

**SOUTHERN OKLAHOMA DEVELOPMENT ASSOCIATION**  
Financial Statements  
Year-End: June 30, 2013

RHJ

Southern Oklahoma Development Association  
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For the Fiscal Year Ended June 30, 2013

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## **INTRODUCTORY**

Southern Oklahoma Development Association

**List of Elected and Appointed Officials**

June 30, 2013

Elected Officials

Shon Richardson  
Phil Scoggin  
Jay Perry

President  
Vice President  
Secretary/Treasurer

Appointed Officials

Tommy Shepard  
Jon McCormick  
Cecil Mackey  
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

### **Report on the Financial Statements**

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, 2013, and the related notes to the financial statements, which collectively comprise SODA'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 accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also

**100 E Street S.W., Suite 200 | Ardmore, OK 73401**

Telephone (580) 223-6454 | FAX 1-800-858-9329

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 positions of the governmental activities, each major fund, and the aggregate remaining fund information of Southern Oklahoma Development Association, as of June 30, 2013, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 10 through 14 and 38 through 40 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

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 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

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.

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

In accordance with *Government Auditing Standards*, we have issued our report dated March 3, 2014 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* in considering SODA's internal control over financial reporting and Compliance.

*Rahhal Henderson Johnson, PLLC*

Ardmore, Oklahoma  
March 3, 2014

**Southern Oklahoma Development Association  
Management's Discussion and Analysis (Unaudited)  
June 30, 2013**

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, 2013. 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 24 through 25.

**Financial Highlights**

With respect to the government-wide financial statements:

The assets of SODA exceeded its liabilities at June 30, 2013 by \$2,144,723 (*net position*). Of this amount, \$1,422,101 (*unrestricted net position*) 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, 2013, SODA's governmental funds reported combined ending fund balances of \$1,611,920 an increase of \$66,482 from the prior year. The unassigned balance is *available for spending* at the entity's discretion (*unassigned fund balance*).

At June 30, 2013, unassigned fund balance for the general fund was \$1,452,792, or 496 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, 2013**

***Government-wide financial statements.*** The *government-wide financial statements* include the statement of net position 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 position* presents information on all of SODA's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position 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 position changed during the year ending June 30, 2013. All changes in net position 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 16-17 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, 2013**

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 18-19 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 23-36 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 38-40 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 42-45 of this report.

### **Government-wide Financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of SODA, assets exceeded liabilities by \$2,144,723 at the close of the most recent fiscal year. The comparison of net position from year to year serves to measure financial position

**Southern Oklahoma Development Association  
Management's Discussion and Analysis (Unaudited)  
June 30, 2013**

	<u>Governmental Activities</u>	
	<u>2012</u>	<u>2013</u>
Current and other assets	\$3,583,392	\$3,545,352
Capital assets	<u>578,864</u>	<u>563,719</u>
Total assets	<u>4,162,756</u>	<u>4,109,071</u>
Current liabilities	2,038,452	1,933,435
Long-term liabilities	<u>29,696</u>	<u>30,913</u>
Total liabilities	<u>2,068,148</u>	<u>1,964,348</u>
Net Position		
Invested in capital assets	578,864	563,718
Restricted by Grantors and Contributors	220,019	158,904
Unrestricted	<u>1,295,725</u>	<u>1,422,101</u>
Total Net Position	<u>\$ 2,094,608</u>	<u>\$ 2,144,723</u>

**Governmental activities**

The following schedule compares revenues and expenses of SODA for the current and prior fiscal year. Total revenues decreased 0.2 percent over last year. Approximately 90% of SODA's total revenues come from operating contributions and grants. Total expenses decreased 1.6 percent over last year.

	<u>Governmental Activities</u>	
	<u>2012</u>	<u>2013</u>
Revenues		
Program revenues:		
Charges for services	\$ 405,107	\$ 411,777
Operating grants and contributions	3,981,707	3,981,552
General revenues:		
Interest	16,043	3,579
Gain (Loss) on sale of assets	<u>1,021</u>	<u>-</u>
Total revenues	<u>\$ 4,403,878</u>	<u>\$ 4,396,908</u>
Expenses:		
General government	279,017	275,645
Health and welfare	388,277	381,636
Culture and recreation	11,210	9,220
Public safety	104,291	54,208
Pass thru expenses	3,302,169	3,306,261
Economic development	307,106	306,360
Urban development and housing	<u>26,593</u>	<u>13,460</u>
Total expenses	<u>4,418,663</u>	<u>4,346,790</u>
Increase (Decrease) in net position	(14,785)	50,118
Net position, beginning	<u>2,109,393</u>	<u>2,094,608</u>
Total net position	<u>\$ 2,094,608</u>	<u>\$ 2,144,726</u>

**Southern Oklahoma Development Association  
Management's Discussion and Analysis (Unaudited)  
June 30, 2013**

**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, 2013, SODA's governmental funds reported combined ending fund balances of \$1,611,920, an increase of \$66,509 in comparison with the prior year. Of this amount, \$1,448,740 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, 2013, unassigned fund balance is \$1,452,792. The overall fund balance increased by \$123,318 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, 2013, was \$563,718. This investment includes land, buildings, improvements, equipment and vehicles. The investment in capital assets decreased \$15,146 due to 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. 1<sup>st</sup> Avenue, Durant, Oklahoma 74701.

