



June 30, 2012

South Western Oklahoma
Development Authority

Audit Report



South Western Oklahoma Development Authority
Report on Audit of Financial Statements
June 30, 2012

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Ronald C. Cottrell, CPA

Independent Auditor's Report

October 31, 2012

Board of Trustees
South Western Oklahoma Development Authority
Burns Flat, Oklahoma

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the South Western Oklahoma Development Authority, as of and for the year ended June 30, 2012, which collectively comprise the South Western Oklahoma Development Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the South Western Oklahoma Development Authority's management. 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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the South Western Oklahoma Development Authority's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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 previously present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the South Western Oklahoma Development Authority, as of June 30, 2012, and the respective changes in financial position and, where applicable, cash flows 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 also issued our report dated October 31, 2012, on our consideration of the South Western Oklahoma Development Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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.

Ronald C. Cottrell, CPA

Accounting principles generally accepted in the United State of America require that management's discussion and analysis on pages 3-9 and budgetary comparison information 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 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 response 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. The South Western Oklahoma Development Authority has not presented the budgetary comparison information for the general fund and major special revenue funds that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be a part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the South Western Oklahoma Development Authority's basic financial statements. The accompanying combining and individual non-major fund financial statements and the schedules of expenditures of federal and state awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates 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 combining and individual non-major fund financial statements and the schedules of expenditures of federal and state awards are fairly stated in all material respects in relation to the financial statements taken as a whole.

Ronald C. Cottrell, CPA

South Western Oklahoma Development Authority
Management's Discussion and Analysis
June 30, 2012

The following discussion and analysis of South Western Oklahoma Development Authority's (SWODA) financial performance provides an overview of SWODA's financial activities for the year ended June 30, 2012. Please read it in conjunction with SWODA's financial statements.

FINANCIAL HIGHLIGHTS

- ❖ The assets of South Western Oklahoma Development Authority exceeded its liabilities at the close of the year by \$ 2,954,687 (net assets). Of this amount, \$ 1,713,845 (unrestricted net assets) may be used to meet the government's ongoing obligations to members and creditors.
- ❖ As of the close of the current year the South Western Oklahoma Development Authority's governmental funds reported ending fund balance of \$ 2,802,999. Approximately \$ 2,233,998 is available for spending at the government's discretion (assigned and unassigned fund balance).

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to South Western Oklahoma Development Authority's basic financial statements. SWODA'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.

This discussion and analysis of South Western Oklahoma Development Authority's annual audited financial statements, is required by Governmental Accounting Standards Board (GASB), Statement No. 34. The intent of this discussion is to give management's view and analysis of significant financial activities affecting the government during the fiscal year, along with comparative analysis of the government's financial activities from prior years.

Government-wide financial statements

The government-wide financial statements are designed to provide readers with a broad view of South Western Oklahoma Development Authority's finances, in a manner similar to a private-sector business.

The Statement of Net Assets

The statement of net assets presents information on all of South Western Oklahoma Development Authority's assets and liabilities, with the difference between the two reported as net assets. You can think of SWODA's net assets as one way to measure the government's financial health, or financial position. Over time, increases or decreases in the government's net assets are one indicator of whether its financial health is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in Federal or State funding formulas, changes in law, stature of elected officials, and the health of local, state, and federal economies, to assess the overall health of SWODA.

See disclaimer in accompanying Independent Auditor's Report.

The Statement of Activities

The statement of activities presents information showing how SWODA's net assets changed during the most recent fiscal year. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. 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., accounts receivable and earned but unused vacation leave).

In the *Statement of Net Assets* and the *Statement of Activities*, we divide the financial activities of South Western Oklahoma Development Authority into two types:

Governmental activities—Most of SWODA's basic services and programs are reported here, including general government, Employment & Training, Area Agency on Aging, Rural Economic Action Plan, and various local community development contracts. Contracts with members and other governmental entities, as well as state and federal grants finance most of these activities.

Business-type activities—SWODA charges fees to non-members (customers) for services and facilities to help cover all or a part of the cost of providing those services and maintaining facilities. SWODA's airpark operations, regional tub grinding service, and a facility maintenance contract for the Oklahoma Spaceport are included in these activities.

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. The South Western Oklahoma Development Authority, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with funding restrictions and other legal requirements. All of the funds of the South Western Oklahoma Development Authority can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds—Most of SWODA's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. The governmental fund statements provide a detailed short-term view of SWODA's general operations and the basic services it provides. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's short-term financial decisions. 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.

SWODA maintains numerous individual governmental funds; however, data from the various governmental funds are combined into a single, aggregated presentation. Information is presented for the combined funds in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances. Analysis of some significant individual fund data for these governmental funds is provided later in this report.

Proprietary funds—Enterprise funds (a component of proprietary funds) are used to report the same functions presented as business-type activities in the government-wide financial statements. SWODA uses enterprise funds to account for its Clinton-Sherman Industrial Airpark operations, and the tub grinder operation.

Fiduciary funds—Fiduciary funds are used to report assets held in a trustee or agency capacity for others and which therefore cannot be used to support the government's own programs. SWODA acts as a fiduciary agent for the Oklahoma Association of Regional Councils.

The Organization As A Whole

Net Assets

As noted earlier, net assets may serve over time as a useful indicator of South Western Oklahoma Development Authority's financial position. For the year ended June 30, 2012, SWODA's net assets decreased by \$ 140,600 (5%) to \$ 2,954,687. Governmental net assets were reduced by slow billing processes in Case Management and Community Development, debt service payments, REAP projects funded with interest earned in prior years, repayment of Revolving Loan Program funds, and depreciation of fixed assets.

Current assets (see Table 1) contain \$ 1,447,294 of Rural Economic Action Plan funds which have been awarded, but for which projects are not yet completed. Deferred revenues, related to these same REAP funds, of \$ 1,393,601 are shown (Table 1) in current liabilities. SWODA has a note payable with USDA Rural Development with a balance of \$ 587,693, which is reflected in long-term liabilities. Listed in assets are Intermediary Re-lending Program loans receivable of \$ 68,231 (net of allowance for doubtful accounts of \$ (22,021), and cash of \$ 483,162, which serve as collateral for the note payable.

Table 1
South Western Oklahoma Development Authority's Net Assets
June 30, 2012 and 2011

	Governmental Activities		Business-Type Activities		Totals	
	2012	2011	2012	2011	2012	2011
Current assets	\$ 4,352,745	\$ 3,910,177	\$ 56,736	\$ 369,436	\$ 4,409,481	\$ 4,279,613
Capital and other	608,320	843,850	85,783	255,756	694,103	1,099,606
Total assets	<u>4,961,065</u>	<u>4,754,027</u>	<u>142,519</u>	<u>625,192</u>	<u>5,103,584</u>	<u>5,379,219</u>
Current liabilities	1,587,085	1,614,494	10,690	546	1,597,775	1,615,040
Long-term liabilities	551,122	661,302	-	7,590	551,122	668,892
Total liabilities	<u>2,138,207</u>	<u>2,275,796</u>	<u>10,690</u>	<u>8,136</u>	<u>2,148,897</u>	<u>2,283,932</u>
Net assets:						
Invested in capital assets, net of related debt	492,674	643,064	85,783	255,756	578,457	898,820
Restricted	662,385	884,421	-	-	662,385	884,421
Unrestricted	<u>1,667,799</u>	<u>950,746</u>	<u>46,046</u>	<u>361,300</u>	<u>1,713,845</u>	<u>1,312,046</u>
Total net assets	<u>\$ 2,822,858</u>	<u>\$ 2,478,231</u>	<u>\$ 131,829</u>	<u>\$ 617,056</u>	<u>\$ 2,954,687</u>	<u>\$ 3,095,287</u>

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, legislation, or other legal restrictions total \$ 1,713,845. An additional portion of SWODA's net assets \$ 662,385 (22%) represents resources that are subject to external restrictions on how they may be used. These restrictions apply to governmental activities such as the Revolving Loan program, Area Agency on Aging, and other grant based programs in which SWODA participates.

Governmental Activities

Total net assets as of June 30, 2011 were \$ 2,478,231. For the year ended June 30, 2012, net assets increased by \$ 344,627 to \$ 2,822,858. Table 2 illustrates the change in net assets due to governmental activities. SWODA's four major governmental programs are displayed to provide additional detail for analysis.

The main cause for the increase in total net assets is due to transfers in from the close out of business type activities.

SWODA's Aging Services activities consist of three separate programs, Area Agency on Aging, Case Management (Advantage services), and the CENA program. Case Management services are provided to elderly residents in the SWODA district who wish to stay at home rather than enter long-term care facilities. During the current year, the decrease in net assets for Aging services is due to a backlog of billing due to turnover in staff.

Table 2
South Western Oklahoma Development Authority's
Governmental Activities
June 30, 2012

	Governmental Activities					
	Workforce Investment	Aging Services	Economic Development	Community Development	All Other Government	Total
Program revenues:						
Charges for services	\$ -	\$ 492,994	\$ 43,240	\$ 182,876	\$ 252,199	\$ 971,309
Grants/contributions	937,670	1,141,099	96,763	1,389,307	95,002	3,659,841
Total revenues	937,670	1,634,093	140,003	1,572,183	347,201	4,631,150
Expenses:						
Direct program expenses	870,164	1,556,903	208,316	1,664,526	388,542	4,688,451
Indirect expense allocation	67,726	127,028	41,069	36,359	36,739	308,921
Total expenses	937,890	1,683,931	249,385	1,700,885	425,281	4,997,372
Changes in net assets:						
Net increase or (decrease)	\$ (220)	\$ (49,838)	\$ (109,382)	\$ (128,702)	\$ (78,080)	\$ (366,222)

Community development activities decreased net assets as of June 30, 2012 by \$ 128,702. Rural Economic Action Program projects that were funded with interest from restricted reserve funds (revenue from previous years) totaled \$ 59,573. Due to reductions in spending at the Federal and State levels, funding for community development programs is on the decline. Therefore, fewer projects administered by SWODA are being funded. In addition, several current projects are long-term in nature (Hazard Mitigation & CIP plans) and are not completed to the billing stage. All of these factors contributed to the decrease in net assets.

Economic development activities decreased net assets by \$ 109,382 due to debt service payments on the IRP loan with USDA and repayment of Revolving Loan Funds to EDA as SWODA continues a gradual liquidation of the loan funds

All other government activities decreased net assets by \$78,080 mostly due to \$55,130 in non-cash depreciation, legal fees related to lawsuits, and interest on long-term debt.

Business-type Activities

The *Statement of Revenues, Expenses, and Changes in Fund Net Assets—Proprietary Funds* shows a combined net loss of (\$ 485,227) for the period versus a net loss of (\$ 80,460) during the period ended June 30, 2011. These funds account for the operation of the Clinton-Sherman Industrial Airpark, and SWODA's regional tub grinding service. The net loss is due to the closeout of operations on the Airpark and subsequent transfer out of funds to governmental activities.

Fund Balance

The *Statement of Revenues, Expenses, and Changes in Fund Balance—Governmental Funds* shows SWODA's total governmental fund balance increased \$ 539,282 since last year primarily resulting from the transfer in of funds from the closeout of Clinton Sherman Industrial Airpark operations.

Budgetary Highlights

As directed by Title 60, Oklahoma Statutes, Sections 176 et seq. SWODA (a public trust) is required to report, at least annually, the budget and financial condition of the trust to its beneficiaries. SWODA's by-laws require that staff "... annually prepare a budget for effective operation of the Authority and submit it for approval of the Trustees." Neither Oklahoma Statutes nor the trust by-laws require a legally binding budget; SWODA's budget is intended to be a guide for management of the trust to follow during day-to-day operations.

