern Oklahoma Development Association is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Southern Oklahoma Development Association's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Southern Oklahoma Development Association's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Southern Oklahoma Development Association's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

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 deficiencies described as finding 2012-1 in the accompanying schedule of findings and questioned costs to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Southern Oklahoma Development Association'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*.

Southern Oklahoma Development Association's response to findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the Association's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the board of directors, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Rakhal Henderson Johnson, PLLC

Ardmore, Oklahoma
January 17, 2013



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT
COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH *OMB CIRCULAR A-133*

Board of Directors
Southern Oklahoma Development Association
Durant, Oklahoma

Compliance

We have audited the compliance of Southern Oklahoma Development Association 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 Southern Oklahoma Development Association's major federal programs for the year ended June 30, 2012. Southern Oklahoma Development Association's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Southern Oklahoma Development Association's management. Our responsibility is to express an opinion on Southern Oklahoma Development Association's compliance based on our audit.

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 Government, 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 requirement referred to above that could have a direct and material effect on a major federal program occurred. An audit included examining, on a test basis, evidence about Southern Oklahoma Development Association'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. Our audit does not provide a legal determination of Southern Oklahoma Development Association's compliance with those requirements.

In our opinion, Southern Oklahoma Development Association complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

Management of Southern Oklahoma Development Association 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 Southern Oklahoma Development Association's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our 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 Association'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 noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purposed described in the first paragraphs 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 not identify any deficiencies in internal control over compliance that we consider to be material weaknesses as defined above. However, we identified a deficiency in internal control over compliance that we consider to be a significant deficiency described in the accompanying schedule of findings and questioned costs as item 2012-2. *A significant deficiency in internal control over compliance* is a deficiency, or 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.

Southern Oklahoma Development Association's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit Southern Oklahoma Development Association's response and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of, management, Board of Directors, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Rahhal Henderson Johnson, PLLC

Ardmore, Oklahoma
January 17, 2013

Southern Oklahoma Development Association
Schedule of Expenditure of Federal and State Awards
For Year Ended June 30, 2012

Federal Grantor/Pass- Through Grantor Program Title	Federal CFDA Number	Pass-Through Grantor's Project Number	Award Amount	(Accrued) Deferred Revenue 6/30/2011	Add Program Receipts (net)	Cash Match	Less Federal Expenditures	(Accrued) Deferred Revenue 6/30/2012
<u>U.S. Department of Commerce direct programs:</u>								
Economic Development District Planning Investment	11.302	08-83-04676	\$ 180,000	\$ -	\$ 55,000	\$ 27,857	\$ 92,857	\$ (10,000)
Subtotal U.S. Department of Commerce direct programs			<u>180,000</u>	<u>-</u>	<u>55,000</u>	<u>27,857</u>	<u>92,857</u>	<u>(10,000)</u>
<u>U.S Department of Health and Human Services</u>								
<u>Oklahoma Insurance Department</u>								
Aging & Disability Resource Consortium Grant (Money Follows the Person / Living Choice)	93.779	1102278-0000	6,500	-	2,663	-	2,766	(103)
<u>Oklahoma Department of Human Services Aging Services Division</u>								
Disease Prevention and Health Promotion Services - Title III part D	93.043	34073004	19,797	(1,697)	21,172	-	19,797	(322)
National Family Caregiver Support - Title III part E	93.052	34073004	138,856	(31,334)	148,016	2,306	139,470	(20,482)
Programs for Prevention of Elder Abuse, Neglect, and Exploitation- Title VII, chapter 3	93.041	34073004	4,874	(416)	4,881	430	5,304	(409)
<u>Aging Cluster:</u>								
Grants for Supportive Services and Senior Centers - Title III part B	93.044	34074004	327,301	(32,964)	343,233	10,053	337,545	(17,223)
Nutrition Services - Title III part C -1	93.045	34074004	395,881	(46,744)	334,155	6,786	336,724	(42,527)
Nutrition Services - Title III part C -2	93.045	34074004	199,144	(43,625)	285,287	3,252	254,870	(9,956)
Nutrition Services Incentive Program - Cash in Lieu of Commodity	93.053	34074004	237,928	(17,753)	247,151	-	237,928	(8,530)
Subtotal Aging Cluster			<u>1,160,254</u>	<u>(141,086)</u>	<u>1,209,826</u>	<u>20,091</u>	<u>1,167,067</u>	<u>(78,236)</u>
Subtotal U.S. Department of Health and Human Services			<u>1,330,281</u>	<u>(174,533)</u>	<u>1,386,558</u>	<u>22,827</u>	<u>1,334,404</u>	<u>(99,552)</u>
Total federal awards			<u>1,510,281</u>	<u>(174,533)</u>	<u>1,441,558</u>	<u>50,684</u>	<u>1,427,261</u>	<u>(109,552)</u>