**BASIC FINANCIAL STATEMENTS**

Southern Oklahoma Development Association  
Statement of Net Position  
June 30, 2013

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Current Assets	
Cash	\$ 2,898,413
Revenue Receivable	634,394
Prepaid Accounts	12,545
Total Current Assets	<u>3,545,352</u>
Noncurrent Assets	
Capital Assets, Not Being Depreciated	37,930
Capital Assets, Being Depreciated	525,789
Total Noncurrent Assets	<u>563,719</u>
Total Assets	<u>4,109,071</u>
<b>LIABILITIES</b>	
Current Liabilities	
Accounts Payable	255,109
Deferred Revenue	1,678,326
Total Current Liabilities	<u>1,933,435</u>
Long Term Liabilities	
Compensated Absences	<u>30,913</u>
Total Liabilities	<u>1,964,348</u>
<b>NET POSITION</b>	
Invested in Capital Assets	563,718
Restricted For REAP	158,901
Unrestricted	1,422,104
Total Net Position	<u><u>\$ 2,144,723</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, 2013

<i>Functions/Programs</i>	<u>Expenses</u>	<u>Program Revenues</u>		Net (Expense)
		Charges for Services	Operating Grants and Contributions	Revenue and Change in Net Assets Governmental Activities
Primary Government				
Governmental Activities				
General Government	\$ 275,645	\$ 118,496	\$ -	\$ (157,149)
Health and Welfare	381,636	-	2,244,750	1,863,114
Culure and Recreation	9,220	-	14,688	5,468
Public Safety	54,208	59,088	10,417	15,297
Pass Thru Expenditures	3,306,261	-	1,589,619	(1,716,642)
Economic Development	306,360	182,890	122,078	(1,392)
Urban Development and Housing	13,460	51,303	-	37,843
Total Governmental Activities	<u>4,346,790</u>	<u>411,777</u>	<u>3,981,552</u>	<u>46,539</u>
General Revenues				
Interest				<u>3,579</u>
Total General Revenues and Special Items				<u>3,579</u>
Change in Net Position				50,118
Net Position - Beginning				2,094,605
Net Position - Ending				<u>\$ 2,144,723</u>

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

Southern Oklahoma Development Association  
Balance Sheet  
Governmental Funds  
June 30, 2013

	General Fund	REAP	SUOA AAA	Other Governmental Funds	Total
<b>Assets</b>					
Cash	\$ 1,338,694	\$ 1,516,749	\$ -	\$ 42,557	\$ 2,898,000
Revenue Receivable	28,151	243,464	243,149	119,630	634,394
Interfund Receivables	114,947	-	-	-	114,947
Prepaid Accounts	12,546	-	-	-	12,546
Total Assets	\$ 1,494,338	\$ 1,760,213	\$ 243,149	\$ 162,187	\$ 3,659,887
<b>Liabilities</b>					
Accounts Payable	\$ 17,988	\$ 8,120	\$ 159,164	\$ 69,422	\$ 254,694
Interfund Accounts Payable	12,432	-	44,156	58,359	114,947
Deferred Revenue	-	1,644,145	-	34,182	1,678,327
Total Liabilities	30,420	1,652,265	203,320	161,963	2,047,968
<b>Fund Balances</b>					
Nonspendable					
Restricted	11,124	107,948	39,829	-	158,901
Unassigned	1,452,794	-	-	224	1,453,018
Total Fund Balances	1,463,918	107,948	39,829	224	1,611,919
Total Liabilities and Fund Balances	\$ 1,494,338	\$ 1,760,213	\$ 243,149	\$ 162,187	
Amounts reported for governmental activities in the statement of net position are different because:					
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the fund.					563,718
Long term liabilities are not due and payable in the current period and, therefore, are not reported in the funds					(30,914)
Net position of governmental activities.					\$ 2,144,723