SWODA's budgetary process includes various stages. Budgets for most federal and state grants or contracts must be approved by the governmental agency providing funding regardless of board approval. Grant and contract budgets follow award periods, not necessarily the same as SWODA's fiscal year. Management develops annual budgets (and amendments) by department by grouping related grants and contracts for approval by the board of trustees. Staff reports financial activity with budgetary comparisons monthly to the board of trustees.

Compilation of SWODA's budget is based on management design of the Authority (by department) and doesn't necessarily follow a GASB 34 categorization. Due to the nature of SWODA's budgetary process and the complexity of the numerous budget periods, a complete budgetary comparison of SWODA is confusing and of little significance in evaluating the financial management of the trust. All major revisions or variations made to the general government and indirect allocation budgets during the year are approved by the board of trustees and documented in the minutes of the trust.

Capital asset information

As of June 30, 2012, SWODA had \$ 579,225 invested in capital assets, which is a net decrease from the previous year of \$ 324,832. Capital assets include building improvements, computer equipment, software, and furniture. Major capital asset additions during the current year included:

Soffit repairs to Building 420	\$	8,200
Airpark assets were sold at auction		(124,521)

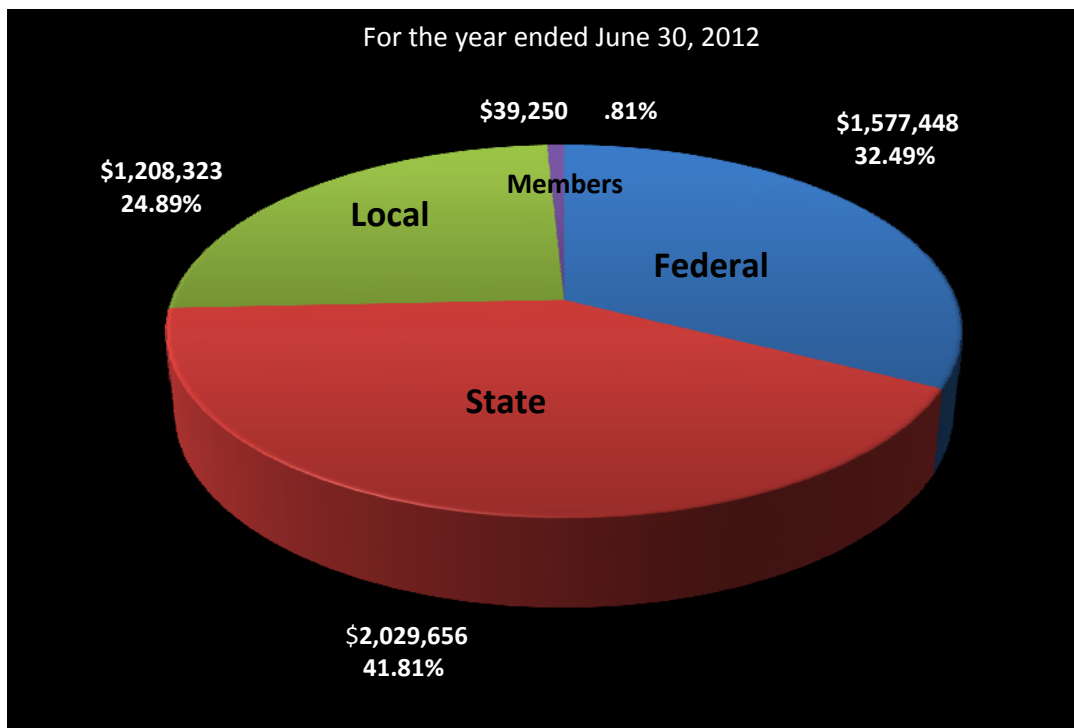
Debt administration

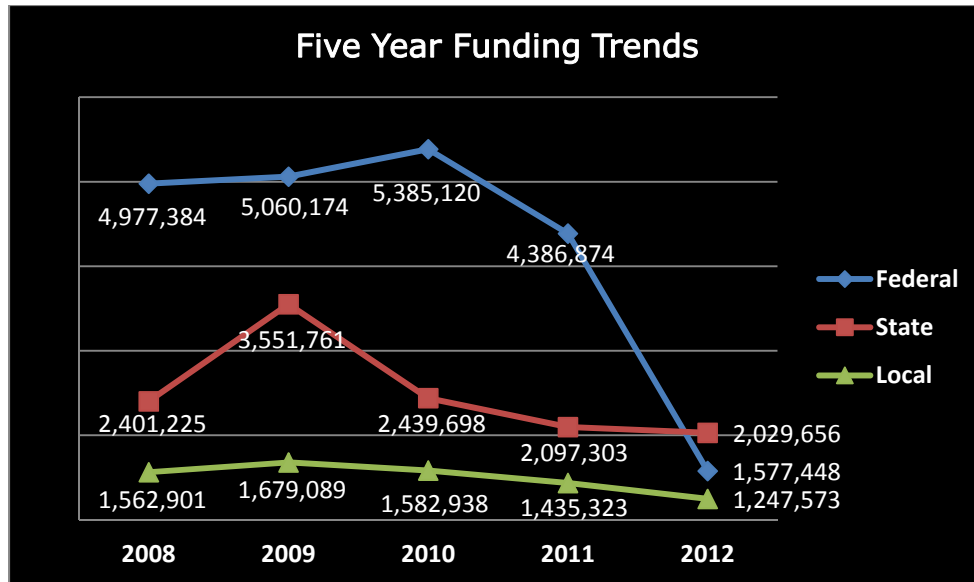
At June 30, 2012, SWODA had notes and capital leases payable of \$ 588,461, which is a decrease in liabilities of \$ 40,875 from the previous year. The major part of this debt is \$ 587,693 payable to USDA Rural Development for the Intermediary Re-lending Program.

The USDA note is a 30-year loan with annual payments of \$ 42,450 and 1% interest, which will be completed in 2027. Capital leases had balances as of June 30, 2012 totaling \$ 768.

Economic factors and funding dependence

The graphs on the following page illustrate SWODA's dependency on State and Federal funding. As noted previously in this discussion, the State and Federal economies influence SWODA's overall health. Revenue shortfalls and subsequent budget reductions pose a risk to SWODA's various government funded grants and contracts. Management has tried to mitigate this risk by building an unrestricted reserve \$1,713,845 and investing resources into strong local programs.





Contacting SWODA's Financial Management

This financial report is designed to provide our members, district residents, government agencies, customers and creditors with a general overview of South Western Oklahoma Development Authority's finances and to show SWODA's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the SWODA Administration office at Building 420 Sooner Drive, Post Office Box 569, Burns Flat, Oklahoma, 73624 or telephone us at 580-562-4882.

Michael Ryburn

MICHAEL RYBURN / Director of Business Development & Finance

South Western Oklahoma Development Authority
Statement of Net Assets
June 30, 2012

	Governmental Activities	Business-Type Activities	Total
Assets			
Current assets:			
Cash and cash equivalents	\$ 1,872,514	\$ 56,736	\$ 1,929,250
Investments	2,000,365	-	2,000,365
Receivables:			
Accounts	630	-	630
Due from other governments	467,918	-	467,918
Inventories	9,450	-	9,450
Prepaid expenses	1,868	-	1,868
Total current assets	<u>4,352,745</u>	<u>56,736</u>	<u>4,409,481</u>
Noncurrent assets:			
Notes receivable (net of allowance for doubtful accounts)	114,878	-	114,878
Capital assets (net of accumulated depreciation)	<u>493,442</u>	<u>85,783</u>	<u>579,225</u>
Total noncurrent assets	<u>608,320</u>	<u>85,783</u>	<u>694,103</u>
Total assets	<u>4,961,065</u>	<u>142,519</u>	<u>5,103,584</u>
Liabilities			
Current liabilities:			
Accounts payable and accrued liabilities	83,947	10,690	94,637
Deferred revenue	1,406,188	-	1,406,188
Current portion of long-term obligations	<u>96,950</u>	<u>-</u>	<u>96,950</u>
Total current liabilities	<u>1,587,085</u>	<u>10,690</u>	<u>1,597,775</u>
Noncurrent liabilities:			
Notes payable	587,693	-	587,693
Capital lease obligations	768	-	768
Accrued compensated absences	59,611	-	59,611
Less: current portion	<u>(96,950)</u>	<u>-</u>	<u>(96,950)</u>
Total noncurrent liabilities	<u>551,122</u>	<u>-</u>	<u>551,122</u>
Total liabilities	<u>2,138,207</u>	<u>10,690</u>	<u>2,148,897</u>
Net assets			
Invested in capital assets, net of related debt	492,674	85,783	578,457
Restricted:			
Contractual	662,385	-	662,385
Unrestricted	<u>1,667,799</u>	<u>46,046</u>	<u>1,713,845</u>
Total net assets	<u>\$ 2,822,858</u>	<u>\$ 131,829</u>	<u>\$ 2,954,687</u>

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

South Western Oklahoma Development Authority
Statement of Activities
Year Ended June 30, 2012

	Program Expenses		Program Revenues	
	Expenses	Indirect Expense Allocation	Charges for Services	Operating Grants and Contributions
Governmental activities:				
General government	\$ 139,964	\$ 9,326	\$ 43,029	\$ -
Workforce investment	870,164	67,726	-	937,670
Aging services	1,556,903	127,028	492,994	1,141,099
Enhanced 911 services	168,775	13,757	209,170	-
Economic development	208,316	41,069	43,240	96,763
Rural fire defense	73,591	13,656	-	95,002
Community development	1,664,526	36,359	182,876	1,389,307
Interest on long-term debt	6,212	-	-	-
Total governmental activities	<u>4,688,451</u>	<u>308,921</u>	<u>971,309</u>	<u>3,659,841</u>
Business-type activities:				
Clinton-Sherman Industrial Airpark	149,150	12,683	-	-
Tub grinder	102,574	3,442	98,800	-
Total business-type activities	<u>251,724</u>	<u>16,125</u>	<u>98,800</u>	<u>-</u>
Total government	<u>\$ 4,940,175</u>	<u>\$ 325,046</u>	<u>\$ 1,070,109</u>	<u>\$ 3,659,841</u>
General revenues:				
Other				
Interest and investment earnings				
Gain (loss) on disposition of assets				
Transfers				
Total general revenues				
Changes in net assets				
Net assets, beginning				
Net assets, ending				

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

Net (Expense) Revenue and Changes in Net Assets

<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
\$ (106,261)	\$ -	\$ (106,261)
(220)	-	(220)
(49,838)	-	(49,838)
26,638	-	26,638
(109,382)	-	(109,382)
7,755	-	7,755
(128,702)	-	(128,702)
(6,212)	-	(6,212)
<u>(366,222)</u>	<u>-</u>	<u>(366,222)</u>
-	(161,833)	(161,833)
-	(7,216)	(7,216)
-	(169,049)	(169,049)
<u>(366,222)</u>	<u>(169,049)</u>	<u>(535,271)</u>
34,100	-	34,100
37,253	1,340	38,593
(36,749)	358,727	321,978
676,245	(676,245)	-
<u>710,849</u>	<u>(316,178)</u>	<u>394,671</u>
344,627	(485,227)	(140,600)
<u>2,478,231</u>	<u>617,056</u>	<u>3,095,287</u>
<u>\$ 2,822,858</u>	<u>\$ 131,829</u>	<u>\$ 2,954,687</u>

South Western Oklahoma Development Authority
Balance Sheet
Governmental Funds
June 30, 2012

