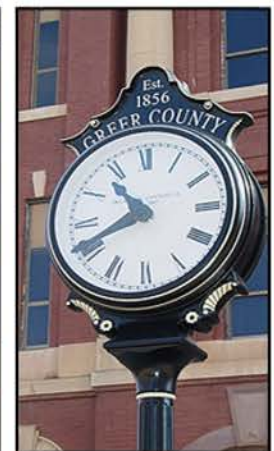




**June 30, 2014
South Western
Oklahoma
Development Authority
Audit Report**



South Western Oklahoma Development Authority
Report on Audit of Financial Statements
June 30, 2014

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South Western Oklahoma Development Authority
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Ronald C. Cottrell, CPA

Independent Auditor's Report

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

Report on the Financial Statements

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 South Western Oklahoma Development Authority, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise South Western Oklahoma Development Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

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 South Western Oklahoma Development Authority, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the managements' discussion and analysis on pages 4-10 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. South Western Oklahoma Development Authority has not presented budgetary comparison information for the general 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise South Western Oklahoma Development Authority's basic financial statements. The accompanying supplementary information schedule of expenditures of federal awards, as required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, the schedule of expenditures of state awards, combining financial statements, and schedule of indirect costs are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying schedule of expenditures of federal awards, schedule of expenditures of state awards, combining financial statements, and schedule of indirect costs included under other supplementary information are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards, schedule of expenditures of state awards, combining financial statements, and schedule of indirect costs are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Ronald C. Cottrell, CPA

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 29, 2014, on our consideration of 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* in considering South Western Oklahoma Development Authority's internal control over financial reporting and compliance.

Ronald C. Cottrell, CPA

Ronald C. Cottrell, CPA
Kansas, Oklahoma
December 29, 2014

South Western Oklahoma Development Authority
Management's Discussion and Analysis
June 30, 2014

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, 2014. 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 \$ 2,840,272 (net position). Of this amount, \$ 2,372,380 (unrestricted net position) 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 \$ 2,042,978. Approximately \$ 1,283,205 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 Position

The statement of net position presents information on all of South Western Oklahoma Development Authority's assets and liabilities, with the difference between the two reported as net position. You can think of SWODA's net position as one way to measure the government's financial health, or financial position. Over time, increases or decreases in the government's net position 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.

The Statement of Activities

The statement of activities presents information showing how SWODA's net position 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 Position* 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, Aging Services, Economic and Community Development, Public Safety, and Transportation Planning. 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 housing construction operation is 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 housing construction 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 and the Wireless Holding fund.

The Organization As A Whole

Net Position

As noted earlier, net position may serve over time as a useful indicator of South Western Oklahoma Development Authority's financial position. For the year ended June 30, 2014, SWODA's net position decreased by \$ 23,824 (1%) to \$ 2,840,272. Business-Type activities net position increased due to an increase in housing construction in progress and a completed house that was not yet sold that were financed by a transfer-in from local governmental funds. Governmental activities net position decreased mostly due to the transfer-out to finance housing construction.

Current assets (see Table 1) contain \$ 1,292,637 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 \$ 1,222,895 are shown (Table 1) in current liabilities. SWODA paid off its note payable with USDA Rural Development during the year.

Table 1
South Western Oklahoma Development Authority's Net Position
June 30, 2014 and 2013

	Governmental Activities		Business-Type Activities		Totals	
	2014	2013	2014	2013	2014	2013
Current assets	\$ 3,558,886	\$ 4,504,654	\$ 362,615	\$ 13,990	\$ 3,921,501	\$ 4,518,644
Capital and other	436,529	474,852	-	-	436,529	474,852
Total assets	<u>3,995,415</u>	<u>4,979,506</u>	<u>362,615</u>	<u>13,990</u>	<u>4,358,030</u>	<u>4,993,496</u>
Current liabilities	1,491,640	1,553,767	26,118	184	1,517,758	1,553,951
Long-term liabilities	-	574,883	-	566	-	575,449
Total liabilities	<u>1,491,640</u>	<u>2,128,650</u>	<u>26,118</u>	<u>750</u>	<u>1,517,758</u>	<u>2,129,400</u>
Net position:						
Net investment in						
capital assets	436,529	447,892	-	-	436,529	447,892
Restricted	31,363	636,923	-	-	31,363	636,923
Unrestricted	<u>2,035,883</u>	<u>1,766,041</u>	<u>336,497</u>	<u>13,240</u>	<u>2,372,380</u>	<u>1,779,281</u>
Total net position	<u>\$ 2,503,775</u>	<u>\$ 2,850,856</u>	<u>\$ 336,497</u>	<u>\$ 13,240</u>	<u>\$ 2,840,272</u>	<u>\$ 2,864,096</u>

Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, legislation, or other legal restrictions total \$ 2,372,380. An additional portion of SWODA's net position (\$ 31,363) 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 position as of June 30, 2013 was \$ 2,850,856. For the year ended June 30, 2014, net position decreased by \$ 347,081 to \$ 2,503,775. Table 2 illustrates the change in net position due to governmental activities. SWODA's three major governmental programs are displayed to provide additional detail for analysis.

Table 2
South Western Oklahoma Development Authority's
Governmental Activities
June 30, 2014

	Governmental Activities				
	Employment and Training	Aging Services	Community Development	All Other Government	Total
Program revenues:					
Charges for services	\$ 176,561	\$ 605,700	\$ 169,054	\$ 291,729	\$ 1,243,044
Grants/contributions	629,669	1,000,177	1,236,287	251,398	3,117,531
Total revenues	806,230	1,605,877	1,405,341	543,127	4,360,575
Expenses:					
Program expenses	812,416	1,601,681	1,420,183	639,238	4,473,518
Total expenses	812,416	1,601,681	1,420,183	639,238	4,473,518
Changes in net position:					
Net increase or (decrease)	\$ (6,186)	\$ 4,196	\$ (14,842)	\$ (96,111)	\$ (112,943)

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 increase in net position for Aging services is due to positive results of operations of the case management program.

Community development activities decreased net position as of June 30, 2014 by \$ 14,842, mostly due to results from normal operations.

All other government activities decreased net position by \$ 96,111. These activities are partially financed by 'Other' revenues and interest and investment revenues (\$ 75,029) which are reported under the General Revenues section of the Statement of Activities. The remaining decrease is due to results from normal operations.

Business-type Activities

The *Statement of Activities* shows an overall increase of \$ 323,257 for the period versus a decrease of (\$ 99,419) during the period ended June 30, 2013. These funds account for the operation of the housing construction projects. The net loss in the prior year was due to liquidation of the tub grinder program. The current year increase was due to transfers-in from the general fund to finance housing construction.

Fund Balance

The *Statement of Revenues, Expenses, and Changes in Fund Balance—Governmental Funds* shows SWODA's total governmental fund balance decreased \$ 872,176 since last year primarily

resulting from transfers-out to finance housing construction and the payoff of the long term debt with USDA for the Intermediary Relending Program.