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, 2013

	General Fund	REAP	SUOA AAA	Other Governmental Funds	Total
<b>REVENUE</b>					
Grants	\$ 1,111	\$ 1,300,518	\$ 2,152,878	\$ 527,046	\$ 3,981,553
Administrative Fee	-	-	-	-	-
Interest	6,058	-	-	-	6,058
Miscellaneous	1,852	-	-	-	1,852
Service Revenue	411,779	-	-	-	411,779
Total Revenue	<u>420,800</u>	<u>1,300,518</u>	<u>2,152,878</u>	<u>527,046</u>	<u>4,401,242</u>
<b>EXPENDITURES</b>					
Current					
General Government	130,545	158,607	-	-	289,152
Health and Welfare	57,911	-	338,745	90,762	487,418
Economic Development	82,797	-	-	36,364	119,161
Culture and Recreation	-	-	-	11,529	11,529
Public Safety	-	-	-	10,901	10,901
Urban Development and Housing	15,636	-	-	85,714	101,350
Pass through Expenditures	-	1,242,856	1,774,304	289,100	3,306,260
Capital Outlay	-	-	-	-	-
General Government	5,830	-	-	3,160	8,990
Health and Welfare	-	-	-	-	-
Economic Development	-	-	-	-	-
Total Expenditures	<u>292,719</u>	<u>1,401,463</u>	<u>2,113,049</u>	<u>527,530</u>	<u>4,334,761</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>128,081</u>	<u>(100,945)</u>	<u>39,829</u>	<u>(484)</u>	<u>66,481</u>
Other Financing Sources					
Transfers In	910,984	-	-	4,760	915,744
Transfers Out	(915,744)	-	-	-	(915,744)
Total Other Financing Sources	<u>(4,760)</u>	<u>-</u>	<u>-</u>	<u>4,760</u>	<u>-</u>
Net Change in Fund Balances	123,321	(100,945)	39,829	4,276	66,481
Fund Balances	<u>1,340,597</u>	<u>208,893</u>	<u>-</u>	<u>(4,052)</u>	<u>1,545,438</u>
Fund Balances - Ending	<u>\$ 1,463,918</u>	<u>\$ 107,948</u>	<u>\$ 39,829</u>	<u>\$ 224</u>	<u>\$ 1,611,919</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, 2013

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

Net change in fund balances - total governmental funds	\$ 66,481
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.	(15,145)
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	<u>(1,218)</u>
Change in net position of governmental activities.	<u><u>\$ 50,118</u></u>

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

Southern Oklahoma Development Association  
Statement of Fiduciary Net Position  
June 30, 2013

	<u>911 Service Fee</u>
Assets	
Cash	<u>\$        414</u>
Total Assets	<u><u>\$        414</u></u>
Liabilities	
Accounts Payable	<u>            414</u>
Total Liabilities	<u><u>            414</u></u>
Net Position	
Total Liabilities and Net Position	<u><u>\$        414</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 Position  
For the Year Ended June 30, 2013

	911 Service Fee
<b>Additions</b>	
Service Fee	\$ 833,774
Total Revenue	833,774
 <b>Deductions</b>	
Amounts paid to	833,774
Total Expenditures	833,774
Change in Net Position	-
Net Position - Beginning	-
Net Position - 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, 2013

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 position 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, 2013

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, 2013

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, 2013

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

**D. Assets, liabilities, and net position 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, 2013

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

**D. Assets, liabilities, and net position 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 position.

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, 2013

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

**D. Assets, liabilities, and net position 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, 2013.

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, 2013.

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, 2013.

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, 2013

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

**D. Assets, liabilities, and net position or equity- continued**

7. *Government-wide Net position*

Government-wide net position 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 position – consist of net position that are restricted by creditors, by the state enabling legislation, by grantors (both federal and state), and by other contributors.
- Unrestricted – all other net position 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 position**

The governmental fund balance sheet includes a reconciliation of the \$532,804 difference between *fund balance - total governmental funds* and *net position - governmental activities* as reported in the government-wide statement of net position.

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	\$ (30,914)
Net adjustment to reduce <i>fund balance - total governmental funds</i> to arrive at <i>net position - governmental activities</i>	<u>\$ (30,914)</u>

Southern Oklahoma Development Association  
Notes to Financial Statements  
June 30, 2013

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 position - 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	687,503
Less Accumulated Depreciation	<u>(161,714)</u>
Net adjustment to increase <i>fund balance</i> to arrive at <i>net position - governmental activities</i>	<u><u>\$ 563,719</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 \$16,363 difference between *net changes in fund balances - total governmental funds* and *changes in net position 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	\$ 8,990
Depreciation Expense	<u>(24,135)</u>
	<u><u>\$ (15,145)</u></u>

Southern Oklahoma Development Association  
Notes to Financial Statements  
June 30, 2013

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>\$ (1,218)</u>
Net adjustment to increase <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	<u>\$ (16,363)</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, 2013, SODA is not exposed to custodial credit risk.