	General Fund (Local Government)	Area Agency on Aging	Advantage Case Management
Assets			
Cash and cash equivalents	\$ 807,214	\$ (50,249)	\$ 255,921
Investments	732,561	-	18,693
Receivables:			
Accounts, net of allowance	520	-	-
Due from other governments	-	63,027	27,774
Inventories	9,450	-	-
Total assets	<u>\$ 1,549,745</u>	<u>\$ 12,778</u>	<u>\$ 302,388</u>
Liabilities and fund equity			
Liabilities:			
Accounts payable and accrued expenses	\$ 30,343	\$ 45,299	\$ 2,902
Deferred revenue	-	-	-
Accrued compensated absences	277	5,428	10,754
Total liabilities	<u>30,620</u>	<u>50,727</u>	<u>13,656</u>
Fund balance:			
Nonspendable:			
Inventory	9,450	-	-
Restricted for:			
Contractual	-	-	-
Committed to:	-	-	-
Assigned to:			
Aging services	-	-	288,732
Enhanced 911	-	-	-
Community development	-	-	-
Economic development	-	-	-
Unassigned	1,509,675	(37,949)	-
Total fund balance	<u>1,519,125</u>	<u>(37,949)</u>	<u>288,732</u>
Total liabilities and fund balance	<u>\$ 1,549,745</u>	<u>\$ 12,778</u>	<u>\$ 302,388</u>

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

Intermediary Loan Program	REAP	Employment & Training	Other Governmental Funds	Total Governmental Funds
\$ 483,162	\$ 5,975	\$ (53,465)	\$ 418,788	\$ 1,867,346
-	1,249,111	-	-	2,000,365
-	-	-	110	630
-	192,208	66,800	118,109	467,918
-	-	-	-	9,450
<u>\$ 483,162</u>	<u>\$ 1,447,294</u>	<u>\$ 13,335</u>	<u>\$ 537,007</u>	<u>\$ 4,345,709</u>
\$ -	\$ 28	\$ 69	\$ 4,399	\$ 83,040
-	1,393,601	-	12,587	1,406,188
-	1,535	13,235	22,253	53,482
<u>-</u>	<u>1,395,164</u>	<u>13,304</u>	<u>39,239</u>	<u>1,542,710</u>
-	-	-	-	9,450
483,162	52,130	31	24,228	559,551
-	-	-	-	-
-	-	-	-	288,732
-	-	-	359,359	359,359
-	-	-	257,781	257,781
-	-	-	14,917	14,917
-	-	-	(158,517)	1,313,209
<u>483,162</u>	<u>52,130</u>	<u>31</u>	<u>497,768</u>	<u>2,802,999</u>
<u>\$ 483,162</u>	<u>\$ 1,447,294</u>	<u>\$ 13,335</u>	<u>\$ 537,007</u>	<u>\$ 4,345,709</u>

South Western Oklahoma Development Authority
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Funds
Year Ended June 30, 2012

	General Fund (Local Government)	Area Agency on Aging	Advantage Case Management
Revenues			
Membership dues and assessments	\$ 39,250	\$ -	\$ -
Intergovernmental	-	882,707	-
Charges for services	3,779	-	492,994
Interest	5,449	-	-
Other	33,975	-	-
Match revenue	-	14,374	-
Total revenues	<u>82,453</u>	<u>897,081</u>	<u>492,994</u>
Expenditures			
Current:			
General government	101,915	-	-
Employment and training	-	-	-
Aging services	-	893,137	544,184
Enhanced 911 contracts	-	-	-
Economic development	-	-	-
Rural fire defense	-	-	-
Community development	-	-	-
Debt service - principal	4,469	-	-
Debt service - interest	168	-	-
Capital outlay	1,765	3,944	-
Total expenditures	<u>108,317</u>	<u>897,081</u>	<u>544,184</u>
Excess of revenues over (under) expenditures	(25,864)	-	(51,190)
Other financing sources (uses)			
Principal received on notes receivable	-	-	-
Proceeds from sale of assets	7,215	-	-
Transfers in	1,533,804	-	-
Transfers out	-	-	-
Total other financing sources and uses	<u>1,541,019</u>	<u>-</u>	<u>-</u>
Net change in fund balances	1,515,155	-	(51,190)
Fund balance, beginning	<u>3,970</u>	<u>(37,949)</u>	<u>339,922</u>
Fund balance, ending	<u><u>\$ 1,519,125</u></u>	<u><u>\$ (37,949)</u></u>	<u><u>\$ 288,732</u></u>

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

Intermediary Loan Program	REAP	Employment & Training	Other Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ 39,250
-	1,384,307	867,074	379,842	3,513,930
-	-	-	397,136	893,909
7,187	17,331	-	7,286	37,253
125	-	38,061	75,315	147,476
-	-	70,596	39,089	124,059
<u>7,312</u>	<u>1,401,638</u>	<u>975,731</u>	<u>898,668</u>	<u>4,755,877</u>
-	-	-	-	101,915
-	-	973,368	-	973,368
-	-	-	258,243	1,695,564
-	-	-	176,672	176,672
7,601	-	-	274,254	281,855
-	-	-	87,247	87,247
-	1,461,213	-	230,540	1,691,753
36,406	-	-	-	40,875
6,044	-	-	-	6,212
-	-	2,472	11,884	20,065
<u>50,051</u>	<u>1,461,213</u>	<u>975,840</u>	<u>1,038,840</u>	<u>5,075,526</u>
(42,739)	(59,575)	(109)	(140,172)	(319,649)
18,979	-	-	24,842	43,821
36,850	-	-	95,800	139,865
-	-	-	77,608	1,611,412
-	-	-	(936,167)	(936,167)
<u>55,829</u>	<u>-</u>	<u>-</u>	<u>(737,917)</u>	<u>858,931</u>
13,090	(59,575)	(109)	(878,089)	539,282
<u>470,072</u>	<u>111,705</u>	<u>140</u>	<u>1,375,857</u>	<u>2,263,717</u>
<u>\$ 483,162</u>	<u>\$ 52,130</u>	<u>\$ 31</u>	<u>\$ 497,768</u>	<u>\$ 2,802,999</u>

South Western Oklahoma Development Authority
Reconciliation of Governmental Funds and Government-Wide
Financial Statements
Year Ended June 30, 2012

Total fund balance - governmental funds	\$ 2,802,999
Amounts reported for governmental activities in the statement of net assets are different because:	
Assets used in governmental activities are not financial resources, and therefore, are not reported as assets in the governmental funds.	
Notes receivable	114,878
Capital assets, net of accumulated depreciation	493,442
Long-term liabilities are not due and payable in the current period, and therefore, are not reported as liabilities in the funds. Long-term liabilities consist of:	
Capital lease obligations	(768)
Notes payable	(587,693)
Internal service funds are used to charge the costs of indirect expenses to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets	-
Net assets of governmental activities	<u>\$ 2,822,858</u>
Net change in fund balances - total governmental funds	\$ 539,282
Adjustments for the statement of activities:	
Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful life as depreciation expense.	
Capital asset purchases/dipositions, net	(85,455)
Depreciation expense	(69,404)
Disposition of asset held for investment	(75,000)
Financing transactions with small business entities through the revolving loan funds use current financial resources when new loans are made and provide current financial resources as repayments are received, however, neither transaction has an effect on net assets. The details of this difference are as follows:	
Principal received on notes receivable	(43,821)
Bad debt recoveries	38,150
Another element of that reconciliation states that borrowing (e.g. capital leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. The details of this difference are as follows:	
Debt principal payments	40,875
Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue (expense) of the internal service funds is reported with governmental activities	-
Change in net assets of governmental activities	<u>\$ 344,627</u>

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

Southwestern Oklahoma Development Authority
Statement of Net Assets
Proprietary Funds
June 30, 2012

	Business-Type Activities	
	Enterprise Funds	
	Clinton-Sherman Industrial Airpark	Nonmajor Enterprise Funds
Assets		
Current assets:		
Cash and cash equivalents	\$ -	\$ 56,736
Prepaid expenses	-	-
Total current assets	-	56,736
Noncurrent assets:		
Capital assets (net of accumulated depreciation)	-	85,783
Total noncurrent assets	-	85,783
Total assets	-	142,519
Liabilities		
Current liabilities:		
Accounts payable and accrued liabilities	-	10,690
Total current liabilities	-	10,690
Noncurrent liabilities:		
Accrued compensated absences	-	-
Total noncurrent liabilities	-	-
Total liabilities	-	10,690
Net assets		
Invested in capital assets, net of related debt	-	85,783
Restricted	-	-
Unrestricted	-	46,046
Total net assets	\$ -	\$ 131,829

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

Business-Type Activities	Governmental Activities
Enterprise Funds	Internal Service Funds
Total	Indirect Cost
\$ 56,736	\$ 5,168
-	1,868
56,736	7,036
85,783	-
85,783	-
142,519	7,036
10,690	907
10,690	907
-	6,129
-	6,129
10,690	7,036
85,783	-
-	-
46,046	-
\$ 131,829	\$ -

South Western Oklahoma Development Authority
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
Year Ended June 30, 2012

	Business-Type Activities	
	Enterprise Funds	
	Clinton-Sherman Industrial Airpark	Nonmajor Enterprise Funds
Operating revenues		
Charges for services	\$ -	\$ 98,800
Other	-	-
Total operating revenues	-	98,800
Operating expenses		
General government	-	-
Community development	-	69,234
Clinton-Sherman Industrial Airpark	153,163	-
Depreciation	8,670	36,782
Total operating expenses	161,833	106,016
Operating income (loss)	(161,833)	(7,216)
Nonoperating revenues (expenses)		
Interest earned	1,340	-
Gain (loss) on disposition of assets	358,727	-
Total nonoperating revenues (expenses)	360,067	-
Operating transfers		
Transfers in	-	112
Transfers out	(629,462)	(46,895)
Total operating transfers	(629,462)	(46,783)
Net income (loss)	(431,228)	(53,999)
Net assets, beginning	431,228	185,828
Net assets, ending	\$ -	\$ 131,829

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

Business-Type Activities	Governmental Activities
Enterprise Funds	Internal Service Funds
Total	Indirect Cost
\$ 98,800	\$ -
-	362,231
98,800	362,231
-	362,231
69,234	-
153,163	-
45,452	-
267,849	362,231
(169,049)	-
1,340	-
358,727	-
360,067	-
112	-
(676,357)	-
(676,245)	-
(485,227)	-
617,056	-
\$ 131,829	\$ -

South Western Oklahoma Development Authority
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2012

	Business-Type Activities	
	Enterprise Funds	
	Clinton-Sherman Industrial Airpark	Nonmajor Enterprise Funds
Cash flows from operating activities		
Receipts from customers	\$ -	\$ 120,803
Payments to suppliers	(87,445)	(44,030)
Payments to employees	(56,228)	(15,862)
Net cash provided (used) by operating activities	(143,673)	60,911
Cash flows from noncapital financing activities		
Net operating transfers	(629,462)	(46,783)
Net cash provided (used) by noncapital financing activities	(629,462)	(46,783)
Cash flows from capital and related financing activities		
(Acquisition) disposition of capital assets	483,361	(112)
Net cash provided (used) by capital and related financing activities	483,361	(112)
Cash flows from investing activities		
(Increase) decrease in investments	121,932	-
Interest income	1,340	-
Net cash provided (used) by investing activities	123,272	-
Net increase (decrease) in cash and cash equivalents	(166,502)	14,016
Cash and cash equivalents, beginning	166,502	42,720
Cash and cash equivalents, ending	\$ -	\$ 56,736
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Net operating income (loss)	\$ (161,833)	\$ (7,216)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation and amortization	8,670	36,782
Changes in assets and liabilities:		
(Increase) decrease in receivables	-	22,003
(Increase) decrease in inventories	11,959	-
(Increase) decrease in prepaid expenses	3,655	665
Increase (decrease) accounts payable	(430)	10,573
Increase (decrease) accrued compensated absences	(5,694)	(1,896)
Total adjustments	18,160	68,127
Net cash provided (used) by operating activities	\$ (143,673)	\$ 60,911