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

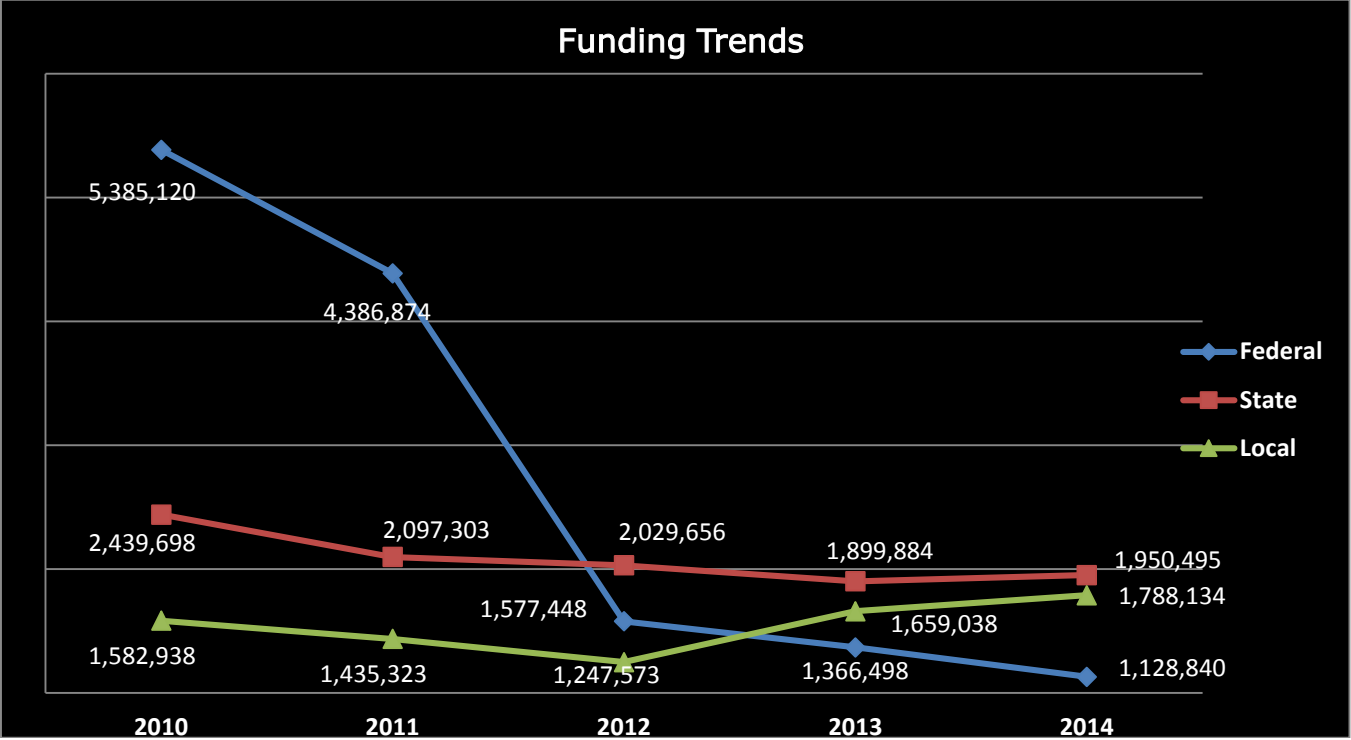
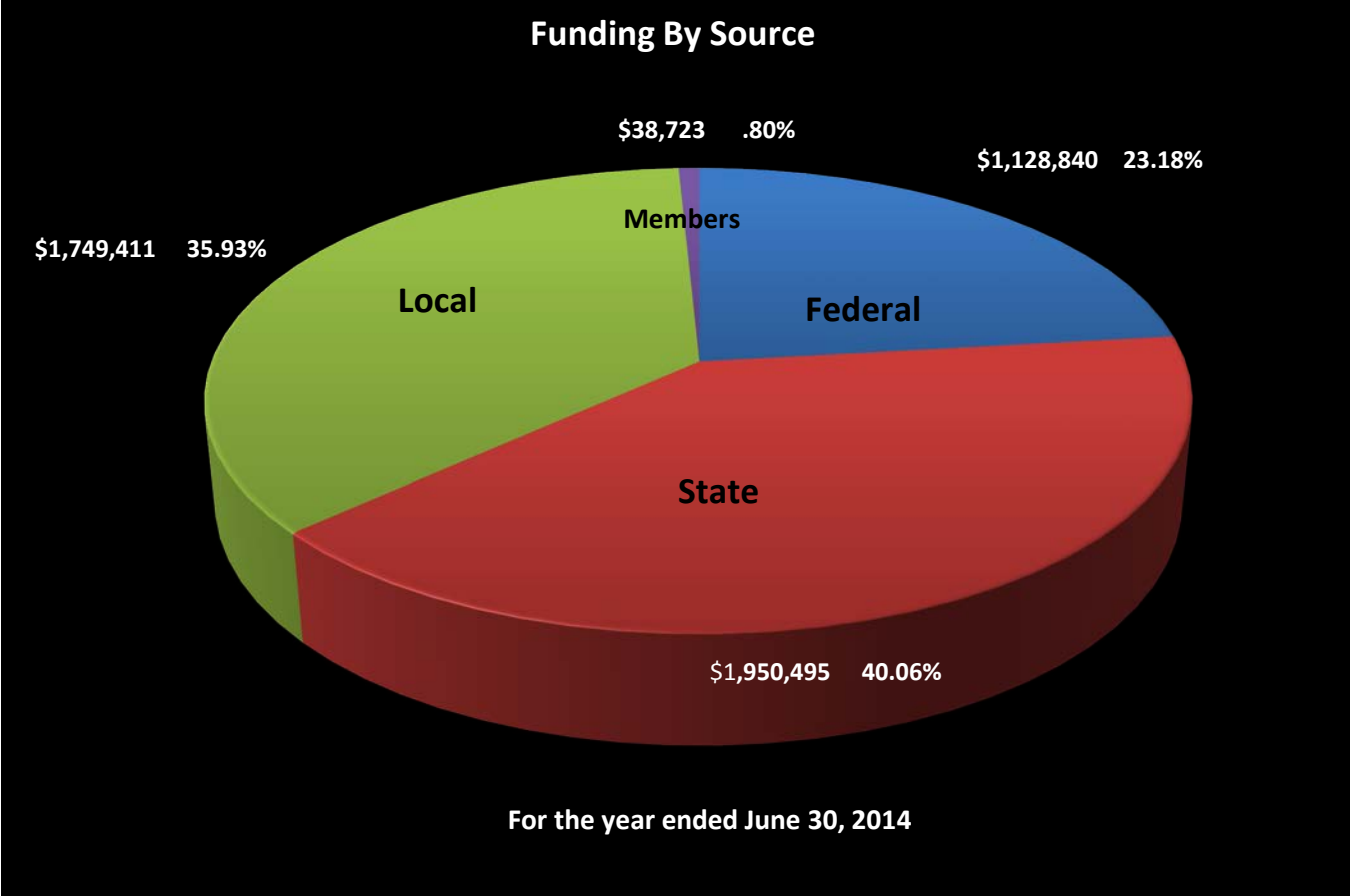
As of June 30, 2014, SWODA had \$ 436,529 invested in capital assets, which is a net decrease from the previous year of \$ 11,363 due primarily to retirement of some older computer equipment during the year that was replaced with equipment of lesser value.

Debt administration

At June 30, 2014, SWODA had notes payable of \$ 0, which is a decrease of \$ 551,124 from the previous year. The note payable to USDA Rural Development for the Intermediary Re-lending Program was paid in full during the year.

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 \$ 2,372,380 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.

A handwritten signature in black ink that reads "Michael Ryburn". The signature is written in a cursive, flowing style.