Southern Oklahoma Development Association  
Notes to Financial Statements  
June 30, 2013

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, 2013 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	\$ -	\$ 243,464	\$ 243,149	\$ 119,630	\$ 606,243
Other	28,151	-	-	-	28,151
	<u>\$ 28,151</u>	<u>\$ 243,464</u>	<u>\$ 243,149</u>	<u>\$ 119,630</u>	<u>\$ 634,394</u>

**C. Accounts Payable**

Accounts payables as of June 30, 2013 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	\$ -	\$ -	\$ 149,848	\$ 42,675	\$ 192,523
Payroll Taxes & Benefits	15,080	8,029	2,371	1,356	26,836
Other	2,908	92	6,946	25,804	35,750
	<u>\$ 17,988</u>	<u>\$ 8,121</u>	<u>\$ 159,165</u>	<u>\$ 69,835</u>	<u>\$ 255,109</u>

Southern Oklahoma Development Association  
Notes to Financial Statements  
June 30, 2013

IV. DETAILED NOTES ON ALL FUNDS – (continued)

**D. Capital assets**

Capital asset activity for the year ended June 30, 2013, 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	-	-	-	-
Total capital assets, not being depreciated	<u>37,930</u>	<u>-</u>	<u>-</u>	<u>37,930</u>
<i>Capital assets, being depreciated</i>				
Equipment	\$ 152,314	\$ 3,740	\$ 10,723	\$ 145,331
Building	470,393	-	-	470,393
Improvements	31,269	5,250	-	36,519
Vehicles	35,260	-	-	35,260
Total capital assets, being depreciated	<u>689,236</u>	<u>8,990</u>	<u>10,723</u>	<u>687,503</u>
Less Accumulated Depreciation	<u>148,302</u>	<u>24,135</u>	<u>10,723</u>	<u>161,714</u>
Total capital assets, being depreciated, net	<u>540,934</u>	<u>(15,145)</u>	<u>-</u>	<u>525,789</u>
Governmental activities capital assets, net	<u>578,864</u>	<u>(15,145)</u>	<u>-</u>	<u>563,719</u>
<b>Total Primary Government</b>	<b><u>\$ 578,864</u></b>	<b><u>\$ (15,145)</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 563,719</u></b>

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

General government	\$ 18,448
Public safety	454
Health and Welfare	<u>5,233</u>
<b>Total depreciation expense - governmental activities</b>	<b><u>\$ 24,135</u></b>

Southern Oklahoma Development Association  
Notes to Financial Statements  
June 30, 2013

IV. DETAILED NOTES ON ALL FUNDS – (continued)

**E. Interfund Receivables and Payables**

Advances from/to other funds consist of the following at June 30, 2013:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	SUOA AAA	\$ 44,156
	USDOC EDA	-
	OSDA Rural Fire	-
	ODOC SSPD	3,030
	CENA Admin	55,329
	OKDHS Living Choice	298
	OARC Fire Defense	12,134
		<u>\$ 114,947</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, 2013 is as follows:

	Beginning Balance 6/30/12	Additions	Used	Ending Balance 6/30/12	Due within one year
Compensated Absences	<u>\$ 29,696</u>	<u>\$ 1,938</u>	<u>\$ (721)</u>	<u>\$ 30,913</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, 2013 was \$25,985.

Southern Oklahoma Development Association  
Notes to Financial Statements  
June 30, 2013

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.

**J. New GASB Standard**

In Fiscal year 2013, SODA implemented GASB Statement 63, Reporting Deferred Outflows, Deferred Inflows, and Net Position. This statement includes a title change from the “Statement of Net Assets” to “Statement of Net Position”, requires deferred outflows to be reported in a separate section after assets, deferred inflows reported as a separate section after liabilities. Only those items specifically defined by GASB may be reported as deferred outflows or inflows. The only effect on the financial statements for SODA was the change in terminology “net assets” to “net position”.

**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, 2013

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		
<b>REVENUE</b>				
Grants	\$ -	\$ 5,000	\$ -	\$ (5,000)
Administrative Fee	-	-	-	-
Interest	9,600	6,300	6,058	(242)
Miscellaneous	-	-	-	-
Service Revenue	290,868	275,238	241,804	(33,434)
Total Revenue	<u>300,468</u>	<u>281,538</u>	<u>247,862</u>	<u>(33,676)</u>
<b>EXPENDITURES</b>				
Current				
General Government	135,405	128,467	66,927	61,540
Economic Development	128,460	140,285	82,797	57,488
Capital Outlay	-	-	5,830	(5,830)
Total Expenditures	<u>263,865</u>	<u>268,752</u>	<u>155,554</u>	<u>113,198</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>36,603</u>	<u>12,786</u>	<u>92,308</u>	<u>79,522</u>
Other Financing Sources (Uses)				
Transfers In	-	-	907,076	907,076
Transfers Out	(102,408)	(82,381)	(616,065)	(533,684)
Total Other Financing Sources (Uses)	<u>(102,408)</u>	<u>(82,381)</u>	<u>291,011</u>	<u>373,392</u>
Net Change in Fund Balances	(65,805)	(69,595)	383,319	452,914
Fund Balance - Beginning	1,510,050	1,510,050	1,050,016	(460,034)
Fund Balance - Ending	<u>\$ 1,444,245</u>	<u>\$ 1,440,455</u>	<u>\$ 1,433,335</u>	<u>\$ (7,120)</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, 2013