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

Business-Type Activities	Governmental Activities
Enterprise Funds	Internal Service Funds
Total	Indirect Cost
\$ 120,803	\$ 362,231
(131,475)	(244,973)
(72,090)	(126,826)
(82,762)	(9,568)
(676,245)	-
(676,245)	-
483,249	-
483,249	-
121,932	-
1,340	-
123,272	-
(152,486)	(9,568)
209,222	14,736
\$ 56,736	\$ 5,168
\$ (169,049)	\$ -
45,452	-
22,003	-
11,959	-
4,320	(1,868)
10,143	(2,128)
(7,590)	(5,572)
86,287	(9,568)
\$ (82,762)	\$ (9,568)

South Western Oklahoma Development Authority
Statement of Net Assets
Fiduciary Funds
June 30, 2012

	<u>Agency Oklahoma Association of Regional Councils</u>
Assets	
Cash and cash equivalents	\$ (42,409)
Receivables:	
Accounts	<u>44,117</u>
Total assets	<u>1,708</u>
Liabilities	
Accrued compensated absences	<u>1,708</u>
Total liabilities	<u>1,708</u>
Net assets	<u><u>\$ -</u></u>

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

South Western Oklahoma Development Authority
Notes to Financial Statements
June 30, 2012

I. Organization

South Western Oklahoma Development Authority (SWODA) was created as a public trust under an indenture dated December 10, 1970, under the provisions of Title 60-05 1961 of the *Oklahoma Trust Act*, the Inter-Local Cooperation Act of the State of Oklahoma; Title 74 *Oklahoma Statutes*, Supplement 1970, Section 1004(F), and other applicable statutes and laws of the State of Oklahoma. Its main offices are located in Burns Flat, Oklahoma. The Authority provides a practical and organized means by which government units and public agencies with the District: Roger Mills, Custer, Beckham, Washita, Greer, Kiowa, Harmon, and Jackson counties; may cooperate and coordinate their efforts to provide services, planning and facilities for their population.

II. Summary of significant accounting policies

A. Reporting entity

The accompanying financial statements present SWODA and its component units, entities for which SWODA is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of SWODA's operations. The Authority's financial statements do not include any discretely presented component units, which would be reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from SWODA.

B. Government-wide and fund 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. Governmental activities, which normally are supported by intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which direct expenses of a given functions or segments are 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. Other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund 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, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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, SWODA 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 are recorded only when payment is due.

Interest associated with the current fiscal period is all considered to be susceptible to accrual and it has been recognized as revenue of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by SWODA.

The Authority reports the following major governmental funds:

The general fund is SWODA's primary operating fund. It accounts for all financial resources of the general government, including revenues and expenditures applicable to the general operations of SWODA.

The AAA fund reports the activities related to a grant from the Oklahoma Department of Human Services for the Area Agency on Aging. It accounts for revenues from federal and state sources and the expenditures thereof related only to that grant.

The Intermediary Relending Program fund reports the activities of loans the Organization has made to small business for economic development purposes.

The REAP funds report the activity related to grants from the Oklahoma State Auditor and Inspector for the Rural Economic Action Plan programs. These funds account for revenues and related expenditures of these funds related to the specific grant and year.

The Employment & Training fund reports activities related to grants through the Oklahoma Employment Security Commission for Workforce Investment Act programs which provide services to youth, adults, and dislocated workers. Activities for the senior community service employment program which provides services to adults 55 and over are also reported here.

Advantage Case Management fund accounts for revenues received from the Oklahoma Health Care Authority for a fee for service.

The Other Governmental Funds account for revenues received from federal and state grants and contracts, and the expenditures, thereof, as governmental funds. Grant and contract revenues and expenditures are segregated in the general ledger accounting system.

The Authority reports the following major proprietary funds:

- Clinton-Sherman Industrial Airpark

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Authority has elected not to follow subsequent private-sector guidance.

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, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all interest.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

D. Assets, liabilities, and net assets or equity

1. Deposits and investments

The Authority's cash and cash equivalents are 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.

State statutes authorize SWODA to invest in obligations of the U.S. Treasury; time deposits with financial institutions, if such deposits are fully insured by federal depository insurance or pledged collateral; and debt securities issued by the State of Oklahoma, an Oklahoma county, school district, or municipality.

Investments for SWODA are reported at fair value.

2. Receivables and payables

Activity 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) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

All trade receivables are shown net of an allowance for uncollectibles. Trade accounts receivable in excess of 90 days comprise the trade accounts receivable allowance for uncollectibles.

3. Inventories and prepaid items

Inventories are valued at cost and consist of expendable supplies held for consumption.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

4. Capital assets

Capital assets, which include improvements, furniture and fixtures, and vehicles and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by SWODA as assets with an initial, individual cost of \$ 1,000 or more 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.

Capital assets are depreciated using the straight line method over the following estimated useful lives:

	Estimated Life (in months)	Salvage (Percent of cost)
Buildings/ improvements	240	0
Building equipment	180	0
Testing equipment	180	0
Heavy equipment	120	10
Appliances	120	5
Furniture	120	5
Printers	120	5
Office equipment	84	5
Network	84	5
Mowing equipment/ trailers	84	5
Vehicles	84	5
Computers/monitors/ computer equipment	60	5
Maintenance equipment	60	5
Laptop computers	36	5
Software	36	0

** Used equipment is depreciated at ½ life of new equipment**

5. Compensated absences

The Authority's policies permit full-time employees to earn vacation leave based on their length of service. The liability for earned but unused vacation is recognized in the financial statements.

6. Long-term obligations

In the government-wide financial statements and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net assets. Debt issuance costs are reported as deferred charges and amortized over the term of the related debt.

7. Fund balances and net assets

Fund balances – Governmental fund balances are classified as nonspendable, restricted, committed, assigned, and unassigned as follows:

- a. *Nonspendable* – includes amounts that cannot be spent because they are either (1) not in spendable form or (2) legally or contractually required to be maintained intact.
- b. *Restricted* – consists of fund balance with constraints placed on the use of resources either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or (2) laws through constitutional provisions or enabling legislation.
- c. *Committed* – includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the city's highest level of decision-making authority. The entity's highest level of decision-making authority is made by ordinance.
- d. *Assigned* – includes amounts that are constrained by the entity's intent to be used for specific purposes but are neither restricted nor committed. Assignments of fund balance may be made by board of trustees action or management decision when the city council has designated that authority.
- e. *Unassigned* – represents fund balance that has not been assigned to other funds and has not been restricted, committed, or assigned to specific purposes within the general fund.

It is the entity's policy to first use restricted fund balance prior to the use of unrestricted fund balance when an expense is incurred for purposes for which both restricted and unrestricted fund balance are available. The entity's policy for the use of unrestricted fund balance amounts require that committed amounts would be reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amount in any of those unrestricted fund balance classifications could be used.

Net assets – Net assets are displayed in three components as follows:

- a. *Invested in capital assets, net of related debt* – consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by outstanding balances of any debt or other borrowings that are attributable to the acquisition, construction, or improvement of these assets.
- b. *Restricted net assets* – consists of net assets with constraints placed on the use either by 1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or 2) law through constitutional provisions or enabling legislation.

- c. *Unrestricted net assets* – all other net assets that do not meet the definitions of “invested in capital assets, net of related debt” or “restricted”.

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

8. Allocation of employee benefits and direct costs

The Authority’s employee benefits and indirect costs are allocated based upon actual expenditures to all grants in accordance with Office of Management and Budget (OMB) Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*. The Authority’s employee benefits are allocated to grant and other projects as a percentage of direct labor costs. Indirect costs necessary to sustain overall operations are allocated as a percentage of total direct labor costs charged to grants and other projects.

III.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 reconciliation 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.”

The details of this difference are as follows:

Capital leases payable	\$ 768
Notes payable	<u>587,693</u>
Net adjustment to reduce fund balance – total governmental funds to arrive at net assets – governmental activities	<u>\$ 588,461</u>

Another difference concerns capital asset reporting. The cost of capital assets, net of accumulated depreciation, is reported on the government-wide statement of net assets, but not in the governmental fund statements since they are not financial resources. The details of this difference are as follows:

Capital assets, net of related accumulated depreciation	<u>\$ 493,442</u>
Net adjustment to increase fund balance – total governmental funds to arrive at net assets – governmental activities	<u>\$ 493,442</u>

A final difference between the governmental fund balance sheet and the government-wide statement of net assets is the assets used in governmental activities which are not financial resources and, therefore, are not reported as assets in the governmental funds. The details of this difference are as follows:

Notes receivable	<u>\$ 114,878</u>
Net adjustment to increase fund balance – total governmental funds to arrive at net assets – governmental activities	<u>\$ 114,878</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 governmental fund statement of revenues, expenditures, and changes in fund balances includes reconciliation 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, and proceeds from disposition of assets as other financing sources. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense and gain (loss) on the disposition of such assets.” The details of these differences are as follows:

Capital asset acquisitions	\$ 15,159
Capital asset dispositions	(100,614)
Depreciation expense	<u>(69,404)</u>
Net adjustment to decrease net changes in fund balances – total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ (154,859)</u>

Another element of that reconciliation states that borrowing (e.g., capital leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. The details of this difference are as follows:

Capital lease principal payments	\$ 4,469
Note principal payments	<u>36,406</u>
Net adjustment to decrease net changes in fund balances – total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ 40,875</u>

Transactions for the revolving loan funds do not have an effect on the statement of activities, while new loans made are reflected as expenditures and payments received on loans are recorded as revenues in the governmental fund financial statements. The details of this difference are as follows:

Principal received on notes receivable	\$ 43,821
Bad debt recoveries	(38,150)
Disposition of other assets held for investment	<u>(75,000)</u>
Net adjustment to increase net changes in fund balances – total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ (69,329)</u>

IV. Stewardship, compliance, and accountability

Budgetary information

The Authority operates each grant program under a budget approved by the funding agency. Not all grant periods coincide with the fiscal year of SWODA. As such, an overall budget to actual comparison has not been presented for the governmental funds.

V. Detailed notes on all funds

A. Deposits and investments

Deposits

SWODA's carrying amount of deposits was \$ 1,929,159 as of June 30, 2012, and the bank balances totaled \$ 2,051,267. Deposits are carried at cost.

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, SWODA's deposits may not be returned to it. SWODA does not have a deposit policy for custodial credit risk. As of June 30, 2012, all of SWODA's bank balance was FDIC insured or collateralized.

Investments

As of June 30, 2012, SWODA had the following investments.

Investment	Maturities	Fair Value
Certificates of deposit	< 1 year	\$ 2,000,365
Total		<u>\$ 2,000,365</u>

Interest Rate Risk. SWODA does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk. State statutes limit investments to the following: a) direct obligations of the U.S. Government, its agencies or instrumentalities; b) collateralized or insured certificates of deposit within the state, and insured certificates only if out of state; c) savings accounts or savings certificates; d) fully collateralized prime banker acceptances, prime commercial paper, repurchase agreements, or SEC regulated money market funds; e) obligations to the payment of which the full faith and credit of the state is pledged; f) county, municipal, or school district and valorem tax funded debt; g) bonds, notes, or money judgments of a county, municipality, or school district; h) revenue anticipation notes of a public trust of which the municipality is beneficiary; or; i) any bond, note, or other debt of any public trust of which the municipality is sole beneficiary, or other entities whose governing boards were appointed by the municipality. SWODA has no investment policy that would further limit its investment choices. As of June 30, 2012, SWODA's investments in certificates of deposit were all federally insured.

Concentration of Credit Risk. SWODA places no limit on the amount it may invest in any one issuer. More than 5% of SWODA's investments are in certificates of deposit. These investments are 100% of SWODA's total investments.

B. Receivables

Accounts Receivable.