MICHAEL RYBURN / Director of Business Development & Finance

South Western Oklahoma Development Authority
Statement of Net Position
June 30, 2014

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and cash equivalents	\$ 1,311,083	\$ -	\$ 1,311,083
Investments	1,809,430	-	1,809,430
Receivables, net of allowance for doubtful accounts	428,335	-	428,335
Prepaid expenses	2,916	-	2,916
Inventories	7,122	-	7,122
Other assets held for sale	-	362,615	362,615
Capital assets, net of accumulated depreciation	436,529	-	436,529
Total assets	<u>3,995,415</u>	<u>362,615</u>	<u>4,358,030</u>
Liabilities			
Accounts payable and accrued liabilities	194,224	26,118	220,342
Unearned revenue	1,237,571	-	1,237,571
Accrued compensated absences	59,845	-	59,845
Total liabilities	<u>1,491,640</u>	<u>26,118</u>	<u>1,517,758</u>
Net position			
Net investment in capital assets	436,529	-	436,529
Restricted:			
Expendable	24,241	-	24,241
Nonexpendable	7,122	-	7,122
Unrestricted	2,035,883	336,497	2,372,380
Total net position	<u>\$ 2,503,775</u>	<u>\$ 336,497</u>	<u>\$ 2,840,272</u>

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

South Western Oklahoma Development Authority
Statement of Activities
Year Ended June 30, 2014

			Program Revenues	
	Program Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	\$ 82,122	\$ 3,592	\$ -	\$ -
Employment & training	812,416	176,561	629,669	-
Aging services	1,601,681	605,700	1,000,177	-
Public safety	302,581	274,552	70,000	-
Economic development	205,512	13,585	114,476	-
Transportation planning	44,745	-	45,115	21,807
Community development	1,420,183	169,054	1,236,287	-
Interest	4,278	-	-	-
Total governmental activities	4,473,518	1,243,044	3,095,724	21,807
Business-type activities:				
Housing development	452,994	453,559	-	16,500
Total business-type activities	452,994	453,559	-	16,500
Total government	<u>\$ 4,926,512</u>	<u>\$ 1,696,603</u>	<u>\$ 3,095,724</u>	<u>\$ 38,307</u>

General revenues:

Other
Interest and investment earnings
Gain (loss) on disposition of assets
Transfers
Total general revenues

Changes in net position

Net position, beginning

Net position, ending

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

Net (Expense) Revenue and Changes in Net Position

<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
\$ (78,530)	\$ -	\$ (78,530)
(6,186)	-	(6,186)
4,196	-	4,196
41,971	-	41,971
(77,451)	-	(77,451)
22,177	-	22,177
(14,842)	-	(14,842)
(4,278)	-	(4,278)
<u>(112,943)</u>	<u>-</u>	<u>(112,943)</u>
-	17,065	17,065
-	17,065	17,065
<u>(112,943)</u>	<u>17,065</u>	<u>(95,878)</u>
53,274	-	53,274
21,755	-	21,755
(2,899)	-	(2,899)
(306,268)	306,192	(76)
<u>(234,138)</u>	<u>306,192</u>	<u>72,054</u>
(347,081)	323,257	(23,824)
<u>2,850,856</u>	<u>13,240</u>	<u>2,864,096</u>
<u>\$ 2,503,775</u>	<u>\$ 336,497</u>	<u>\$ 2,840,272</u>

South Western Oklahoma Development Authority
Balance Sheet
Governmental Funds
June 30, 2014

	General Fund (Local Government)	Area Agency on Aging	Advantage Case Management
Assets			
Cash and cash equivalents	\$ 391,866	\$ (31,031)	\$ 249,402
Investments	747,411	-	18,693
Receivables, net of allowance for doubtful accounts	22	141,334	38,917
Prepaid expenses	2,916	-	-
Inventories	7,122	-	-
Total assets	<u>\$ 1,149,337</u>	<u>\$ 110,303</u>	<u>\$ 307,012</u>
Liabilities and fund balance			
Liabilities:			
Accounts payable and accrued expenses	\$ 25,749	\$ 106,089	\$ 653
Deferred revenue	-	-	-
Accrued compensated absences	9,942	4,214	11,184
Total liabilities	<u>35,691</u>	<u>110,303</u>	<u>11,837</u>
Fund balance:			
Nonspendable:			
Inventory	7,122	-	-
Restricted for:			
Contractual	-	-	-
Committed to:	-	-	-
Assigned to:			
Aging services	-	-	295,175
Public safety	-	-	-
Community development	-	-	-
Unassigned	1,106,524	-	-
Total fund balance	<u>1,113,646</u>	<u>-</u>	<u>295,175</u>
Total liabilities and fund balance	<u>\$ 1,149,337</u>	<u>\$ 110,303</u>	<u>\$ 307,012</u>

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

Intermediary Loan Program	REAP	Employment & Training	Enhanced 911	Other Governmental Funds	Total Governmental Funds
\$ -	\$ 249,311	\$ (45,038)	\$ 415,245	\$ 81,328	\$ 1,311,083
-	1,043,326	-	-	-	1,809,430
-	-	58,832	22,500	142,462	404,067
-	-	-	-	-	2,916
-	-	-	-	-	7,122
<u>\$ -</u>	<u>\$ 1,292,637</u>	<u>\$ 13,794</u>	<u>\$ 437,745</u>	<u>\$ 223,790</u>	<u>\$ 3,534,618</u>
\$ -	\$ 48,445	\$ 475	\$ 2,403	\$ 10,410	\$ 194,224
-	1,222,895	-	-	14,676	1,237,571
-	1,088	13,319	2,107	17,991	59,845
<u>-</u>	<u>1,272,428</u>	<u>13,794</u>	<u>4,510</u>	<u>43,077</u>	<u>1,491,640</u>
-	-	-	-	-	7,122
-	20,209	-	-	4,032	24,241
-	-	-	-	-	-
-	-	-	-	-	295,175
-	-	-	433,235	-	433,235
-	-	-	-	176,681	176,681
-	-	-	-	-	1,106,524
<u>-</u>	<u>20,209</u>	<u>-</u>	<u>433,235</u>	<u>180,713</u>	<u>2,042,978</u>
<u>\$ -</u>	<u>\$ 1,292,637</u>	<u>\$ 13,794</u>	<u>\$ 437,745</u>	<u>\$ 223,790</u>	<u>\$ 3,534,618</u>

South Western Oklahoma Development Authority
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Funds
Year Ended June 30, 2014

	General Fund (Local Government)	Area Agency on Aging	Advantage Case Management
Revenues			
Membership dues and assessments	\$ 38,723	\$ -	\$ -
Federal & state grants	-	807,482	-
Contract revenue	3,592	-	567,157
Interest	12,317	-	-
Other	14,553	-	-
Match revenue	-	13,305	-
Total revenues	<u>69,185</u>	<u>820,787</u>	<u>567,157</u>
Expenditures			
Current:			
General government	39,951	-	-
Employment and training	-	-	-
Aging services	-	848,781	534,340
Public safety	-	-	-
Economic development	-	-	-
Transportation planning	-	-	-
Community development	-	-	-
Debt service:			
Principal	-	-	-
Interest	-	-	-
Capital expenditures	13,331	-	1,107
Total expenditures	<u>53,282</u>	<u>848,781</u>	<u>535,447</u>
Excess of revenues over (under) expenditures	15,903	(27,994)	31,710
Other financing sources (uses)			
Principal received on notes receivable	-	-	-
Liquidation payments to EDA	-	-	-
Transfers in	13,888	65,943	-
Transfers out	(432,158)	-	(65,943)
Total other financing sources and uses	<u>(418,270)</u>	<u>65,943</u>	<u>(65,943)</u>
Net change in fund balances	(402,367)	37,949	(34,233)
Fund balance, beginning	<u>1,516,013</u>	<u>(37,949)</u>	<u>329,408</u>
Fund balance, ending	<u>\$ 1,113,646</u>	<u>\$ -</u>	<u>\$ 295,175</u>

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

Intermediary Loan Program	REAP	Employment & Training	Enhanced 911	Other Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 38,723
-	1,236,287	591,474	-	444,093	3,079,336
-	-	176,561	271,552	224,182	1,243,044
322	6,415	-	-	2,701	21,755
-	-	-	-	-	14,553
-	-	38,195	-	77,410	128,910
<u>322</u>	<u>1,242,702</u>	<u>806,230</u>	<u>271,552</u>	<u>748,386</u>	<u>4,526,321</u>
-	-	-	-	-	39,951
-	-	812,416	-	-	812,416
-	-	-	-	229,988	1,613,109
-	-	-	207,790	94,292	302,082
14	-	-	-	254,339	254,353
-	-	-	-	62,236	62,236
-	1,278,861	-	-	134,581	1,413,442
551,124	-	-	-	-	551,124
4,278	-	-	-	-	4,278
-	-	-	4,831	23,555	42,824
<u>555,416</u>	<u>1,278,861</u>	<u>812,416</u>	<u>212,621</u>	<u>798,991</u>	<u>5,095,815</u>
(555,094)	(36,159)	(6,186)	58,931	(50,605)	(569,494)
1,102	-	-	-	13,562	14,664
-	-	-	-	(11,078)	(11,078)
21,517	-	6,186	-	211,017	318,551
-	-	-	-	(126,718)	(624,819)
<u>22,619</u>	<u>-</u>	<u>6,186</u>	<u>-</u>	<u>86,783</u>	<u>(302,682)</u>
(532,475)	(36,159)	-	58,931	36,178	(872,176)
<u>532,475</u>	<u>56,368</u>	<u>-</u>	<u>374,304</u>	<u>144,535</u>	<u>2,915,154</u>
<u>\$ -</u>	<u>\$ 20,209</u>	<u>\$ -</u>	<u>\$ 433,235</u>	<u>\$ 180,713</u>	<u>\$ 2,042,978</u>