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		
<b>REVENUE</b>				
Grants	\$ 1,273,246	\$ 1,678,246	\$ 1,300,518	\$ (377,728)
Interest Income	10,000	3,000	-	(3,000)
Total Revenue	<u>1,283,246</u>	<u>1,681,246</u>	<u>1,300,518</u>	<u>(380,728)</u>
<b>EXPENDITURES</b>				
Current				
General Government	76,603	66,129	158,607	(92,478)
Pass Through Expenditures	1,155,584	1,623,584	1,242,856	380,728
Capital Outlay				
General Government	-	-	0	-
Total Expenditures	<u>1,232,187</u>	<u>1,689,713</u>	<u>1,401,463</u>	<u>288,250</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>51,059</u>	<u>(8,467)</u>	<u>(100,945)</u>	<u>(92,478)</u>
Other Financing Sources (Uses)				
Transfers In	(18,941)	(8,467)	-	8,467
Transfers Out	-	-	-	-
Total Other Financing Sources (Uses)	<u>(18,941)</u>	<u>(8,467)</u>	<u>-</u>	<u>8,467</u>
Net Change in Fund Balances	32,118	(16,934)	(100,945)	(84,011)
Fund Balance - Beginning	408,140	408,140	208,893	(199,247)
Fund Balance - Ending	<u>\$ 408,140</u>	<u>\$ 391,206</u>	<u>\$ 107,948</u>	<u>\$ (283,258)</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, 2013

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		
<b>REVENUE</b>				
Grants	\$ 2,152,612	\$ 2,152,612	\$ 2,152,878	\$ 266
Miscellaneous	-	-	-	-
Total Revenue	<u>2,152,612</u>	<u>2,152,612</u>	<u>2,152,878</u>	<u>266</u>
<b>EXPENDITURES</b>				
Current				
Health and Welfare	360,874	360,874	338,745	22,129
Pass Through Expenditures	1,791,738	1,791,738	1,774,304	17,434
Capital Outlay	-	-	-	-
Total Expenditures	<u>2,152,612</u>	<u>2,152,612</u>	<u>2,113,049</u>	<u>39,563</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>-</u>	<u>-</u>	<u>39,829</u>	<u>39,829</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	-	-	39,829	39,829
Fund Balance - Beginning	-	-	-	-
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 39,829</u>	<u>\$ 39,829</u>

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

Southern Oklahoma Development Association  
Combining Balance Sheet  
Nonmajor Governmental Special Revenue Funds  
June 30, 2013

	<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>Red River Valley REA</u>	<u>Total</u>
<b>Assets</b>								
Cash	\$ 885	\$ -	\$ 355	\$ -	\$ 34,648	\$ 6,669	\$ -	\$ 42,557
Revenue Receivables	-	224	3,030	116,376	-	-	-	119,630
<b>Total Assets</b>	<u>\$ 885</u>	<u>\$ 224</u>	<u>\$ 3,385</u>	<u>\$ 116,376</u>	<u>\$ 34,648</u>	<u>\$ 6,669</u>	<u>\$ -</u>	<u>\$ 162,187</u>
<b>Liabilities</b>								
Accounts Payable	\$ 885	\$ -	\$ 355	\$ 61,047	\$ 7,085	\$ 50	\$ -	\$ 69,422
Interfund Payables	-	-	3,030	55,329	-	-	-	58,359
Deferred Revenue	-	-	-	-	27,563	6,619	-	34,182
<b>Total Liabilities</b>	<u>885</u>	<u>-</u>	<u>3,385</u>	<u>116,376</u>	<u>34,648</u>	<u>6,669</u>	<u>-</u>	<u>161,963</u>
<b>Fund Balances</b>								
Unassigned	-	224	-	-	-	-	-	224
<b>Total Fund Balances</b>	<u>-</u>	<u>224</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>224</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 885</u>	<u>\$ 224</u>	<u>\$ 3,385</u>	<u>\$ 116,376</u>	<u>\$ 34,648</u>	<u>\$ 6,669</u>	<u>\$ -</u>	<u>\$ 162,187</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, 2013