Receivables as of June 30, 2012, for the South Western Oklahoma Development Authority's individual major funds, including the applicable allowances for uncollectible accounts, are as follows:

	Governmental Funds						Total
	Local Government	Area Agency On Aging	Employment & Training	REAP	Advantage Case Management	Non Major Governmental	
Receivables:							
Accounts	\$ 520	\$ -	\$ -	\$ -	\$ -	\$ 110	\$ 630
Due from other governments	-	63,027	66,800	192,208	29,574	118,109	469,718
Gross receivables	520	63,027	66,800	192,208	29,574	118,219	470,348
Less: allowance for uncollectibles	-	-	-	-	(1,800)	-	(1,800)
Net receivables	<u>\$ 520</u>	<u>\$ 63,027</u>	<u>\$ 66,800</u>	<u>\$ 192,208</u>	<u>\$ 27,774</u>	<u>\$ 118,219</u>	<u>\$ 468,548</u>

Notes Receivable.

South Western Oklahoma Development Authority also has two revolving loan funds from which loans are made to local businesses for economic development and job creation. The related notes receivable balances are not included in the fund financial statements since they are not considered current resources, but rather are reported as governmental activities in the government-wide financial statements. The notes receivable balances evidenced by these loans were as follows as of June 30, 2012:

	Intermediary Loan Program	EDA Revolving Loan Fund	Total
Notes receivables	\$ 90,252	\$ 114,638	\$ 204,890
Less: allowance for uncollectibles	(22,021)	(67,991)	(90,012)
Net total receivables	<u>\$ 68,231</u>	<u>\$ 46,647</u>	<u>\$ 114,878</u>

C. Capital assets

Capital asset balances and activities for the year ended June 30, 2012, were as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, being depreciated:				
Buildings, land & improvements	\$ 1,240,139	\$ 8,200	\$ (19,047)	\$ 1,229,292
Equipment and furniture	126,789	-	(20,551)	106,238
Computer equipment and software	149,079	6,959	(3,299)	152,739
Vehicles and maintenance equipment	147,116	-	(147,116)	-
Total capital assets, being depreciated	<u>1,663,123</u>	<u>15,159</u>	<u>(190,013)</u>	<u>1,488,269</u>
Less accumulated depreciation for:				
Buildings, land & improvements	(751,970)	(38,091)	12,301	(777,760)
Equipment and furniture	(95,187)	(11,115)	20,301	(86,001)
Computer equipment and software	(121,107)	(13,580)	3,621	(131,066)
Vehicles and maintenance equipment	(46,558)	(6,618)	53,176	-
Total accumulated depreciation	<u>(1,014,822)</u>	<u>(69,404)</u>	<u>89,399</u>	<u>(994,827)</u>
Governmental activities capital assets, net	<u>\$ 648,301</u>	<u>\$ (54,245)</u>	<u>\$ (100,614)</u>	<u>\$ 493,442</u>

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets, being depreciated:				
Equipment and furniture	\$ 4,852	\$ -	\$ (4,852)	\$ -
Vehicles and maintenance equipment	891,842	-	(667,767)	224,075
Total capital assets, being depreciated	896,694	-	(672,619)	224,075
Less accumulated depreciation for:				
Equipment and furniture	(2,851)	(79)	2,930	-
Vehicles and maintenance equipment	(638,087)	(45,374)	545,168	(138,293)
Total accumulated depreciation	(640,938)	(45,453)	548,098	(138,293)
Business-type activities capital assets, net	\$ 255,756	\$ (45,453)	\$ (124,521)	\$ 85,782

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

Governmental activities:	
General government	\$ 55,130
Workforce investment	111
Economic development	6,619
Aging services	1,377
Community development	6,167
Total depreciation expense – governmental activities	<u>\$ 69,404</u>
Business-type activities:	
Airpark	\$ 6,533
Community development	38,920
Total depreciation expense – business-type activities	<u>\$ 45,453</u>

D. Deferred revenue

Deferred revenue represents advances on grants which have not been expended. REAP planning funds have been deferred until required to cover administrative expenses of the program, while REAP project funds are unexpended project funds related to projects not yet completed. Deferred revenue for the year ended June 30, 2012 totaled \$ 1,406,188, and included the following:

	Deferred Revenue June 30, 2012
REAP funds:	
2009 REAP funds	\$ 72,691
2010 REAP funds	88,222
2011 REAP funds	296,831
2012 REAP funds	935,857
Total REAP funds	<u>1,393,601</u>
Other funds:	
2012 Masonic Foundation grant	7,790
EDA 203 district planning	4,797
Total deferred revenue	<u>\$ 1,406,188</u>

E. Long-term debt

Capital Lease Obligations

The Authority has entered into several lease agreements as lessee for financing the acquisition of equipment. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date. The capital lease obligations are as follows:

Governmental activities

The Document Company, Xerox, dated August 1, 2007, in the amount of \$ 20,354, payable in 60 monthly installments of \$ 559, including interest of 5.25%, for a printer/copier.

\$ 768

Assets acquired through capital leases are as follows:

	Governmental Activities
Assets:	
Printer/copier	\$ 20,354
Total assets	20,354
Less: Accumulated depreciation	(20,354)
Net assets	<u>\$ -</u>

Future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2012, were as follows:

Year Ending June 30,	Governmental Activities
2012	\$ 773
2013	-
2014	-
2015	-
2016	-
Total payments	773
Less: interest portion	(5)
Net lease obligations	<u>\$ 768</u>

Notes Payable

Long-term liabilities of the South Western Oklahoma Development Authority as of June 30, 2012, are summarized as follows:

Governmental activities

Notes payable

United States of America through the Rural Business – Cooperative service, an agency of the United States Department of Agriculture, dated May 13, 1997, in the amount of \$ 1,000,000, interest only for the first three years and thereafter annual payments of \$ 42,450 with an interest rate of 1.00%; proceeds to be used for the implementation of the Intermediary Re-lending Program.

\$ 587,693

Total governmental activities

\$ 587,693

Long-term liabilities transactions for the year ended June 30, 2012, and changes therein were as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Governmental activities					
Notes payable - IRP	\$ 624,099	\$ -	\$ (36,406)	\$ 587,693	\$ 36,571
Capital lease obligations	5,237	-	(4,469)	768	768
Total governmental activities	<u>\$ 629,336</u>	<u>\$ -</u>	<u>\$ (40,875)</u>	<u>\$ 588,461</u>	<u>\$ 37,339</u>

Annual debt service requirements to maturity for long-term liabilities are as follows:

Notes payable:

Year Ending June 30,	Governmental Activities	
	Principal	Interest
2013	\$ 36,571	\$ 5,879
2014	36,937	5,513
2015	37,306	5,144
2016	37,679	4,771
2017	38,056	4,394
2018–2022	196,065	16,185
2023–2027	205,079	6,183
Total	<u>\$ 587,693</u>	<u>\$ 48,069</u>

F. Compensated absences

Full-time employees earn vacation of 15 to 20 days per year depending on years of service completed. Up to 25 days may be carried forward to the following year. In accordance with the guidelines set forth by GASB Statement No. 16, *Accounting and Financial Reporting Principles for Claims and Judgments and Compensated Absences*, a provision has been made for accumulated vacation, compensatory time, holiday pay, and sick leave as follows:

Governmental activities:	\$ 59,611
Business-type activities:	-
Total compensated absences	<u>\$ 59,611</u>

Full-time employees are granted sick leave of 12 days per year. Up to 60 days may be carried forward to the following year. Upon separation, no compensation is provided for accrued sick leave.

VI. Other information

A. Risk management

The Authority is exposed to various risks of loss related to torts, property damage, errors and omissions, and personal injury. The Authority has insurance for the major risks for SWODA such as property, general liability, worker's compensation, and unemployment. Commercial insurance is used to cover general liability claims and the risk of loss to SWODA's property and equipment.

B. Contingent liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although SWODA expects such amounts, if any, to be immaterial.

SWODA employees can carryover unused sick leave from one program year to the next. Employees are not compensated for unused sick leave at the time of termination of employment. However, upon retirement, an employee can possibly convert up to 480 hours of unused sick leave to retirement benefits with OPERS to help buy an extra year of benefits. If such a situation exists, then SWODA would pay to OPERS the amount of hours up to 480 hours times the employee's pay rate.

SWODA's contract with the U.S. Air Force for maintenance and fire rescue services ended on March 31, 2011. SWODA's final claim for reimbursement of \$ 117,370 has not been received as of September 18, 2012. An allowance for doubtful accounts in the amount of \$ 117,370 has been recorded to offset the receivable. Additionally, the Air Force has claimed SWODA did not provide the necessary services as required by the contract and has requested that SWODA repay \$ 158,791. SWODA feels that all terms of the contract were fulfilled on its part and should not be requested to repay any funds.

SWODA has not recorded any liability in the accompanying financial statements for the claim from the U.S. Air Force case since it has not been determined what the final liability, if any, might be.

C. Employee retirement system and pension plan

Oklahoma Public Employees Retirement System (OPERS)

Plan Description – The Authority participates in OPERS, a state-wide cost sharing multiple-employer pension system which covers eligible employees of participating organizations that are not covered by other plans. All regular, permanent employees who work 1,000 or more hours in a year are eligible for participation in OPERS. Benefits vest after 8 years of service. Employees who retire at age 62 or after completion of six years of service, if later, are entitled to an annual retirement benefit, payable monthly, equal to 2.0% of final average compensation multiplied by the number of years of credited services. Final average compensation is defined as the average of the three highest years' annual salary out of the last ten calendar years of service.

An employee is eligible for an early retirement benefit once he has attained age 55 and has completed ten years of service. The amount of benefit is determined based on the final average salary and credited service as of the date of termination. If benefit payments are to begin before age 65, the benefit is actuarially reduced. A late retirement benefit is computed in the same manner as a normal retirement based on average salary and credited service as of the termination of employment. A participant who becomes totally and permanently disabled after completion of eight years of service, is entitled to a disability benefit computed as an early retirement benefit based on average salary and service as of the date of disability but without actuarial reduction for payments beginning prior to normal retirement age if the employee is also eligible for a disability benefit from Social Security.

Funding Policy – For the year ended June 30, 2012, employees contributed 5.0% on all compensation, while The Authority's contribution was 15.0% of total compensation. For the year ended June 30, 2012, SWODA's payroll for employees covered by OPERS was

\$ 1,330,752. Employer and employee contributions for the year ended June 30, 2012, were \$ 199,613 and \$ 66,538 respectively.

OPERS does not make separate measurements of assets and pension benefit obligation for individual employers. The actuarial accrued liability at July 1, 2011 as a whole, determined through actuarial valuations performed as of July 1, 2011 using the entry age normal cost method was \$ 8,179,767,661 for the OPERS. The systems' net assets available for benefits on that date (valued at market) were \$ 6,598,627,939 resulting in underfunded pension obligation of \$ 1,581,139,722.