South Western Oklahoma Development Authority
Reconciliation of Governmental Funds and Government-Wide
Financial Statements
Year Ended June 30, 2014

Total fund balance - governmental funds	\$ 2,042,978
Amounts reported for governmental activities in the statement of net position 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	24,268
Capital assets, net of accumulated depreciation	<u>436,529</u>
Net position of governmental activities	<u><u>\$ 2,503,775</u></u>
Net change in fund balances - total governmental funds	\$ (872,176)
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	38,833
Depreciation expense	(47,297)
Capital asset disposition, net	(2,899)
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	(14,666)
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	551,124
Change in net position of governmental activities	<u><u>\$ (347,081)</u></u>

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

Southwestern Oklahoma Development Authority
Statement of Net Position
Proprietary Funds
June 30, 2014

	Housing Development
Assets	
Cash and cash equivalents	\$ -
Other assets held for sale	362,615
Total assets	<u>362,615</u>
Liabilities	
Accounts payable and accrued liabilities	26,118
Total liabilities	<u>26,118</u>
Net position	
Net investment in capital assets	-
Restricted	-
Unrestricted	336,497
Total net position	<u><u>\$ 336,497</u></u>

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

South Western Oklahoma Development Authority
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
Year Ended June 30, 2014

	Housing Development
Operating revenues	
Sale of houses	\$ 453,559
Other	16,500
Total operating revenues	<u>470,059</u>
Operating expenses	
Cost of houses	407,022
Housing development	45,972
Total operating expenses	<u>452,994</u>
Operating income (loss)	17,065
Nonoperating revenues (expenses)	
Total nonoperating revenues (expenses)	<u>-</u>
Operating transfers	
Transfers in	306,192
Transfers out	-
Total operating transfers	<u>306,192</u>
Changes in net position	323,257
Net position, beginning	<u>13,240</u>
Net position, ending	<u><u>\$ 336,497</u></u>

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

South Western Oklahoma Development Authority
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2014

	Housing Development
Cash flows from operating activities	
Net operating income (loss)	\$ 17,065
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Increase (decrease) in payables	25,368
(Increase) decrease in assets held for sale	(240,672)
Net cash provided (used) by operating activities	<u>(198,239)</u>
Cash flows from noncapital financing activities	
Transfers in	<u>306,192</u>
Net cash provided (used) by noncapital financing activities	<u>306,192</u>
Cash flows from capital and related financing activities	
Net cash provided (used) by capital and related financing activities	<u>-</u>
Cash flows from investing activities	
Net cash provided (used) by investing activities	<u>-</u>
Net increase (decrease) in cash and cash equivalents	107,953
Cash and cash equivalents, beginning	<u>(107,953)</u>
Cash and cash equivalents, ending	<u><u>\$ -</u></u>

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

South Western Oklahoma Development Authority
Statement of Net Position
Fiduciary Funds
June 30, 2014

	Agency		
	Wireless Holding Fund	Oklahoma Association of Regional Councils	Total
Assets			
Cash and cash equivalents	\$ 36,837	\$ (1,567)	\$ 35,270
Receivables	-	1,567	1,567
Total assets	<u>36,837</u>	<u>-</u>	<u>36,837</u>
Liabilities			
Accounts payable and accrued expenses	<u>36,837</u>	<u>-</u>	<u>36,837</u>
Total liabilities	<u>36,837</u>	<u>-</u>	<u>36,837</u>
Net position	<u>\$ -</u>	<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, 2014

I. Organization

South Western Oklahoma Development Authority (SWODA) was created as a public trust under an indenture dated December 29, 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's operations. SWODA does not have any component units, entities for which SWODA is considered to be financially accountable.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. 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 and allocated indirect 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, proprietary funds and fiduciary funds, even though the latter is excluded from the government-wide financial statements. 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.

SWODA reports the following major governmental funds:

The general fund (local 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 Area Agency on Aging 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.

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

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

The REAP fund reports the activity related to grants from the Oklahoma Department of Commerce for the Rural Economic Action Plan program. These funds account for revenues and related expenditures passed through to member governments for community development projects.

The Employment & Training fund reports activities related to grants through the Oklahoma Department of Commerce 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.

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.

SWODA reports the following major proprietary funds:

- Housing development fund accounts for the construction of housing for sale in member communities.

SWODA also reports an agency fund that is used to account for fiduciary assets held by SWODA in a custodial capacity as an agent on behalf of others. SWODA accounts for the Oklahoma Association of Regional Councils as an agency fund.

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. New Accounting pronouncements

SWODA implemented the following accounting standards during the fiscal year ended June 30, 2014:

GASB Statement No. 65 – *Items Previously Reported as Assets and Liabilities*. GASB Statement No. 65 requires governmental entities to review items reported as assets and liabilities to determine if they meet the definitions contained in GASB Concepts Statement 4. If not, they should be reported as deferred outflows or deferred inflows of resources. This had no impact on the financial report.

GASB Statement No. 66 – *Technical Corrections – 2012 – an Amendment of GASB Statements No. 10 and 62*. This had no impact on the financial report.

GASB Statement No. 70 – *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. This had no impact on the financial report.

E. Assets, liabilities, and net position/fund balance

1. Deposits and investments

SWODA'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”. SWODA had no interfund borrowing at June 30, 2014.

All receivables are shown net of an allowance for uncollectibles. Accounts receivable in excess of 90 days comprise 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 governmental activities column 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:

	<u>Estimated Life</u>
Buildings and improvements	20 years
Equipment and furniture	5-10 years
Computer equipment and software	3-10 years

5. Compensated absences

SWODA’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 position. In the governmental fund financial statements, the proceeds of long-term debt are reported as other financing sources, and the debt principal and interest payments as fund expenditures.

7. Fund balances and net position

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 entity's highest level of decision-making authority.
- 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 board 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 SWODA'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 position – Net position is displayed in three components as follows:

- a. *Net Investment in capital assets* – 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* – consists of net position 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* – all other net position that do not meet the definitions of "net investment in capital assets" or "restricted".

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

8. Allocation of employee benefits and direct costs

SWODA's employee benefits and indirect costs are allocated based upon actual expenditures to all grants in accordance with 2 CFR Part 225 (formerly OMB Circular A-87). 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. Stewardship, compliance, and accountability

Budgetary information

SWODA 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.

IV. Detailed notes on all funds

A. Deposits and investments

Deposits

SWODA's carrying amount of deposits was \$ 1,346,353 as of June 30, 2014, and the bank balances totaled \$ 1,556,663. 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, 2014, all of SWODA's bank balance was FDIC insured or collateralized.

Investments

As of June 30, 2014, SWODA had the following investments.

