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**FEB 07 2012**

**State Auditor & Inspector**

**SOUTHERN OKLAHOMA DEVELOPMENT ASSOCIATION**  
Financial Statements  
Year-End: June 30, 2011

**RHJ**

Southern Oklahoma Development Association  
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## INTRODUCTORY

Southern Oklahoma Development Association

**List of Elected and Appointed Officials**

June 30, 2011

Elected Officials

James Dunegan  
Beverly Akin  
Laura McElhanon

President  
Vice President  
Secretary/Treasurer

Appointed Officials

Wes Bowman  
Jon McCormick  
Tommy Shepard  
Kathy Gooding  
Dottie DeMeulenaere

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

**FINANCIAL**



## INDEPENDENT AUDITOR'S REPORT

Board of Directors of Southern Oklahoma Development  
Durant, Oklahoma

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Southern Oklahoma Development Association (SODA), as of and for the year ended June 30, 2011, which collectively comprise SODA's basic financial statements as listed in the table of contents. These financial statements are the responsibility of SODA's management. Our responsibility is to express opinions on those financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial positions of the governmental activities, each major fund, and the aggregate remaining fund information of Southern Oklahoma Development Association, as of June 30, 2011, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have issued our report dated January 23, 2012 on our consideration of Southern Oklahoma Development Association's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 9 through 13 and 38 through 40 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Southern Oklahoma Development Association's financial statements as a whole. The introductory section, combining non-major fund, and general fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The combining non-major funds and general fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Rahhal Henderson Johnson, PLLC

Ardmore, Oklahoma  
January 23, 2012



**Southern Oklahoma Development Association**  
**Management's Discussion and Analysis (Unaudited)**  
June 30, 2011

As management of Southern Oklahoma Development Association (SODA), we offer readers of SODA's financial statements this narrative overview and analysis of the financial activities of SODA for the year ended June 30, 2011. We encourage readers to consider the information presented here. The basic financial statements include government-wide financial statements and fund financial statements. For a further understanding of the difference between these financial statements, a detailed discussion is provided on pages 21 through 22.

**Financial Highlights**

With respect to the government-wide financial statements:

The assets of SODA exceeded its liabilities at June 30, 2011 by \$2,109,393 (*net assets*). Of this amount, \$1,671,875 (*unrestricted net assets*) may be used to meet the entity's ongoing obligations to citizens and creditors.

With respect to the fund financial statements:

As of June 30, 2011, SODA's governmental funds reported combined ending fund balances of \$1,994,615 a decrease of \$225,483 from the prior year. The unassigned balance is *available for spending* at the entity's discretion (*unassigned fund balance*).

At June 30, 2011, unassigned fund balance for the general fund was \$1,160,933, or 183 percent of total general fund expenditures for the year.

**Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the entity's basic financial statements. SODA's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Southern Oklahoma Development Association**  
**Management's Discussion and Analysis (Unaudited)**  
**June 30, 2011**

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

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

The *statement of activities* presents information showing how the government's net assets changed during the year ending June 30, 2011. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

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

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

***Fund financial statements.*** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. SODA uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. SODA has only governmental funds.

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

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

**Southern Oklahoma Development Association**  
**Management's Discussion and Analysis (Unaudited)**  
**June 30, 2011**

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

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

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

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

***Notes to the financial statements.*** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 22-36 of this report.

***Other information.*** In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning SODA's budget to actual schedules on major governmental funds. Required supplementary information can be found on page 38-40 of this report.

The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the required supplementary information. Combining fund statements can be found on pages 43-45 of this report.

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

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of SODA, assets exceeded liabilities by \$2,109,393 at the close of the most recent fiscal year. The comparison of net assets from year to year serves to measure financial position

**Southern Oklahoma Development Association  
Management's Discussion and Analysis (Unaudited)  
June 30, 2011**

	<u>Governmental Activities</u>	
	<u>2010</u>	<u>2011</u>
Current and other assets	\$4,318,704	\$4,189,270
Capital assets	<u>52,019</u>	<u>153,837</u>
Total assets	<u>4,370,723</u>	<u>4,343,107</u>
Current liabilities	<u>2,141,848</u>	<u>2,233,714</u>
Total liabilities	<u>2,141,848</u>	<u>2,233,714</u>
Net Assets		
Invested in capital assets	52,019	153,836
Restricted by Grantors and Contributors	548,827	283,682
Unrestricted	<u>1,627,029</u>	<u>1,671,875</u>
Total net assets	<u>\$2,228,875</u>	<u>\$2,109,393</u>

**Governmental activities**

The following schedule compares revenues and expenses of SODA for the current and prior fiscal year. Total revenues decreased 16 percent over last year. Approximately 83% of SODA's total revenues come from operating contributions and grants. Total expenses increased 4 percent over last year.