	USDOC EDA	OSDA Rural Fire	ODOC SSPD	CENA Admin	O4A Fund	AAA Special Projects	Red River Valley REA	Total
<b>REVENUE</b>								
Grants	\$ 85,714	\$ 10,417	\$ 36,364	\$ 293,789	\$ 79,178	\$ 11,584	\$ 10,000	\$ 527,046
Service Revenue	-	-	-	-	-	-	-	-
Total Revenue	<u>85,714</u>	<u>10,417</u>	<u>36,364</u>	<u>293,789</u>	<u>79,178</u>	<u>11,584</u>	<u>10,000</u>	<u>527,046</u>
<b>EXPENDITURES</b>								
Current								
Health and Welfare	-	-	-	-	79,178	11,584	-	90,762
Economic Development	-	-	36,364	-	-	-	-	36,364
Culture and Recreation	-	-	-	11,529	-	-	-	11,529
Public Safety	-	10,901	-	-	-	-	-	10,901
Urban Development and Housing	85,714	-	-	-	-	-	-	85,714
Pass through Expenditures	-	-	-	279,100	-	-	10,000	289,100
Capital Outlay								
General Government	-	-	-	3,160	-	-	-	3,160
Total Expenditures	<u>85,714</u>	<u>10,901</u>	<u>36,364</u>	<u>293,789</u>	<u>79,178</u>	<u>11,584</u>	<u>10,000</u>	<u>527,530</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>(484)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(484)</u>
<b>Other Financing Sources</b>								
Transfers In	-	4,760	-	-	-	-	-	4,760
Transfers Out	-	-	-	-	-	-	-	-
Total Other Financing Sources	<u>-</u>	<u>4,760</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,760</u>
Net Change in Fund Balances	-	4,276	-	-	-	-	-	4,276
Fund Balances - Beginning	-	(4,052)	-	-	-	-	-	(4,052)
Fund Balances - Ending	<u>\$ -</u>	<u>\$ 224</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 224</u>

Southern Oklahoma Development Association  
Combining Balance Sheet  
General Fund  
June 30, 2013

	<u>General Fund</u>	<u>OHFA Housing</u>	<u>Aging &amp; Fund Raising</u>	<u>FEMA</u>	<u>OKDHS Living Choice</u>	<u>OARC Fire Defense</u>	<u>Total</u>
<b>Assets</b>							
Cash	\$ 1,300,424	\$ 40	\$ 9,669	\$ 24,394	\$ -	\$ 4,167	\$ 1,338,694
Revenue Receivables	16,144	-	-	-	-	12,007	28,151
Interfund Receivables	114,947	-	-	-	-	-	114,947
Prepaid Accounts	<u>12,546</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,546</u>
Total Assets	<u>\$ 1,444,061</u>	<u>\$ 40</u>	<u>\$ 9,669</u>	<u>\$ 24,394</u>	<u>\$ -</u>	<u>\$ 16,174</u>	<u>\$ 1,494,338</u>
<b>Liabilities</b>							
Accounts Payable	\$ 10,726	\$ 40	\$ -	\$ 3,055	\$ -	\$ 4,167	\$ 17,988
Interfund Payables	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>298</u>	<u>12,134</u>	<u>12,432</u>
Total Liabilities	<u>10,726</u>	<u>40</u>	<u>-</u>	<u>3,055</u>	<u>298</u>	<u>16,301</u>	<u>30,420</u>
<b>Fund Balances</b>							
Nonspendable	11,124						11,124
Unassigned	<u>1,422,211</u>	<u>-</u>	<u>9,669</u>	<u>21,339</u>	<u>(298)</u>	<u>(127)</u>	<u>1,452,794</u>
Total Fund Balances	<u>1,433,335</u>	<u>-</u>	<u>9,669</u>	<u>21,339</u>	<u>(298)</u>	<u>(127)</u>	<u>1,463,918</u>
Total Liabilities and Fund Balances	<u>\$ 1,444,061</u>	<u>\$ 40</u>	<u>\$ 9,669</u>	<u>\$ 24,394</u>	<u>\$ -</u>	<u>\$ 16,174</u>	<u>\$ 1,494,338</u>

Southern Oklahoma Development Association  
Combining Statement Revenues, Expenditures and Changes in Fund Balance  
General Fund  
For the Year Ended June 30, 2013