Investment	Maturities	Fair Value
Certificates of deposit	< 1 year	\$ 1,809,430
Total		<u>\$ 1,809,430</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, 2014, 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, 2014, for the South Western Oklahoma Development Authority's individual major funds, including the applicable allowances for uncollectible accounts, are as follows:

	Receivables			Net Receivables
	Accounts	Due from Other Governments	Allowance For Uncollectibles	
Governmental Funds:				
Local government	\$ 22	\$ -	\$ -	\$ 22
Area Agency on Aging	-	141,334	-	141,334
Employment and training	-	58,832	-	58,832
REAP	-	-	-	-
Advantage case management	-	40,717	(1,800)	38,917
Enhanced 911	22,500	-	-	22,500
Non major governmental	-	142,462	-	142,462
Total	<u>\$ 22,522</u>	<u>\$ 383,345</u>	<u>\$ (1,800)</u>	<u>\$ 404,067</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, 2014:

	Intermediary Loan Program	EDA Revolving Loan Fund	Total
Notes receivables	\$ -	\$ 61,768	\$ 61,768
Less: allowance for uncollectibles	-	(37,500)	(37,500)
Net total receivables	<u>\$ -</u>	<u>\$ 24,268</u>	<u>\$ 24,268</u>

C. Capital assets

Capital asset balances and activities for the year ended June 30, 2014, were as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, being depreciated:				
Buildings, land & improvements	\$ 1,229,292	\$ -	\$ -	\$ 1,229,292
Equipment and furniture	108,588	10,314	(20,354)	98,548
Computer equipment and software	157,188	28,519	(62,633)	123,074
Total capital assets, being depreciated	<u>1,495,068</u>	<u>38,833</u>	<u>(82,987)</u>	<u>1,450,914</u>
Less accumulated depreciation for:				
Buildings, land & improvements	(815,637)	(37,877)	-	(853,514)
Equipment and furniture	(90,690)	(3,738)	20,354	(74,074)
Computer equipment and software	(140,849)	(5,682)	59,734	(86,797)
Total accumulated depreciation	<u>(1,047,176)</u>	<u>(47,297)</u>	<u>80,088</u>	<u>(1,014,385)</u>
Governmental activities capital assets, net	<u>\$ 447,892</u>	<u>\$ (8,464)</u>	<u>\$ (2,899)</u>	<u>\$ 436,529</u>

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

Governmental activities:	
General government	\$ 42,171
Aging services	770
Community development	4,356
Total depreciation expense – governmental activities	<u>\$ 47,297</u>

D. Unearned revenue

Unearned 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.

Unearned revenue for the year ended June 30, 2014 totaled \$ 1,237,571, and included the following:

	Deferred Revenue
	<u>June 30, 2014</u>
REAP funds:	
2012 REAP funds	\$ 86,673
2013 REAP funds	123,928
2014 REAP funds	<u>1,012,294</u>
Total REAP funds	<u>1,222,895</u>
Other funds:	
2014 Masonic Foundation grant	<u>14,676</u>
Total deferred revenue	<u>\$ 1,237,571</u>

E. Non-current Liabilities

Notes Payable

Long-term liabilities transactions for the year ended June 30, 2014, and changes therein were as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Governmental activities					
Notes payable - IRP	\$ 551,124	\$ -	\$ (551,124)	\$ -	\$ -

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:	\$ 59,845
Total compensated absences	<u>\$ 59,845</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.

G. Interfund transfers

	Transfers out:			
	General Fund (local)	Advantage Case Management	Other Governmental Funds	Totals
<u>Transfers in:</u>				
General fund (local)	\$ -	\$ -	\$ 13,888	\$ 13,888
Area Agency on Aging	-	65,943	-	65,943
Intermediary Loan Program	21,517	-	-	21,517
Employment & Training	6,186	-	-	6,186
Other governmental	98,187	-	112,830	211,017
Housing development	306,192	-	-	306,192
Agency	76	-	-	76
Total	<u>\$ 432,158</u>	<u>\$ 65,943</u>	<u>\$ 126,718</u>	<u>\$ 624,819</u>

VI. Other information

A. Risk management

SWODA is exposed to various risks of loss related to torts, property damage, errors and omissions, and personal injury. SWODA has insurance for the major risks 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. Allocation of indirect costs

SWODA's indirect costs are allocated to all programs based upon actual employee salaries and fringe benefits expended. Expenses related to SWODA's office building are allocated on the basis of the square footage occupied by each program.

C. Contingent liabilities

Amounts received or receivable from grantor agencies are subject to audit and adjustment by the agencies, principally the federal government and State of Oklahoma. 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.

D. 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, 2014, employees contributed 5.0% on all compensation, while The Authority's contribution was 15.0% of total compensation. For the year ended June 30, 2014, SWODA's payroll for employees covered by OPERS was \$ 1,222,787. Employer and employee contributions for the year ended June 30, 2014, were \$ 183,418 and \$ 61,145 respectively.

OPERS does not make separate measurements of assets and pension benefit obligation for individual employers. The actuarial accrued liability at July 1, 2013 as a whole, determined through actuarial valuations performed as of July 1, 2013 using the entry age normal cost

method was \$ 8,556,121,906 for the OPERS. The systems' net assets available for benefits on that date (valued at market) were \$ 6,978,873,421 resulting in underfunded pension obligation of \$ 1,577,248,485.

E. Subsequent events

Management has evaluated subsequent events through December 29, 2014, the date which the financial statements were available to be issued.

South Western Oklahoma Development Authority
Combining Balance Sheet
REAP
June 30, 2014

	2014 REAP	2013 REAP	2012 REAP	2011 REAP
Assets				
Cash and cash equivalents	\$ 259,209	\$ 20,319	\$ (34,350)	\$ -
Investments	753,836	155,872	133,618	-
Total assets	<u>\$ 1,013,045</u>	<u>\$ 176,191</u>	<u>\$ 99,268</u>	<u>\$ -</u>
Liabilities				
Accounts payable and accrued liabilities	\$ -	\$ 48,400	\$ -	\$ -
Deferred revenue	1,012,294	123,928	86,673	-
Accrued compensated absences	-	-	-	-
Total liabilities	<u>1,012,294</u>	<u>172,328</u>	<u>86,673</u>	<u>-</u>
Fund balances				
Nonspendable:				
Restricted for:				
Contractual	751	3,863	12,595	-
Committed to:	-	-	-	-
Assigned to:				
Unassigned	-	-	-	-
Total fund balances	<u>751</u>	<u>3,863</u>	<u>12,595</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 1,013,045</u>	<u>\$ 176,191</u>	<u>\$ 99,268</u>	<u>\$ -</u>

2010 REAP	2009 REAP	2008 REAP	REAP Planning	Total
\$ 3,000	\$ -	\$ -	\$ 1,133	\$ 249,311
-	-	-	-	1,043,326
<u>\$ 3,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,133</u>	<u>\$ 1,292,637</u>
\$ -	\$ -	\$ -	\$ 45	\$ 48,445
-	-	-	-	1,222,895
-	-	-	1,088	1,088
<u>-</u>	<u>-</u>	<u>-</u>	<u>1,133</u>	<u>1,272,428</u>
3,000	-	-	-	20,209
-	-	-	-	-
-	-	-	-	-
<u>3,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>20,209</u>
<u>\$ 3,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,133</u>	<u>\$ 1,292,637</u>

South Western Oklahoma Development Authority
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
REAP
Year Ended June 30, 2014

	2014 REAP	2013 REAP	2012 REAP	2011 REAP
Revenues				
Federal & state grants	\$ 140,953	\$ 692,061	\$ 301,728	\$ 87,596
Interest	751	2,898	2,291	389
Total revenues	<u>141,704</u>	<u>694,959</u>	<u>304,019</u>	<u>87,985</u>
Expenditures				
Current:				
Community development	140,953	692,061	301,728	102,087
Total expenditures	<u>140,953</u>	<u>692,061</u>	<u>301,728</u>	<u>102,087</u>
Excess of revenues over (under) expenditures	751	2,898	2,291	(14,102)
Other financing sources (uses)				
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	751	2,898	2,291	(14,102)
Fund balances, beginning	<u>-</u>	<u>965</u>	<u>10,304</u>	<u>14,102</u>
Fund balances, ending	<u><u>\$ 751</u></u>	<u><u>\$ 3,863</u></u>	<u><u>\$ 12,595</u></u>	<u><u>\$ -</u></u>