See accompanying notes to the schedule of expenditures of federal and state awards

Southern Oklahoma Development Association
Schedule of Expenditure of Federal and State Awards
For Year Ended June 30, 2012

Federal Grantor/Pass- Through Grantor Program Title State Awards	Federal CFDA Number	Pass-Through Grantor's Project Number	Award Amount	(Accrued) Deferred Revenue 6/30/2011	Add Program Receipts (net)	Cash Match	Less Federal Expenditures	(Accrued) Deferred Revenue 6/30/2012
<u>Oklahoma Insurance Department</u>								
Centers for Medical and Medicaid Services (CMS) Research, Demonstrations and Evaluations	93.779	1N0CMS020203-18-01	\$ 15,060	\$ 1,402	\$ 14,159	\$ -	\$ 8,806	\$ 6,755
Subtotal Oklahoma Insurance Department			<u>15,060</u>	<u>1,402</u>	<u>14,159</u>	<u>-</u>	<u>8,806</u>	<u>6,755</u>
<u>Oklahoma Department of Human Services Aging Services Division</u>								
Medicare Improvements for Patients and Providers Act Grant Programs for Prevention of Elder Abuse, Neglect, and Exploitation- Title VII, chapter 3	93.071	11017385 000	12,256	(4,134)	4,134	-	-	-
Disease Prevention and Health Promotion Services - Title III part D	93.041	8309013923	861	(197)	989	-	861	(69)
Grants for Supportive Services and Senior Centers - Title III part B	93.043	8309013923	3,494	(300)	3,737	-	3,494	(57)
Nutrition Services - Title III part C -1	93.044	8309013923	168,128	(8,711)	151,098	-	166,672	(24,285)
Nutrition Services - Title III part C -2	93.045	8309013923	213,856	(59,714)	315,342	-	279,799	(24,171)
National Family Caregiver Support - Title III part E	93.045	8309013923	525,227	(89,093)	537,092	-	472,753	(24,754)
Subtotal Oklahoma Department of Human Services Aging Services Division	93.052	8309013923	<u>46,411</u>	<u>(804)</u>	<u>39,697</u>	<u>-</u>	<u>45,722</u>	<u>(6,829)</u>
			<u>970,233</u>	<u>(162,953)</u>	<u>1,052,089</u>	<u>-</u>	<u>969,301</u>	<u>(80,165)</u>
Total state awards			<u>985,293</u>	<u>(161,551)</u>	<u>1,066,248</u>	<u>-</u>	<u>978,107</u>	<u>(73,410)</u>
Total federal and state awards			<u>2,495,574</u>	<u>(336,084)</u>	<u>2,507,806</u>	<u>50,684</u>	<u>2,405,368</u>	<u>(176,207)</u>

See accompanying notes to the schedule of expenditures of federal and state awards

Southern Oklahoma Development Association
Notes to the Schedule of Expenditure of Federal and State Awards
For Year Ended June 30, 2012

Note 1 – Basis of Presentation

The accompanying schedule of expenditure of federal and state awards (the Schedule) includes the federal and state grant activity of Southern Oklahoma Development Association under programs of the federal and Oklahoma state government for the year ended June 30, 2012. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audit of States, Local Governments, and Non-Profit Organizations*. Because the Schedule present on a selected portion of the operation of Southern Oklahoma Development Association, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Southern Oklahoma Development Association.

Note 2 – Summary of Significant Accounting Policies

- (a) 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 Principle for State, Local, and Tribal Governments, wherein certain types of expenditures are not allowable or are limited to reimbursement.
- (b) Pass-through entity identifying numbers are presented where available.