	General Fund	OHFA Housing	Aging & Fund Raising	FEMA	OKDHS Living Choice	OARC Fire Defense	Total
<b>REVENUE</b>							
Grants	\$ -	\$ -	\$ -	\$ -	\$ 1,111	\$ -	\$ 1,111
Interest	6,058	-	-	-	-	-	6,058
Miscellaneous	-	-	1,852	-	-	-	1,852
Service Revenue	241,804	51,304	-	59,088	-	59,583	411,779
Total Revenue	<u>247,862</u>	<u>51,304</u>	<u>1,852</u>	<u>59,088</u>	<u>1,111</u>	<u>59,583</u>	<u>420,800</u>
<b>EXPENDITURES</b>							
<b>Current</b>							
General Government	66,927	-	-	-	-	63,618	130,545
Health and Welfare	-	-	1,513	55,349	1,049	-	57,911
Economic Development	82,797	-	-	-	-	-	82,797
Urban Development and Housing	-	15,636	-	-	-	-	15,636
<b>Capital Outlay</b>							
General Government	5,830	-	-	-	-	-	5,830
Total Expenditures	<u>155,554</u>	<u>15,636</u>	<u>1,513</u>	<u>55,349</u>	<u>1,049</u>	<u>63,618</u>	<u>292,719</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>92,308</u>	<u>35,668</u>	<u>339</u>	<u>3,739</u>	<u>62</u>	<u>(4,035)</u>	<u>128,081</u>
<b>Other Financing Sources</b>							
Transfers In	907,076	-	-	-	-	3,908	910,984
Transfers Out	(616,065)	(299,679)	-	-	-	-	(915,744)
Total Other Financing Sources	<u>291,011</u>	<u>(299,679)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,908</u>	<u>(4,760)</u>
Net Change in Fund Balances	383,319	(264,011)	339	3,739	62	(127)	123,321
Fund Balances - Beginning	1,050,016	264,011	9,330	17,600	(360)	-	1,340,597
Fund Balances - Ending	<u>\$ 1,433,335</u>	<u>\$ -</u>	<u>\$ 9,669</u>	<u>\$ 21,339</u>	<u>\$ (298)</u>	<u>\$ (127)</u>	<u>\$ 1,463,918</u>

**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*

Board of Directors  
Southern Oklahoma Development Association  
Durant, Oklahoma

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of 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, 2013, which collectively comprise Southern Oklahoma Development Association's basic financial statements and have issued our report thereon dated March 3, 2014.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Southern Oklahoma Development Association'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 Southern Oklahoma Development Association's internal control. Accordingly, we do not express an opinion on the effectiveness of Southern Oklahoma Development Association's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **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*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Rahhal Henderson Johnson, PLLC*

Ardmore, Oklahoma  
March 3, 2014



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

**Report on Compliance for Each Major Program**

We have audited Southern Oklahoma Development Association's compliance with the types of compliance requirements described in the OMB Circular A- 133 Compliance Supplement that could have a direct and material effect on each of Southern Oklahoma Development Association's major federal programs for the year ended June 30, 2013. 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.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contract, and grants applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of Southern Oklahoma Development Association's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about 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 on compliance for each major federal program. However, our audit does not provide a legal determination of Southern Oklahoma Development Association's compliance.

### **Opinion on Each Major Federal Program**

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, 2013.

### **Report on 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 and correct, 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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Rahhal Henderson Johnson, PLLC*

Ardmore, Oklahoma  
March 3, 2014

Southern Oklahoma Development Association  
Schedule of Expenditure of Federal and State Awards  
For Year Ended June 30, 2013

Federal Grantor/Pass- Through Grantor Program Title	Federal CFDA Number	Pass-Through Grantor's Project Number	Award Amount	(Accrued) Deferred Revenue 6/30/2012	Add Program Receipts (net)	Cash Match	Less Federal Expenditures	(Accrued) Deferred Revenue 6/30/2013
<u>U.S. Department of Commerce direct programs:</u>								
Economic Development District Planning Investment	11.302	08-83-04676	\$ 180,000	\$ (10,000)	\$ 70,000	\$ 25,714	\$ 85,714	\$ -
Subtotal U.S. Department of Commerce direct programs			<u>180,000</u>	<u>(10,000)</u>	<u>70,000</u>	<u>25,714</u>	<u>85,714</u>	<u>-</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	(103)	1,111	-	1,049	(41)
<u>Oklahoma Department of Human Services Aging Services Division</u>								
Disease Prevention and Health Promotion Services - Title III part D	93.043	34073004	17,709	322	17,709	-	18,031	-
National Family Caregiver Support - Title III part E	93.052	34073004	126,606	20,483	125,373	2,211	165,214	(17,147)
Programs for Prevention of Elder Abuse, Neglect, and Exploitation- Title VII, chapter 3	93.041	34073004	4,368	406	3,997	385	5,159	(371)
<u>Aging Cluster:</u>								
Grants for Supportive Services and Senior Centers - Title III part B	93.044	34074004	293,363	17,055	276,593	9,873	344,804	(41,283)
Nutrition Services - Title III part C -1	93.045	34074004	353,804	42,643	353,804	6,487	402,934	-
Nutrition Services - Title III part C -2	93.045	34074004	177,712	10,077	177,712	3,105	190,894	-
Nutrition Services Incentive Program - Cash in Lieu of Commodity	93.053	34074004	202,254	8,530	202,254	-	210,784	-
Subtotal Aging Cluster			<u>1,027,133</u>	<u>78,305</u>	<u>1,010,363</u>	<u>19,465</u>	<u>1,149,416</u>	<u>(41,283)</u>
Subtotal U.S. Department of Health and Human Services			<u>1,182,316</u>	<u>99,413</u>	<u>1,158,553</u>	<u>22,061</u>	<u>1,338,869</u>	<u>(58,842)</u>
Total federal awards			<u>1,362,316</u>	<u>89,413</u>	<u>1,228,553</u>	<u>47,775</u>	<u>1,424,583</u>	<u>(58,842)</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, 2013