2010 REAP	2009 REAP	2008 REAP	REAP Planning	Total
\$ 13,949	\$ -	\$ -	\$ -	\$ 1,236,287
79	2	5	-	6,415
<u>14,028</u>	<u>2</u>	<u>5</u>	<u>-</u>	<u>1,242,702</u>
34,179	7,848	5	-	1,278,861
<u>34,179</u>	<u>7,848</u>	<u>5</u>	<u>-</u>	<u>1,278,861</u>
(20,151)	(7,846)	-	-	(36,159)
-	-	-	-	-
(20,151)	(7,846)	-	-	(36,159)
23,151	7,846	-	-	56,368
<u>\$ 3,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20,209</u>

South Western Oklahoma Development Authority
Combining Balance Sheet
Employment & Training
June 30, 2014

	E & T Administrative Cost Pool	WIA 15120 Adult	WIA 15363 Adult	WIA 15542 Adult
Assets				
Cash and cash equivalents	\$ 465	\$ -	\$ -	\$ -
Receivables	-	-	-	-
Total assets	<u>\$ 465</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Liabilities				
Accounts payable and accrued liabilities	\$ 76	\$ -	\$ -	\$ -
Accrued compensated absences	389	-	-	-
Total liabilities	<u>465</u>	<u>-</u>	<u>-</u>	<u>-</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>\$ 465</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

WIA 15759 Adult	WIA 15059 Youth	WIA 15529 Youth	WIA 15925 Youth	WIA 15353 DLW	WIA 15551 DLW	WIA 15768 DLW
\$ 2,167	\$ -	\$ (13,315)	\$ (3,817)	\$ (18,976)	\$ (583)	\$ 806
979	-	17,337	3,817	18,976	583	1,041
<u>\$ 3,146</u>	<u>\$ -</u>	<u>\$ 4,022</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,847</u>
\$ 121	\$ -	\$ 278	\$ -	\$ -	\$ -	\$ -
3,025	-	3,744	-	-	-	1,847
<u>3,146</u>	<u>-</u>	<u>4,022</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,847</u>
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>\$ 3,146</u>	<u>\$ -</u>	<u>\$ 4,022</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,847</u>

South Western Oklahoma Development Authority
Combining Balance Sheet
Employment & Training
June 30, 2014

	WIA 15813 DLW	WIA 15814 DLW	WIA 15404 BRAC	SCOWIB
Assets				
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ (10,595)
Receivables	-	-	-	14,909
Total assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,314</u>
Liabilities				
Accounts payable and accrued liabilities	\$ -	\$ -	\$ -	\$ -
Accrued compensated absences	-	-	-	4,314
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,314</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>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,314</u>

Trade Adjustment Assistance	95842 SCSEP	95843 SCSEP	Total
\$ (1,190)	\$ -	\$ -	\$ (45,038)
1,190	-	-	58,832
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,794</u>
\$ -	\$ -	\$ -	\$ 475
-	-	-	13,319
<u>-</u>	<u>-</u>	<u>-</u>	<u>13,794</u>
-	-	-	-
-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,794</u>

South Western Oklahoma Development Authority
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Employment & Training
Year Ended June 30, 2014

	E & T Administrative Cost Pool	WIA 15120 Adult	WIA 15363 Adult	WIA 15542 Adult
Revenues				
Federal & state grants	\$ -	\$ 1,065	\$ 46,996	\$ 3,289
Contract revenue	-	-	-	-
Match revenue	-	-	-	-
Total revenues	<u>-</u>	<u>1,065</u>	<u>46,996</u>	<u>3,289</u>
Expenditures				
Current:				
Employment and training	-	1,065	49,591	3,289
Total expenditures	<u>-</u>	<u>1,065</u>	<u>49,591</u>	<u>3,289</u>
Excess of revenues over (under) expenditures	-	-	(2,595)	-
Other financing sources (uses)				
Transfers in	-	-	2,595	-
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>2,595</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>

South Western Oklahoma Development Authority
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Employment & Training
Year Ended June 30, 2014

	WIA 15813 DLW	WIA 15814 DLW	WIA 15404 BRAC	SCOWIB
Revenues				
Federal & state grants	\$ 11,780	\$ 654	\$ 42,771	\$ -
Contract revenue	-	-	-	176,561
Match revenue	-	-	-	-
Total revenues	<u>11,780</u>	<u>654</u>	<u>42,771</u>	<u>176,561</u>
Expenditures				
Current:				
Employment and training	<u>11,780</u>	<u>654</u>	<u>42,771</u>	<u>176,561</u>
Total expenditures	<u>11,780</u>	<u>654</u>	<u>42,771</u>	<u>176,561</u>
Excess of revenues over (under) expenditures	-	-	-	-
Other financing sources (uses)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	-	-	-	-
Fund 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>

Trade Adjustment Assistance	95842 SCSEP	95843 SCSEP	Total
\$ 6,108	\$ 24,573	\$ 62,143	\$ 591,474
-	-	-	176,561
-	6,415	31,780	38,195
<u>6,108</u>	<u>30,988</u>	<u>93,923</u>	<u>806,230</u>
6,108	30,988	93,923	812,416
<u>6,108</u>	<u>30,988</u>	<u>93,923</u>	<u>812,416</u>
-	-	-	(6,186)
-	-	-	6,186
-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>6,186</u>
-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

South Western Oklahoma Development Authority
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2014

	Special Revenue			
	State Appropriations	Firewise	Rural Fire Defense	Community Improvement Projects
Assets				
Cash and cash equivalents	\$ -	\$ 385	\$ (3,896)	\$ 2,734
Receivables	-	-	7,917	310
Total assets	<u>\$ -</u>	<u>\$ 385</u>	<u>\$ 4,021</u>	<u>\$ 3,044</u>
Liabilities				
Accounts payable and accrued liabilities	\$ -	\$ 45	\$ 430	\$ 124
Deferred revenue	-	-	-	-
Accrued compensated absences	-	340	3,591	2,920
Total liabilities	<u>-</u>	<u>385</u>	<u>4,021</u>	<u>3,044</u>
Fund balances				
Nonspendable:				
Restricted for:				
Contractual	-	-	-	-
Committed to:	-	-	-	-
Assigned to:				
Public safety	-	-	-	-
Community development	-	-	-	-
Unassigned	-	-	-	-
Total fund balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ 385</u>	<u>\$ 4,021</u>	<u>\$ 3,044</u>

Special Revenue						
Community Development Administration	Hazard Mitigation	Developmental Planning Administration	EDA District Planning	EDA Entrepreneur Development	EDA Revolving Loan Fund	Rural Transportation Planning
\$ 173,755	\$ 1,510	\$ (2,310)	\$ (20,950)	\$ (15,368)	\$ 3,662	\$ (18,346)
4,868	-	2,650	25,715	16,514	-	29,911
<u>\$ 178,623</u>	<u>\$ 1,510</u>	<u>\$ 340</u>	<u>\$ 4,765</u>	<u>\$ 1,146</u>	<u>\$ 3,662</u>	<u>\$ 11,565</u>
\$ -	\$ 24	\$ -	\$ -	\$ 14	\$ -	\$ 9,720
-	-	-	-	-	-	-
1,942	1,486	340	4,765	1,132	-	1,475
<u>1,942</u>	<u>1,510</u>	<u>340</u>	<u>4,765</u>	<u>1,146</u>	<u>-</u>	<u>11,195</u>
-	-	-	-	-	3,662	370
-	-	-	-	-	-	-
-	-	-	-	-	-	-
176,681	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>176,681</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,662</u>	<u>370</u>
<u>\$ 178,623</u>	<u>\$ 1,510</u>	<u>\$ 340</u>	<u>\$ 4,765</u>	<u>\$ 1,146</u>	<u>\$ 3,662</u>	<u>\$ 11,565</u>