South Western Oklahoma Development Authority
Combining Balance Sheet
REAP
June 30, 2012

	2012 REAP	2011 REAP	2010 REAP	2009 REAP
Assets				
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ (1,475)
Investments	746,636	309,206	110,621	82,648
Receivables:				
Due from other governments	192,208	-	-	-
Total assets	<u>\$ 938,844</u>	<u>\$ 309,206</u>	<u>\$ 110,621</u>	<u>\$ 81,173</u>
Liabilities				
Accounts payable and accrued liabilities	\$ -	\$ -	\$ -	\$ -
Deferred revenue	935,857	296,831	88,222	72,691
Accrued compensated absences	-	-	-	-
Total liabilities	<u>935,857</u>	<u>296,831</u>	<u>88,222</u>	<u>72,691</u>
Fund balances				
Nonspendable:				
Restricted for:				
Contractual	2,987	12,375	22,399	8,482
Committed to:	-	-	-	-
Assigned to:				
Unassigned	-	-	-	-
Total fund balances	<u>2,987</u>	<u>12,375</u>	<u>22,399</u>	<u>8,482</u>
Total liabilities and fund balances	<u>\$ 938,844</u>	<u>\$ 309,206</u>	<u>\$ 110,621</u>	<u>\$ 81,173</u>

<u>2008</u> <u>REAP</u>	<u>2007</u> <u>REAP</u>	<u>2005</u> <u>REAP</u>	<u>Total</u>
\$ 6,374	\$ 1,076	\$ -	\$ 5,975
-	-	-	1,249,111
-	-	-	192,208
<u>\$ 6,374</u>	<u>\$ 1,076</u>	<u>\$ -</u>	<u>\$ 1,447,294</u>

\$ 28	\$ -	\$ -	\$ 28
-	-	-	1,393,601
<u>1,535</u>	<u>-</u>	<u>-</u>	<u>1,535</u>
<u>1,563</u>	<u>-</u>	<u>-</u>	<u>1,395,164</u>

4,811	1,076	-	52,130
-	-	-	-
-	-	-	-
<u>4,811</u>	<u>1,076</u>	<u>-</u>	<u>52,130</u>
<u>\$ 6,374</u>	<u>\$ 1,076</u>	<u>\$ -</u>	<u>\$ 1,447,294</u>

South Western Oklahoma Development Authority
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
REAP
Year Ended June 30, 2012

	2012 REAP	2011 REAP	2010 REAP	2009 REAP
Revenues				
Intergovernmental	\$ 217,390	\$ 791,186	\$ 266,519	\$ 21,735
Interest	2,987	9,135	3,424	1,143
Total revenues	<u>220,377</u>	<u>800,321</u>	<u>269,943</u>	<u>22,878</u>
Expenditures				
Current:				
Community development	217,390	791,186	266,519	42,230
Total expenditures	<u>217,390</u>	<u>791,186</u>	<u>266,519</u>	<u>42,230</u>
Excess of revenues over (under) expenditures	2,987	9,135	3,424	(19,352)
Other financing sources (uses)				
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	2,987	9,135	3,424	(19,352)
Fund balances, beginning	<u>-</u>	<u>3,240</u>	<u>18,975</u>	<u>27,834</u>
Fund balances, ending	<u><u>\$ 2,987</u></u>	<u><u>\$ 12,375</u></u>	<u><u>\$ 22,399</u></u>	<u><u>\$ 8,482</u></u>

2008 REAP	2007 REAP	2005 REAP	Total
\$ 85,143	\$ 2,334	\$ -	\$ 1,384,307
406	236	-	17,331
<u>85,549</u>	<u>2,570</u>	<u>-</u>	<u>1,401,638</u>

<u>126,234</u>	<u>14,657</u>	<u>2,997</u>	<u>1,461,213</u>
<u>126,234</u>	<u>14,657</u>	<u>2,997</u>	<u>1,461,213</u>

(40,685)	(12,087)	(2,997)	(59,575)
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<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
(40,685)	(12,087)	(2,997)	(59,575)
<u>45,496</u>	<u>13,163</u>	<u>2,997</u>	<u>111,705</u>
<u>\$ 4,811</u>	<u>\$ 1,076</u>	<u>\$ -</u>	<u>\$ 52,130</u>

South Western Oklahoma Development Authority
Combining Balance Sheet
Employment & Training
June 30, 2012

	E & T Administrative Cost Pool	WIA 14609 Adult	WIA 14864 Adult	WIA 14939 Adult
Assets				
Cash and cash equivalents	\$ 36	\$ -	\$ -	\$ (19,552)
Receivables:				
Due from other governments	-	-	-	21,700
Total assets	<u>\$ 36</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,148</u>
Liabilities				
Accounts payable and accrued liabilities	\$ 36	\$ -	\$ -	\$ -
Accrued compensated absences	-	-	-	2,148
Total liabilities	<u>36</u>	<u>-</u>	<u>-</u>	<u>2,148</u>
Fund balances				
Nonspendable:				
Restricted for:				
Contractual	-	-	-	-
Committed to:	-	-	-	-
Assigned to:				
Unassigned	-	-	-	-
Total fund balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 36</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,148</u>

WIA 14598 Youth	WIA 14645 Youth	WIA 14620 DLW	WIA 14853 DLW	WIA 14912 DLW	WIA 14928 DLW
\$ -	\$ (14,802)	\$ -	\$ (898)	\$ (283)	\$ (2,470)
-	16,760	-	898	283	8,366
<u>\$ -</u>	<u>\$ 1,958</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,896</u>
\$ -	\$ 33	\$ -	\$ -	\$ -	\$ -
-	1,925	-	-	-	5,896
<u>-</u>	<u>1,958</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,896</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ -</u>	<u>\$ 1,958</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,896</u>

South Western Oklahoma Development Authority
Combining Balance Sheet
Employment & Training
June 30, 2012

	WIA 93838 DLW	SCSEP 95840	SCSEP 95841	Trade Adjustment Assistance
Assets				
Cash and cash equivalents	\$ -	\$ -	\$ (15,496)	\$ -
Receivables:				
Due from other governments	-	-	18,762	31
Total assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,266</u>	<u>\$ 31</u>
Liabilities				
Accounts payable and accrued liabilities	\$ -	\$ -	\$ -	\$ -
Accrued compensated absences	-	-	3,266	-
Total liabilities	<u>-</u>	<u>-</u>	<u>3,266</u>	<u>-</u>
Fund balances				
Nonspendable:				
Restricted for:				
Contractual	-	-	-	31
Committed to:	-	-	-	-
Assigned to:				
Unassigned	-	-	-	-
Total fund balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>31</u>
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,266</u>	<u>\$ 31</u>

<u>Total</u>	
\$	(53,465)
66,800	
\$	<u>13,335</u>
\$	69
	<u>13,235</u>
	<u>13,304</u>
	31
	-
	-
	<u>31</u>
\$	<u>13,335</u>

South Western Oklahoma Development Authority
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Employment & Training
Year Ended June 30, 2012

	E & T Administrative Cost Pool	WIA 14609 Adult	WIA 14864 Adult	WIA 14939 Adult
Revenues				
Intergovernmental	\$ -	\$ 52,201	\$ 10,424	\$ 101,342
Other	38,061	-	-	-
Match revenue	-	-	-	-
Total revenues	<u>38,061</u>	<u>52,201</u>	<u>10,424</u>	<u>101,342</u>
Expenditures				
Current:				
Employment and training	38,061	52,201	10,424	101,342
Total expenditures	<u>38,061</u>	<u>52,201</u>	<u>10,424</u>	<u>101,342</u>
Excess of revenues over (under) expenditures	-	-	-	-
Other financing sources (uses)				
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	-	-	-	-
Fund balances, beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances, ending	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

WIA 14598 Youth	WIA 14645 Youth	WIA 14620 DLW	WIA 14853 DLW	WIA 14912 DLW	WIA 14928 DLW
\$ 56,671	\$ 125,290	\$ 64,853	\$ 28,250	\$ 632	\$ 14,423
-	-	-	-	-	-
-	-	-	-	-	-
<u>56,671</u>	<u>125,290</u>	<u>64,853</u>	<u>28,250</u>	<u>632</u>	<u>14,423</u>
56,671	125,290	64,853	28,250	632	14,423
<u>56,671</u>	<u>125,290</u>	<u>64,853</u>	<u>28,250</u>	<u>632</u>	<u>14,423</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

South Western Oklahoma Development Authority
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Employment & Training
Year Ended June 30, 2012

	WIA 93838 DLW	SCSEP 95840	SCSEP 95841	Trade Adjustment Assistance
Revenues				
Intergovernmental	\$ 2,660	\$ 16,894	\$ 342,039	\$ 51,395
Other	-	-	-	-
Match revenue	-	5,624	64,972	-
Total revenues	<u>2,660</u>	<u>22,518</u>	<u>407,011</u>	<u>51,395</u>
Expenditures				
Current:				
Employment and training	<u>2,660</u>	<u>22,627</u>	<u>407,011</u>	<u>51,395</u>
Total expenditures	<u>2,660</u>	<u>22,627</u>	<u>407,011</u>	<u>51,395</u>
Excess of revenues over (under) expenditures	-	(109)	-	-
Other financing sources (uses)				
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	-	(109)	-	-
Fund balances, beginning	<u>-</u>	<u>109</u>	<u>-</u>	<u>31</u>
Fund balances, ending	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 31</u></u>

<u>Total</u>	
\$	867,074
	38,061
	<u>70,596</u>
	<u>975,731</u>

	<u>975,840</u>
	<u>975,840</u>

(109)

	<u>-</u>
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(109)

	<u>140</u>
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\$	<u><u>31</u></u>
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South Western Oklahoma Development Authority
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2012

	Special Revenue			
	State Appropriations 14769 SS 2012	Enhanced 911	2012 Rural Fire Defense	Community Improvement Projects
Assets				
Cash and cash equivalents	\$ (3,030)	\$ 365,994	\$ (29,110)	\$ (91,394)
Receivables:				
Accounts	-	110	-	-
Due from other governments	3,030	-	11,458	3,575
Total assets	<u>\$ -</u>	<u>\$ 366,104</u>	<u>\$ (17,652)</u>	<u>\$ (87,819)</u>
Liabilities				
Accounts payable and accrued liabilities	\$ -	\$ 2,604	\$ 701	\$ 1,021
Deferred revenue	-	-	-	-
Accrued compensated absences	-	4,141	4,230	1,798
Total liabilities	<u>-</u>	<u>6,745</u>	<u>4,931</u>	<u>2,819</u>
Fund balances				
Nonspendable:				
Restricted for:				
Contractual	-	-	-	-
Committed to:	-	-	-	-
Assigned to:				
Enhanced 911	-	359,359	-	-
Community development	-	-	-	-
Economic development	-	-	-	-
Unassigned	-	-	(22,583)	(90,638)
Total fund balances	<u>-</u>	<u>359,359</u>	<u>(22,583)</u>	<u>(90,638)</u>
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ 366,104</u>	<u>\$ (17,652)</u>	<u>\$ (87,819)</u>

Special Revenue						
SHIP/SMP	MIPPA	Developmental Planning Administration	EDA 203 District Planning	EDA Revolving Loan Fund	CENA 14692-12	Hazard Mitigation
\$ (655)	\$ (1,165)	\$ 21,073	\$ 13,179	\$ 2,734	\$ (26,306)	\$ (90,595)
-	-	-	-	-	-	-
655	1,165	421	-	-	26,306	45,829
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 21,494</u>	<u>\$ 13,179</u>	<u>\$ 2,734</u>	<u>\$ -</u>	<u>\$ (44,766)</u>
\$ -	\$ -	\$ -	\$ 57	\$ -	\$ -	\$ 16
-	-	-	4,797	-	-	-
-	-	-	8,325	-	-	514
-	-	-	13,179	-	-	530
-	-	21,494	2,734	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	(45,296)
-	-	21,494	2,734	-	-	(45,296)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 21,494</u>	<u>\$ 15,913</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (44,766)</u>

South Western Oklahoma Development Authority
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2012
(continued)

	Special Revenue			
	Community Development Admin	Airforce Contract	2011 Masonic Fund Grant	2012 Masonic Fund Grant
Assets				
Cash and cash equivalents	\$ 236,235	\$ 14,917	\$ -	\$ 7,790
Receivables:				
Accounts	-	-	-	-
Due from other governments	24,791	-	-	-
Total assets	<u>\$ 261,026</u>	<u>\$ 14,917</u>	<u>\$ -</u>	<u>\$ 7,790</u>
Liabilities				
Accounts payable and accrued liabilities	\$ -	\$ -	\$ -	\$ -
Deferred revenue	-	-	-	7,790
Accrued compensated absences	3,245	-	-	-
Total liabilities	<u>3,245</u>	<u>-</u>	<u>-</u>	<u>7,790</u>
Fund balances				
Nonspendable:				
Restricted for:				
Contractual	-	-	-	-
Committed to:	-	-	-	-
Assigned to:				
Enhanced 911	-	-	-	-
Community development	257,781	-	-	-
Economic development	-	14,917	-	-
Unassigned	-	-	-	-
Total fund balances	<u>257,781</u>	<u>14,917</u>	<u>-</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 261,026</u>	<u>\$ 14,917</u>	<u>\$ -</u>	<u>\$ 7,790</u>