Federal Grantor/Pass- Through Grantor Program Title State Awards	Federal CFDA Number	Pass-Through Grantor's Project Number	Award Amount	(Accrued) Deferred Revenue 6/30/2012	Add Program Receipts (net)	Cash Match	Less Federal Expenditures	(Accrued) Deferred Revenue 6/30/2013
<u>Oklahoma Insurance Department</u>								
Centers for Medical and Medicaid Services (CMS) Research, Demonstrations and Evaluations	93.779	1N0CMS020203-18-01	\$ 11,447	\$ 6,755	\$ 11,447	\$ -	\$ 11,584	\$ 6,618
Subtotal Oklahoma Insurance Department			<u>11,447</u>	<u>6,755</u>	<u>11,447</u>	<u>-</u>	<u>11,584</u>	<u>6,618</u>
<u>Oklahoma Department of Human Services Aging Services Division</u>								
Programs for Prevention of Elder Abuse, Neglect, and Exploitation- Title VII, chapter 3	93.041	8309013923	770	72	705	-	842	(65)
Disease Prevention and Health Promotion Services - Title III part D	93.043	8309013923	3,125	57	3,125	-	3,182	-
Grants for Supportive Services and Senior Centers - Title III part B	93.044	8309013923	182,098	24,452	107,537	-	145,068	(13,079)
Nutrition Services - Title III part C -1	93.045	8309013923	196,197	24,055	205,483	-	242,103	(12,565)
Nutrition Services - Title III part C -2	93.045	8309013923	542,065	24,633	547,027	-	574,684	(3,024)
National Family Caregiver Support - Title III part E	93.052	8309013923	42,327	6,828	35,405	-	47,950	(5,717)
Subtotal Oklahoma Department of Human Services Aging Services Division			<u>966,582</u>	<u>80,097</u>	<u>899,282</u>	<u>-</u>	<u>1,013,829</u>	<u>(34,450)</u>
Total state awards			<u>978,029</u>	<u>86,852</u>	<u>910,729</u>	<u>-</u>	<u>1,025,413</u>	<u>(27,832)</u>
Total federal and state awards			<u>2,340,345</u>	<u>176,265</u>	<u>2,139,282</u>	<u>47,775</u>	<u>2,449,996</u>	<u>(80,056)</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, 2013

**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, 2013. 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 position, 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	154,149
	93.045	00-01	1,193,054
	93.043	00-01	202,254
	93.053	00-01	20,834
Subtotal Pass Through to Southern Oklahoma Nutrition Program			1,570,291
Legal Aid Services of Oklahoma, Inc.	93.044	00-02	26,522
Big Five Community Services, Inc.	93.052	00-04	125,973
INCA Community Services, Inc.	93.044	00-05	51,518
Subtotal Pass Through to other programs			204,013
Total Pass Through			\$ 1,774,304

Southern Oklahoma Development Association  
 Schedule of Findings and Questioned Costs  
 June 30, 2013

Section I – Summary of Auditor’s Results

Financial Statement:

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

Federal Awards:

Internal control over major program:	
Material weakness(es) identified?	_____ Yes <u>  X  </u> No
Significant Deficiency(ies) identified that are not considered to be material weaknesses?	_____ Yes <u>  X  </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?	_____ 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?	_____ Yes <u>  X  </u> No

Southern Oklahoma Development Association  
Schedule of Findings and Questioned Costs  
June 30, 2013

Section II – Finding related to the Financial Statements

None identified

Section III – Findings and Questioned Costs for Major Federal Awards

None identified

Southern Oklahoma Development Association  
Summary Schedule of Prior Audit Findings  
June 30, 2013

**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:	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 now in place and in practice. Finding is not repeated for current year.