South Western Oklahoma Development Authority
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2014
(continued)

	Special Revenue			
	MFP Living Choice	Oklahoma Commission on Children & Youth	Masonic Grant	CENA
Assets				
Cash and cash equivalents	\$ (1,040)	\$ (146)	\$ 14,676	\$ (53,338)
Receivables	1,093	146	-	53,338
Total assets	<u>\$ 53</u>	<u>\$ -</u>	<u>\$ 14,676</u>	<u>\$ -</u>
Liabilities				
Accounts payable and accrued liabilities	\$ 53	\$ -	\$ -	\$ -
Deferred revenue	-	-	14,676	-
Accrued compensated absences	-	-	-	-
Total liabilities	<u>53</u>	<u>-</u>	<u>14,676</u>	<u>-</u>
Fund balances				
Nonspendable:				
Restricted for:				
Contractual	-	-	-	-
Committed to:	-	-	-	-
Assigned to:				
Public safety	-	-	-	-
Community development	-	-	-	-
Unassigned	-	-	-	-
Total fund balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 53</u>	<u>\$ -</u>	<u>\$ 14,676</u>	<u>\$ -</u>

Total	
\$	81,328
	142,462
\$	223,790

\$	10,410
	14,676
	17,991
	43,077

	4,032
	-
	-
	176,681
	-
	180,713
\$	223,790

South Western Oklahoma Development Authority
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2014

	Special Revenue			
	State Appropriations	Firewise	Rural Fire Defense	Community Improvement Projects
Revenues				
Federal & state grants	\$ 36,364	\$ -	\$ 70,000	\$ -
Contract revenue	-	3,000	-	68,774
Interest	-	-	-	-
Match revenue	-	-	-	-
Total revenues	<u>36,364</u>	<u>3,000</u>	<u>70,000</u>	<u>68,774</u>
Expenditures				
Current:				
General Government	-	-	-	-
Aging services	-	-	-	-
Public safety	-	12,411	81,881	-
Economic development	36,364	-	-	-
Transportation planning	-	-	-	-
Community development	-	-	-	70,881
Capital expenditures	-	499	-	-
Total expenditures	<u>36,364</u>	<u>12,910</u>	<u>81,881</u>	<u>70,881</u>
Excess of revenues over (under) expenditures	-	(9,910)	(11,881)	(2,107)
Other financing sources (uses)				
Principal received on notes receivable	-	-	-	-
Liquidation payments to EDA	-	-	-	-
Transfers in	-	9,910	49,284	91,076
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>9,910</u>	<u>49,284</u>	<u>91,076</u>
Net change in fund balances	-	-	37,403	88,969
Fund balances, beginning	<u>-</u>	<u>-</u>	<u>(37,403)</u>	<u>(88,969)</u>
Fund balances, ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Special Revenue						
Community Development Administration	Hazard Mitigation	Developmental Planning Administration	EDA District Planning	EDA Entrepreneur Development	EDA Revolving Loan Fund	Rural Transportation Planning
\$ -	\$ -	\$ -	\$ 56,567	\$ 21,545	\$ -	\$ 66,922
34,949	65,331	13,585	-	-	-	-
-	-	-	-	-	2,701	-
-	-	-	38,374	21,545	-	17,491
<u>34,949</u>	<u>65,331</u>	<u>13,585</u>	<u>94,941</u>	<u>43,090</u>	<u>2,701</u>	<u>84,413</u>
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	79,567	94,941	42,640	827	-
-	-	-	-	-	-	62,236
7,550	54,900	-	-	-	-	-
499	300	-	-	450	-	21,807
<u>8,049</u>	<u>55,200</u>	<u>79,567</u>	<u>94,941</u>	<u>43,090</u>	<u>827</u>	<u>84,043</u>
26,900	10,131	(65,982)	-	-	1,874	370
-	-	-	-	-	13,562	-
-	-	-	-	-	(11,078)	-
-	21,754	38,993	-	-	-	-
(112,830)	-	-	-	-	(13,888)	-
<u>(112,830)</u>	<u>21,754</u>	<u>38,993</u>	<u>-</u>	<u>-</u>	<u>(11,404)</u>	<u>-</u>
(85,930)	31,885	(26,989)	-	-	(9,530)	370
<u>262,611</u>	<u>(31,885)</u>	<u>26,989</u>	<u>-</u>	<u>-</u>	<u>13,192</u>	<u>-</u>
<u>\$ 176,681</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,662</u>	<u>\$ 370</u>

South Western Oklahoma Development Authority
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2014
(continued)

	Special Revenue			
	MFP Living Choice	Oklahoma Commission on Children & Youth	Masonic Grant	CENA
Revenues				
Federal & state grants	\$ 1,093	\$ 1,250	\$ -	\$ 190,352
Contract revenue	-	-	38,543	-
Interest	-	-	-	-
Match revenue	-	-	-	-
Total revenues	<u>1,093</u>	<u>1,250</u>	<u>38,543</u>	<u>190,352</u>
Expenditures				
Current:				
General government	-	-	-	-
Aging services	1,093	-	38,543	190,352
Public safety	-	-	-	-
Economic development	-	-	-	-
Transportation planning	-	-	-	-
Community development	-	1,250	-	-
Capital expenditures	-	-	-	-
Total expenditures	<u>1,093</u>	<u>1,250</u>	<u>38,543</u>	<u>190,352</u>
Excess of revenues over (under) expenditures	-	-	-	-
Other financing sources (uses)				
Principal received on notes receivable	-	-	-	-
Liquidation payments to EDA	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
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>Total</u>	
\$	444,093
	224,182
	2,701
	<u>77,410</u>
	<u>748,386</u>

	-
	229,988
	94,292
	254,339
	62,236
	134,581
	<u>23,555</u>
	<u>798,991</u>

(50,605)

	13,562
	(11,078)
	211,017
	<u>(126,718)</u>
	<u>86,783</u>

36,178

	<u>144,535</u>
\$	<u><u>180,713</u></u>

South Western Oklahoma Development Authority
Schedule of Indirect Costs
For the Year Ended June 30, 2014

	Indirect Costs	Building 420 Costs
Indirect salaries	\$ 114,203	\$ -
Employee benefits	38,260	-
Indirect personnel costs	<u>152,463</u>	<u>-</u>
Travel	16,183	-
Office & copying expense	15,771	-
Telephone & internet	11,353	-
Consultant & professional	21,888	-
Dues, books & subscriptions	8,200	-
Printing & publications	1,542	-
Equipment rental	-	-
Other	3,713	-
Registration, fees & permits	560	-
Insurance	14,642	-
Repairs & maintenance	6,463	16,091
Depreciation	10,572	3,959
Building expenses allocated	21,888	-
Supplies	49	-
Utilities	-	13,513
Indirect costs	<u><u>\$ 285,287</u></u>	<u><u>\$ 33,563</u></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*

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

We have audited in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, 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, 2014, and the related notes to the financial statements, which collectively comprise the basic financial statements of South Western Oklahoma Development Authority, and have issued our report thereon dated December 29, 2014. 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.

Internal Control Over Financial Reporting

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

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

Our consideration of the internal control 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 that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2014-1 and 2014-2 that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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*.

South Western Oklahoma Development Authority's Response to Findings

South Western Oklahoma Development Authority's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. South Western Oklahoma Development Authority's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

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

Ronald C. Cottrell, CPA

Ronald C. Cottrell, CPA
Kansas, Oklahoma
December 29, 2014



Ronald C. Cottrell, CPA

Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance as Required by OMB Circular A-133

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

Report on Compliance for Each Major Program

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 its major federal programs for the year ended June 30, 2014. 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.

Management's Responsibility

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

Auditor's Responsibility

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

Opinion on Each Major Federal Program

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, 2014.