Special Revenue		
ADRC Living Choice Grant	Oklahoma Commission on Children & Youth	Total
\$ (879)	\$ -	\$ 418,788
-	-	110
879	-	118,109
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 537,007</u>
\$ -	\$ -	\$ 4,399
-	-	12,587
-	-	22,253
<u>-</u>	<u>-</u>	<u>39,239</u>
-	-	24,228
-	-	-
-	-	359,359
-	-	257,781
-	-	14,917
-	-	(158,517)
<u>-</u>	<u>-</u>	<u>497,768</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 537,007</u>

South Western Oklahoma Development Authority
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2012

	Special Revenue			
	State Appropriations 14769 SS 2012	Enhanced 911	2011 Rural Fire Defense	Community Improvement Projects
Revenues				
Intergovernmental	\$ 36,364	\$ -	\$ 70,002	\$ -
Charges for services	-	209,170	-	37,436
Interest	-	-	-	-
Other	-	-	25,000	-
Match revenue	-	-	-	-
Total revenues	<u>36,364</u>	<u>209,170</u>	<u>95,002</u>	<u>37,436</u>
Expenditures				
Current:				
Aging services	-	-	-	-
Enhanced 911 contracts	-	176,672	-	-
Economic development	36,364	-	-	-
Rural fire defense	-	-	87,247	-
Community development	-	-	-	94,178
Capital outlay	-	5,860	-	5,875
Total expenditures	<u>36,364</u>	<u>182,532</u>	<u>87,247</u>	<u>100,053</u>
Excess of revenues over (under) expenditures	-	26,638	7,755	(62,617)
Other financing sources (uses)				
Principal received on notes receivable	-	-	-	-
Proceeds from sale of assets	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	-	26,638	7,755	(62,617)
Fund balances, beginning	<u>-</u>	<u>332,721</u>	<u>(30,338)</u>	<u>(28,021)</u>
Fund balances, ending	<u>\$ -</u>	<u>\$ 359,359</u>	<u>\$ (22,583)</u>	<u>\$ (90,638)</u>

Special Revenue						
SHIP/SMP	MIPPA	Developmental Planning Administration	EDA 203 District Planning	EDA Revolving Loan Fund	CENA 14692-2012	Hazard Mitigation
\$ 9,600	\$ 7,700	\$ 1,765	\$ 58,634	\$ -	\$ 188,077	\$ -
-	-	5,090	-	-	-	90,190
-	-	-	-	6,033	-	-
-	-	-	-	-	-	-
-	-	-	39,089	-	-	-
<u>9,600</u>	<u>7,700</u>	<u>6,855</u>	<u>97,723</u>	<u>6,033</u>	<u>188,077</u>	<u>90,190</u>
9,451	7,700	-	-	-	188,077	-
-	-	-	-	-	-	-
-	-	44,590	97,723	95,577	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	87,626
149	-	-	-	-	-	-
<u>9,600</u>	<u>7,700</u>	<u>44,590</u>	<u>97,723</u>	<u>95,577</u>	<u>188,077</u>	<u>87,626</u>
-	-	(37,735)	-	(89,544)	-	2,564
-	-	-	-	24,842	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	(107,806)	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(82,964)</u>	<u>-</u>	<u>-</u>
-	-	(37,735)	-	(172,508)	-	2,564
-	-	59,229	-	175,242	-	(47,860)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 21,494</u>	<u>\$ -</u>	<u>\$ 2,734</u>	<u>\$ -</u>	<u>\$ (45,296)</u>

South Western Oklahoma Development Authority
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2012

(continued)

	Special Revenue			
	Community Development Admin	Airforce Contract	2011 Masonic Fund Grant	2012 Masonic Fund Grant
Revenues				
Intergovernmental	\$ -	\$ -	\$ -	\$ -
Charges for services	55,250	-	-	-
Interest	-	1,253	-	-
Other	-	-	10,885	39,430
Match revenue	-	-	-	-
Total revenues	55,250	1,253	10,885	39,430
Expenditures				
Current:				
Aging services	-	-	10,885	39,430
Enhanced 911 contracts	-	-	-	-
Economic development	-	-	-	-
Rural fire defense	-	-	-	-
Community development	43,736	-	-	-
Capital outlay	-	-	-	-
Total expenditures	43,736	-	10,885	39,430
Excess of revenues over (under) expenditures	11,514	1,253	-	-
Other financing sources (uses)				
Principal received on notes receivable	-	-	-	-
Proceeds from sale of assets	-	95,800	-	-
Transfers in	-	77,608	-	-
Transfers out	-	(828,361)	-	-
Total other financing sources (uses)	-	(654,953)	-	-
Net change in fund balances	11,514	(653,700)	-	-
Fund balances, beginning	246,267	668,617	-	-
Fund balances, ending	\$ 257,781	\$ 14,917	\$ -	\$ -

Special Revenue		
ADRC Living Choice Grant	Oklahoma Commission on Children & Youth	Total
\$ 2,700	\$ 5,000	\$ 379,842
-	-	397,136
-	-	7,286
-	-	75,315
-	-	39,089
<u>2,700</u>	<u>5,000</u>	<u>898,668</u>
2,700	-	258,243
-	-	176,672
-	-	274,254
-	-	87,247
-	5,000	230,540
-	-	11,884
<u>2,700</u>	<u>5,000</u>	<u>1,038,840</u>
-	-	(140,172)
-	-	24,842
-	-	95,800
-	-	77,608
-	-	(936,167)
<u>-</u>	<u>-</u>	<u>(737,917)</u>
-	-	(878,089)
<u>-</u>	<u>-</u>	<u>1,375,857</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 497,768</u>

Southwestern Oklahoma Development Authority
Combining Statement of Net Assets
Nonmajor Enterprise Funds
June 30, 2012

	Enterprise Funds			Total Nonmajor Enterprise Funds
	Quartz Mountain Pro Shop	Oklahoma Spaceport	Regional Tub Grinder	
Assets				
Current assets:				
Cash and cash equivalents	\$ -	\$ -	\$ 56,736	\$ 56,736
Total current assets	-	-	56,736	56,736
Noncurrent assets:				
Capital assets (net of accumulated depreciation)	-	-	85,783	85,783
Total noncurrent assets	-	-	85,783	85,783
Total assets	-	-	142,519	142,519
Liabilities				
Current liabilities:				
Accounts payable and accrued liabilities	-	-	10,690	10,690
Total current liabilities	-	-	10,690	10,690
Noncurrent liabilities:				
Total noncurrent liabilities	-	-	-	-
Total liabilities	-	-	10,690	10,690
Net assets				
Invested in capital assets, net of related debt	-	-	85,783	85,783
Restricted	-	-	-	-
Unrestricted	-	-	46,046	46,046
Total net assets	\$ -	\$ -	\$ 131,829	\$ 131,829

South Western Oklahoma Development Authority
Combining Statement of Revenues, Expenses, and Changes in Net Assets
Nonmajor Enterprise Funds
Year Ended June 30, 2012

	Enterprise Funds			Total Nonmajor Enterprise Funds
	Quartz Mountain Pro Shop	Oklahoma Spaceport	Regional Tub Grinder	
Operating revenues				
Charges for services	\$ -	\$ -	\$ 98,800	\$ 98,800
Total operating revenues	-	-	98,800	98,800
Operating expenses				
Community development	-	-	69,234	69,234
Depreciation and amortization	-	-	36,782	36,782
Total operating expenses	-	-	106,016	106,016
Operating income (loss)	-	-	(7,216)	(7,216)
Nonoperating revenues (expenses)				
Total nonoperating revenues (expenses)	-	-	-	-
Operating transfers				
Transfers in	-	-	112	112
Transfers out	(3)	(46,892)	-	(46,895)
Total operating transfers	(3)	(46,892)	112	(46,783)
Net income (loss)	(3)	(46,892)	(7,104)	(53,999)
Net assets, beginning	3	46,892	138,933	185,828
Net assets, ending	\$ -	\$ -	\$ 131,829	\$ 131,829

South Western Oklahoma Development Authority
Combining Statement of Cash Flows
Nonmajor Enterprise Funds
Year Ended June 30, 2012

	Enterprise Funds			Total Nonmajor Enterprise Funds
	Quartz Mountain Pro Shop	Oklahoma Spaceport	Regional Tub Grinder	
Cash flows from operating activities				
Receipts from customers	\$ 3	\$ -	\$ 120,800	\$ 120,803
Payments to suppliers	-	-	(44,030)	(44,030)
Payments to employees	-	-	(15,862)	(15,862)
Net cash provided (used) by operating activities	3	-	60,908	60,911
Cash flows from noncapital financing activities				
Net operating transfers	(3)	(46,892)	112	(46,783)
Net cash provided (used) by noncapital financing activities	(3)	(46,892)	112	(46,783)
Cash flows from capital and related financing activities				
(Acquisition) disposition of capital assets	-	-	(112)	(112)
Net cash provided (used) by capital and related financing activities	-	-	(112)	(112)
Cash flows from investing activities				
Net cash provided (used) by investing activities	-	-	-	-
Net increase (decrease) in cash and cash equivalents	-	(46,892)	60,908	14,016
Cash and cash equivalents, beginning	-	46,892	(4,172)	42,720
Cash and cash equivalents, ending	\$ -	\$ -	\$ 56,736	\$ 56,736
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Net operating income (loss)	\$ -	\$ -	\$ (7,216)	\$ (7,216)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation and amortization	-	-	36,782	36,782
Changes in assets and liabilities:				
(Increase) decrease in receivables	3	-	22,000	22,003
(Increase) decrease in prepaid expenses	-	-	665	665
Increase (decrease) accounts payable and accrued liabilities	-	-	10,573	10,573
Increase (decrease) accrued compensated absences	-	-	(1,896)	(1,896)
Total adjustments	3	-	68,124	68,127
Net cash provided (used) by operating activities	\$ 3	\$ -	\$ 60,908	\$ 60,911

Southwestern Oklahoma Development Authority
Combining Statement of Net Assets
Internal Service Funds
June 30, 2012

	Internal Service Funds		
	Indirect	Building	
	Allocation	420	
		Expense	Total
		Allocation	
Assets			
Current assets:			
Cash and cash equivalents	\$ 5,168	\$ -	\$ 5,168
Prepaid expenses	1,868		1,868
Total current assets	<u>7,036</u>	<u>-</u>	<u>7,036</u>
Noncurrent assets:			
Total noncurrent assets	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>7,036</u>	<u>-</u>	<u>7,036</u>
Liabilities			
Current liabilities:			
Accounts payable and accrued liabilities	907	-	907
Total current liabilities	<u>907</u>	<u>-</u>	<u>907</u>
Noncurrent liabilities:			
Accrued compensated absences	6,129	-	6,129
Total noncurrent liabilities	<u>6,129</u>	<u>-</u>	<u>6,129</u>
Total liabilities	<u>7,036</u>	<u>-</u>	<u>7,036</u>
Net assets			
Invested in capital assets, net of related debt	-	-	-
Restricted	-	-	-
Unrestricted	-	-	-
Total net assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

South Western Oklahoma Development Authority
Combining Statement of Revenues, Expenses, and Changes in Net Assets
Internal Service Funds
Year Ended June 30, 2012