Note 3 – Subrecipients

Of the federal expenditures presented in the Schedule, Southern Oklahoma Development Association provided federal awards to subrecipients as follows:

Program Name	CFDA Number	Subrecipient Number	Amount Provided To Subrecipient
Southern Oklahoma Nutrition Program	93.044	00-01	174,738
	93.045	00-01	1,224,644
	93.043	00-01	23,291
	93.053	00-01	237,928
Subtotal Pass Through to Southern Oklahoma Nutrition Program			<u>1,660,601</u>
Legal Aid Services of Oklahoma, Inc.	93.044	00-02	53,000
Big Five Community Services, Inc.	93.052	00-04	164,434
INCA Community Services, Inc.	93.044	00-05	64,267
Subtotal Pass Through to other programs			<u>281,701</u>
Total Pass Through			<u><u>\$ 1,942,302</u></u>

Southern Oklahoma Development Association
 Schedule of Findings and Questioned Costs
 June 30, 2012

Section I – Summary of Auditor’s Results

Financial Statement:

Type of audit report:	Unqualified Opinion
Internal control over financial reporting:	
Material weakness(es) identified?	<u> X </u> Yes <u> </u> No
Significant Deficiency(ies) identified that are not considered to be material weaknesses?	<u> </u> Yes <u> X </u> No
Noncompliance material to financial statement	<u> </u> Yes <u> X </u> No

Federal Awards:

Internal control over major program:	
Material weakness(es) identified?	<u> </u> Yes <u> X </u> No
Significant Deficiency(ies) identified that are not considered to be material weaknesses?	<u> X </u> Yes <u> </u> No
Type of auditors' report issued on compliance for major programs:	Unqualified Opinion
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	<u> </u> Yes <u> X </u> No

Identification of Major Programs:

<u>CFDA Numbers</u>	<u>Name of federal Program or Cluster</u>
93.044, 93.045, 93.053	Aging Cluster

Dollar threshold used to distinguish between Type A and Type B programs:	\$ 300,000
Auditee qualified as a low-risk auditee?	<u> </u> Yes <u> X </u> No

Southern Oklahoma Development Association
Schedule of Findings and Questioned Costs
June 30, 2012

Section II – Finding related to the Financial Statements

2012 – 1 Material Adjustments

Condition: Material Adjustments were required to properly state beginning fund balance.

Criteria: Fund Balances should roll properly each year, no entries should be made to fund balance during the year.

Effect: Risk of misstatement of fund balance and other accounts

Cause: Prior entry related to fixed assets was not made in the Fixed Asset fund thus when the General fund was adjusted for the current year activity, the prior entry was grouped in with current year activity thus causing fund balance to out of balance with fiscal year 2011 audited fund balance.

Recommendation: We recommend fund balance to be reconciled to the prior year audit to determine if all transactions have been properly accounted for during the fiscal year.

Response: Management recognizes the need to reconcile fund balance so it rolls properly. More emphasis will be placed on this process.

Section III – Findings and Questioned Costs for Major Federal Awards

U.S Department of Health and Human Services

2012 – 2 Aging Cluster – CFDA No. 93.044 and 93.045 Grant period – Year ended June 30, 2012

Condition: SODA does not have a property and equipment policy that describes how property acquired with federal funds should be identified, tracked, and disposed of in accordance with federal guidelines.

Criteria: OMB circular A-102 and A-110 require federal fund recipients to maintain management standards for equipment acquired with federal funds. Equipment records shall include: description of equipment, manufacture serial and model number, source of the equipment with award number, location and condition of equipment, unit acquisition cost, and ultimate disposition data.

Context: Through inquiry required by the federal compliance supplement, no written policy or documented procedures could be provided that incorporate the above compliance requirements.

Effect: Controls are not in place to accurately manage federal acquired equipment.

Cause: Policies, procedures, and controls are necessary for successful accomplishment of grant compliance criteria. Without a procedures and controls over equipment purchased with federal funds, grant funds could be misused and/or misstated.

Recommendation: We recommend that SODA develop a policy for managing all property

Southern Oklahoma Development Association
Schedule of Findings and Questioned Costs
June 30, 2012

Response: and equipment that is in compliance with all federal requirements.
Management will develop a policy regulating acquisition and disposal of capital assets by the end of the current fiscal year that complies with all federal requirements.

Southern Oklahoma Development Association
Summary Schedule of Prior Audit Findings
June 30, 2012

U.S Department of Health and Human Services

2011 – 4 Aging Cluster – CFDA No. 93.044 and 93.045 Grant period – Year ended June 30, 2011

Condition:	This finding was a significant deficiency stating that a property and equipment policy that describes how property acquired with federal funds should be identified, tracked, and disposed of in accordance with federal guidelines does not exist.
Recommendation:	The auditor recommended that a policy be developed for managing all property and equipment that is in compliance with all federal requirements.
Current Status:	A policy for properly tracking property and equipment in accordance with federal guidelines is not yet in use. Finding is repeated for current year.