Report on Internal Control Over Compliance

Management of South Western Oklahoma Development Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered South Western Oklahoma Development Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of 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. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

Purpose of this Report

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

Ronald C. Cottrell, CPA

Ronald C. Cottrell, CPA
Kansas, Oklahoma
December 29, 2014

South Western Oklahoma Development Authority
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2014

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 Department of Commerce -			
<i>Workforce Investment Act (WIA) Cluster</i>			
WIA Title I Adult	17.258	15542 WASFY 13	\$ 3,289
		15759 WASFY 14	111,581
		15120 SW PY 12 WAS	1,065
		15363 SW FY13 WASFY	46,996
WIA Title I Youth	17.259	15925 WYS 14	6,560
		15529 WYS 13	101,271
		15059 SW PY 12 WYS	35,553
WIA Title I Dislocated Worker	17.278	15551 WDW 13	2,084
		15768 WDWFY 14	15,200
		15813 WDWFY 12	11,780
		15814 WDW 12	654
		15353 SW FY 13 WDWFY	119,846
<i>Subtotal WIA Cluster</i>			<u>455,879</u>
<i>Other Programs</i>			
WIA National Emergency Grants	17.277	15404 BRAC 11	42,771
Pass-Through Program From:			
Oklahoma Employment Security Commission -			
Title V, Senior Community Services			
Employment Program	17.235	95842 SW PY 12 SCSEP	24,573
		95843 SW PY 13 SCSEP	62,143
WIA Trade Adjustment Assistance	17.245	170-016 TAA	6,108
<i>Subtotal Other Programs</i>			<u>135,595</u>
Total U.S. Department of Labor			<u>591,474</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	124,621
Area Agency on Aging Title III Part C	93.045	3407-6010	222,719
Area Agency on Aging NSIP	93.053	3407-6010	73,118
<i>Subtotal Aging Cluster</i>			<u>420,458</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, 2014

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			
<i>Other Programs</i>			
Area Agency on Aging Title III Part D	93.043	3407-6010	4,605
Area Agency on Aging Title III Part E	93.052	3407-6010	38,835
Area Agency on Aging Title VII	93.041	3407-6010	1,754
Money Follows the Person (Living Choice) ADRC	93.791		1,093
<i>Subtotal Other Programs</i>			<u>46,287</u>
Total U.S. Department of Health and Human Services			<u>466,745</u>
<u>U.S. Department of Transportation</u>			
Pass-Through Program From:			
Oklahoma Department of Transportation			
Oklahoma Association of Regional Councils (OARC)			
Rural Transportation Planning	20.205	SPRY0010(057); JP01946(59)	29,912
			9,013
		SPRY0010(59); JP01946(61)	37,010
Total U.S. Department of Transportation			<u>75,935</u>
<u>U.S. Department of Commerce</u>			
Direct Program -			
Title II, Section 203 Planning Assistance:			
Continuation planning	11.302	08-83-04672	30,852
		08-86-04949	25,715
Entrepreneurship Development		08-86-04792	21,545
Economic Adjustment Assistance/ Revolving Loan Fund	11.307	08-39-02979	49,693
Total U.S. Department of Commerce			<u>127,805</u>
Total Expenditures of Federal Awards			<u><u>\$ 1,261,959</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, 2014

I. Basis of Accounting

The accompanying schedule of expenditures of federal awards includes the federal grant activity of 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, 2014:

Program Title	Federal CFDA No.	Amount Outstanding
<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	\$ 61,768

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	\$ 77,300
Part C – Nutrition Services	93.045	186,367
Part D – Disease Prevention and Health Promotion Services	93.043	4,605
Part E – Caregiver Support	93.052	30,724
Area Agency on Aging NSIP	93.053	73,118
		<u>\$ 372,114</u>

South Western Oklahoma Development Authority
Schedule of Expenditures of State Awards
Year Ended June 30, 2014

State Grantor/ Pass-Through Grantor/ Program or Cluster Title	Grantor Identifying Number	Expenditures
STATE PROGRAMS		
<u>Oklahoma Department of Commerce</u>		
Substate Planning District	15702 SS 14	\$ 36,364
Community Expansion of Nutritional Assistance	15593 CENA 14	190,352
Rural Economic Action Plans	13890 REAP 10	13,949
	14457 REAP 11	87,596
	14778 REAP 12	301,728
	15289 REAP 13	692,061
	15693 REAP 14	140,953
Total Oklahoma Department of Commerce		<u>1,463,003</u>
<u>Oklahoma Department of Agriculture</u>		
Pass-Through Program From:		
Oklahoma Association of Regional Councils -		
Rural Fire Defense Program	FY 2014	70,000
Total Oklahoma Department of Agriculture		<u>70,000</u>
<u>Oklahoma Department of Human Services</u>		
<i>Area Agency on Aging</i>		
Title III Part B	3407-6010	137,699
Title III Part C	3407-6010	189,936
Title III Part D	3407-6010	813
Title III Part E	3407-6010	13,073
Title VII	3407-6010	309
Total Oklahoma Department of Human Services		<u>341,830</u>
<u>Oklahoma Commission on Children and Youth</u>		
<u>Community Partnership Board</u>		
Special projects		500
		<u>750</u>
Total Oklahoma Commission on Children and Youth Community Partnership Board		1,250
Total Expenditures of State Awards		<u>\$ 1,876,083</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, 2014

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiencies identified that are not considered to be material weakness(es)?	Yes
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:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	No
Identification of major programs:	

CFDA Numbers

Name of Federal Program or Cluster

93.044 – 93.053

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

Internal Control Findings

2014-1 Disbursements

Criteria – Applications for payment for housing construction expenses shall be approved by both the Business Development Director and Executive Director of SWODA. Additionally, payments should be made only on the basis of proper invoices and supporting documentation.

Condition – Of the forty (40) applications for payment for housing construction expenses reviewed, twelve (12) were not approved by the Executive Director prior to payment.

Ronald C. Cottrell, CPA

Sales taxes totaling \$1,374 were included in the payments made on five invoices for housing construction.

Expenditures totaling \$4,526 for housing construction costs were not included on the application for payment prepared by the construction manager.

Claims for reimbursement for Area Agency on Aging payments for November 2013 made to SOGAG and CADC did not have proper supporting documentation at the time the payments were made. Supporting documentation was received before the end of audit fieldwork.

Cause and Effect – Expenditures are not always adequately reviewed or properly approved prior to payment. Without proper review and approval, unauthorized or possibly unallowable expenditures could be paid.

Recommendation – Existing SWODA policies for review and approval of expenditures for payment should be strictly followed.

Responsible Official's Comments and Plan of Action – Turnover in staffing and training of new staff caused most of the issues noted above. We are reviewing our policies regarding the housing construction program as they related to reviewing and approval of expenditures. We endeavor to follow all policies and procedures and expect all staff to assure policy compliance.

2014-2 Credit Card Purchases

Criteria – The SWODA credit card agreement with employees states that the card will not be used for other than legitimate business purposes or for private purchases.

Condition – Personal expenses incurred by one employee totaling \$1,679 beginning in July 2013 and continuing through April 2014 were charged to the SWODA credit card issued to the employee, but were not reimbursed to SWODA until April, 2014.

Cause and Effect – Unallowable personal expenses could mistakenly be charged to federal or state grant programs administered by SWODA.

Recommendation – All employees should adhere to the credit card usage policies agreed to.

Responsible Official's Comments and Plan of Action – None of the expenditures noted were charged against any federal or state program. Any unallowable or questioned expenditure is segregated and tracked separately by SWODA's financial staff. In the incident noted, a staff person erroneously used their business credit card numerous times for non-business expenses. Due partly to staff turnover, the incident took a longer time to resolve than normal. Once presented with a complete accounting of the charges, the employee paid the expenditures noted. The Director of Finance has discussed with the offending employee that no further issues will be tolerated.

Section III – Federal Award Findings and Questioned Costs

No matters were reported.