	Internal Service Funds		
	Indirect	Building	
	Allocation	420	
		Expense	Total
		Allocation	
Operating revenues			
Indirect revenue	\$ 325,046	\$ 37,185	\$ 362,231
Total operating revenues	325,046	37,185	362,231
Operating expenses			
General government	325,046	37,185	362,231
Total operating expenses	325,046	37,185	362,231
Operating income (loss)	-	-	-
Nonoperating revenues (expenses)			
Total nonoperating revenues (expenses)	-	-	-
Operating transfers			
Total operating transfers	-	-	-
Net income (loss)	-	-	-
Net assets, beginning	-	-	-
Net assets, ending	\$ -	\$ -	\$ -

South Western Oklahoma Development Authority
Combining Statement of Cash Flows
Internal Service Funds
Year Ended June 30, 2012

	Internal Service Funds		
	Indirect Allocation	Building 420 Expense Allocation	Total
Cash flows from operating activities			
Receipts from customers	\$ 325,046	\$ 37,185	\$ 362,231
Payments to suppliers	(207,742)	(37,231)	(244,973)
Payments to employees	(126,826)	-	(126,826)
Net cash provided (used) by operating activities	(9,522)	(46)	(9,568)
Cash flows from noncapital financing activities			
Net cash provided (used) by noncapital financing activities	-	-	-
Cash flows from capital and related financing activities			
Net cash provided (used) by capital and related financing activities	-	-	-
Cash flows from investing activities			
Net cash provided (used) by investing activities	-	-	-
Net increase (decrease) in cash and cash equivalents	(9,522)	(46)	(9,568)
Cash and cash equivalents, beginning	14,690	46	14,736
Cash and cash equivalents, ending	<u>\$ 5,168</u>	<u>\$ -</u>	<u>\$ 5,168</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Net operating income (loss)	\$ -	\$ -	\$ -
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Changes in assets and liabilities:			
(Increase) decrease prepaid expenses	(1,868)	-	(1,868)
Increase (decrease) accounts payable	(2,082)	(46)	(2,128)
Increase (decrease) accrued compensated absences	(5,572)	-	(5,572)
Total adjustments	(9,522)	(46)	(9,568)
Net cash provided (used) by operating activities	<u>\$ (9,522)</u>	<u>\$ (46)</u>	<u>\$ (9,568)</u>



Ronald C. Cottrell, CPA

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*

October 31, 2012

Board of Trustees
South Western Oklahoma Development Authority
Burns Flat, Oklahoma

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of South Western Oklahoma Development Authority as of and for the year ended June 30, 2012, which collectively comprise the South Western Oklahoma Development Authority's basic financial statements, and have issued our report thereon dated October 31, 2012. We did not audit management's discussion and analysis, which is required supplementary information, and therefore, expressed no opinion on it. Budgetary comparison information, which is required supplementary information, has not been presented for the general fund and other major special revenue funds. 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 South Western Oklahoma Development Authority is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the South Western Oklahoma Development Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the South Western Oklahoma Development Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the South Western Oklahoma Development Authority's internal control over financial reporting.

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in the internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined previously.

Ronald C. Cottrell, CPA

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the South Western Oklahoma Development Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the board of trustees and the management of the South Western Oklahoma Development Authority 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.

Ronald C. Cottrell, CPA



Ronald C. Cottrell, CPA

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

October 31, 2012

Board of Trustees
South Western Oklahoma Development Authority
Burns Flat, Oklahoma

Compliance

We have audited South Western Oklahoma Development Authority'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 South Western Oklahoma Development Authority's major federal programs for the year ended June 30, 2012. South Western Oklahoma Development Authority'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 South Western Oklahoma Development Authority's management. Our responsibility is to express an opinion on the South Western Oklahoma Development Authority'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 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 South Western Oklahoma Development Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of South Western Oklahoma Development Authority's compliance with those requirements.

In our opinion, South Western Oklahoma Development Authority complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

The management of the South Western Oklahoma Development Authority is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the South Western Oklahoma Development Authority's internal control over compliance with requirements that could have a direct and material effect

Ronald C. Cottrell, CPA

on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the 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 South Western Oklahoma Development Authority's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance 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 purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control 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.

This report is intended solely for the information and use of the board of trustees and the management of the South Western Oklahoma Development Authority 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.

Ronald C. Cottrell, CPA

South Western Oklahoma Development Authority
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2012

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Expenditures
FEDERAL PROGRAMS			
<u>U. S. Department of Labor</u>			
Pass-Through Program From:			
Oklahoma Employment Security Commission -			
<i>Workforce Investment Act (WIA) Cluster</i>			
WIA Title I Adult	17.258	14609 WASFY 11	\$ 52,201
		14864-SW-PY-11-WAS	10,424
		14939 WASFY 12	101,342
WIA Title I Youth	17.259	14598 WYS 10	56,671
		14645-SW-PY11-WYS	125,290
WIA Title I Dislocated Worker	17.260	14912-SW-PY 10-WDW	632
		14620 WDWFY 11	64,853
		14853-SW-PY-11-WDW	28,250
		14928 WDWFY 12	14,423
		93838-SW-PY08-ARRA-DLW-OJT 14438	2,660
<i>Subtotal WIA Cluster</i>			<u>456,746</u>
<i>Other Programs</i>			
Title V, Senior Community Services			
Employment Program	17.235	95841-SW-PY11-SCSEP	342,039
		95840-SW-PY10-SCSEP	17,002
WIA Trade Adjustment Assistance	17.245	170-016 TAA	51,395
<i>Subtotal Other Programs</i>			<u>410,436</u>
Total U.S. Department of Labor			<u>867,182</u>
<u>U.S. Department of Health and Human Services</u>			
Pass-Through Program From:			
Oklahoma Department of Human Services			
<i>Aging Cluster</i>			
Area Agency on Aging Title III Part B	93.044	3407-6010	147,773
Area Agency on Aging Title III Part C	93.045	3407-6010	279,286
Area Agency on Aging NSIP	93.053	3407-6010	94,597
<i>Subtotal Aging Cluster</i>			<u>521,656</u>
<i>Other Programs</i>			
Area Agency on Aging Title III Part D	93.043	3407-6010	4,576
Area Agency on Aging Title III Part E	93.052	3407-6010	8,553
Area Agency on Aging Title VII	93.041	3407-6010	2,014
<i>Subtotal Other Programs</i>			<u>15,143</u>

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

South Western Oklahoma Development Authority
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2012

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Expenditures
FEDERAL PROGRAMS			
Pass-Through Program From:			
Oklahoma Department of Human Services			
Medicare Improvements for Patients and Providers (MIPPA)	93.071	PA# 10025692	3,817
Medicare Improvements for Patients and Providers (MIPPA II)	93.071		3,883
<i>Subtotal</i>			<u>7,700</u>
Pass-Through Program From:			
Oklahoma Insurance Department			
Senior Health Insurance Counseling Program (SHIP)	93.779	11-P-20203/6-17	6,600
Senior Medicare Patrol (SMP)	93.048	90AM2952/05	8,000
<i>Subtotal</i>			<u>14,600</u>
Pass-Through Program From:			
Oklahoma Department of Human Services			
Money Follows the Person (Living Choice) ADRC	93.791	PA# 11022779	770
<i>Subtotal</i>			<u>1,930</u>
Total U.S. Department of Health and Human Services			<u>561,799</u>
<u>U.S. Department of Commerce</u>			
Direct Program -			
Title II, Section 203 Planning Assistance:			
Continuation planning	11.302	08-83-04672	58,634
Economic Adjustment Assistance/			
Revolving Loan Fund	11.307	08-39-02979	89,833
Total U.S. Department of Commerce			<u>148,467</u>
Total Expenditures of Federal Awards			<u>\$ 1,577,448</u>

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

South Western Oklahoma Development Authority
Schedule of Expenditures of State Awards
Year Ended June 30, 2012

State Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Expenditures
STATE PROGRAMS			
<u>Oklahoma Department of Commerce</u>			
Substate Planning District		14769 SS 12	\$ 36,364
Community Expansion of Nutritional Assistance		14692 CENA 12	188,077
Rural Economic Action Plans		13461 REAP 09	21,735
		13890 REAP 10	266,519
		14457 REAP 11	791,186
		14778 REAP 12	217,390
Total Oklahoma Department of Commerce			<u>1,521,271</u>
<u>Oklahoma Department of Agriculture</u>			
Rural Fire Defense Program		FY 2012	<u>70,000</u>
Total Oklahoma Department of Agriculture			<u>70,000</u>
<u>Oklahoma Department of Human Services</u>			
<i>Area Agency on Aging Cluster</i>			
Area Agency on Aging Title III Part B		FY 2012	65,915
Area Agency on Aging Title III Part C		FY 2012	275,979
Area Agency on Aging Title III Part D		FY 2012	808
Area Agency on Aging Title III Part E		FY 2012	2,851
Area Agency on Aging Title VII		FY 2012	355
Total Oklahoma Department of Human Services			<u>345,908</u>
Oklahoma Commission on Children and Youth			
Community Partnership Board		1279001386	<u>5,000</u>
Total Oklahoma Department of Human Services			<u>5,000</u>
<u>Auditor and Inspector of the State of Oklahoma</u>			
Rural Economic Action Plan		2007 REAP Fund	2,334
		2008 REAP Fund	85,143
Total Auditor and Inspector of the State of Oklahoma			<u>87,477</u>
Total Expenditures of State Awards			<u><u>\$ 2,029,656</u></u>

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

South Western Oklahoma Development Authority
Notes to the Schedule of Expenditures of Federal Awards
Year Ended June 30, 2012

I. Basis of Accounting

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the South Western Oklahoma Development Authority and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

II. Expenditures

Expenditures represent the current year federal grant/contract portion only.

III. Noncash Awards

South Western Oklahoma Development Authority had the following loans receivable outstanding at, June 30, 2012:

Program Title	Federal CFDA No.	Amount Outstanding
<u>U.S. Department of Agriculture</u>		
Rural Business – Cooperative Service – Intermediary Relending Program	10.767	\$ 90,252
<u>U.S. Department of Commerce</u>		
Economic Development Administration		
Special Economic Development and Adjustment Assistance Program – Sudden and Severe Economic Dislocation and Long-Term Economic Deterioration – Revolving Loan Funds	11.300	114,638

IV. Subrecipients

Of the expenditures presented in the schedule of federal awards, South Western Oklahoma Development Authority provided federal awards to subrecipients as follows:

Program Title	Federal CFDA No.	Amount Passed-Through
<u>U.S. Department of Health and Human Services</u>		
Special Programs for the Aging, - Title III -		
Part B – Grants for Supportive Services and Senior Centers	93.044	\$ 103,438
Part C – Nutrition Services	93.045	234,895
Part D – Disease Prevention and Health Promotion Services	93.043	4,576
Part E – Caregiver Support	93.052	474
Area Agency on Aging NSIP	93.053	94,597
		<u>\$ 437,980</u>

South Western Oklahoma Development Authority
Summary Schedule of Prior Audit Findings

Financial Statement Findings

There were no matters reported in the prior year's audit report.

Federal Award Findings and Questioned Costs

There were no matters reported in the prior year's audit report.

South Western Oklahoma Development Authority
Schedule of Findings and Questioned Costs
Year Ended June 30, 2012

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued:	Unqualified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiencies identified that are not considered to be material weakness(es)?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiencies identified that are not considered to be material weakness(es)?	None reported
Type of auditor’s report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	Yes
Identification of major programs:	

CFDA Numbers

Name of Federal Program or Cluster

17.258-17.278

WIA cluster

93.044-93.707

Aging cluster

Dollar threshold used to distinguish between type A and type B programs:	\$ 300,000
Auditee qualified as low-risk auditee?	Yes

Section II – Financial Statement Findings

No matters were reported.

Section III – Federal Award Findings and Questioned Costs

No matters were reported.