	<u>Governmental Activities</u>	
	<u>2010</u>	<u>2011</u>
<b>Revenues</b>		
Program revenues:		
Charges for services	\$901,472	\$1,808,857
Operating grants and contributions	4,376,874	3,606,341
General revenues:		
Interest	11,483	13,581
Loss on sale of assets	<u>(1,061)</u>	<u>(173,081)</u>
Total revenues	<u>5,288,768</u>	<u>5,255,698</u>
Expenses:		
General government	225,816	201,191
Health and welfare	2,424,090	2,434,386
Culture and recreation	15,680	13,724
Public safety	107,845	114,923
Pass thru expenses	2,101,135	2,381,634
Economic development	316,590	218,219
Urban development and housing	<u>26,529</u>	<u>11,103</u>
Total expenses	<u>\$5,217,685</u>	<u>\$5,375,180</u>
Increase (Decrease) in net assets	71,083	(11)
Net assets, beginning	<u>2,157,792</u>	<u>2,228,875</u>

**Southern Oklahoma Development Association  
Management's Discussion and Analysis (Unaudited)  
June 30, 2011**

Total net assets	<u>\$2,228,875</u>	<u>\$2,109,393</u>
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**Financial Analysis of SODA's Funds**

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

As of June 30, 2011, SODA's governmental funds reported combined ending fund balances of \$1,994,615, a decrease of \$225,483 in comparison with the prior year. Of this amount, \$1,160,933 is unrestricted fund balance, available for spending at the government's discretion within the purposes of the fund.

The general fund is the chief operating fund of SODA. At June 30, 2011, unrestricted fund balance is \$1,160,933. The board has assigned fund balance in the amount of \$550,000, for future building construction commitments. The overall fund balance decreased of \$174,206 over the prior year.

**General fund budgetary highlights**

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

**Capital Assets**

SODA's investment in capital assets for its governmental activities as of June 30, 2011, was \$153,837. This investment includes equipment and vehicles. In addition an amount of \$106,381 is the amount under Construction In Progress for a new office building. The investment in capital assets increased \$101,818 due to the purchase of land and building for new office, net of disposals and depreciation.

**Requests for Information**

This financial report is designed to provide a general overview of SODA's finances for all those with an interest in the entity's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Finance Director, 224 W. Evergreen, Suite 202, Durant, Oklahoma 74701..

**BASIC FINANCIAL STATEMENTS**

Southern Oklahoma Development Association  
Statement of Net Assets  
June 30, 2011

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Current Assets	
Cash	\$ 3,480,261
Revenue Receivable	696,134
Prepaid Accounts	12,875
Total Current Assets	<u>4,189,270</u>
Noncurrent Assets	
Capital Assets, Not Being Depreciated	106,381
Capital Assets, Being Depreciated	47,456
Total Noncurrent Assets	<u>153,837</u>
Total Assets	<u>4,343,107</u>
<b>LIABILITIES</b>	
Current Liabilities	
Compensated Absences	39,059
Accounts Payable	392,711
Deferred Revenue	1,801,944
Total Current Liabilities	<u>2,233,714</u>
Total Liabilities	<u>2,233,714</u>
<b>NET ASSETS</b>	
Invested in Capital Assets	153,836
Restricted For REAP	283,682
Unrestricted	1,671,875
Total Net Assets	<u><u>\$ 2,109,393</u></u>

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

Southern Oklahoma Development Association  
Statement of Activities  
For the Year Ended June 30, 2011

	Program Revenues		Net (Expense) Revenue and Change in Net Assets
	Expenses	Charges for Services	Operating Grants and Contributions
	\$	\$	\$
<i>Functions/Programs</i>			
Primary Government			
Governmental Activities			
General Government	201,191	153,458	(47,733)
Health and Welfare	2,434,386	-	12,254
Culture and Recreation	13,724	-	-
Public Safety	114,923	13,657	(31,266)
Pass Thru Expenditures	2,381,634	543,593	(1,043,953)
Economic Development	218,219	239,036	302,706
Urban Development and Housing	11,103	859,113	848,010
Total Governmental Activities	5,375,180	1,808,857	40,018
General Revenues			
Interest			13,581
Special Items			
Impairment Loss			(175,000)
Gain on Sale of Assets			1,919
Total General Revenues and Special Items			(159,500)
Change in Net Assets			(119,482)
Net Assets - Beginning			2,228,875
Net Assets - Ending			2,109,393

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



Southern Oklahoma Development Association  
Balance Sheet  
Governmental Funds  
June 30, 2011

	General Fund	REAP	SUOA AAA	Other Governmental Funds	Total
<b>Assets</b>					
Cash	\$ 1,632,860	\$ 1,905,627	\$ -	\$ 51,667	\$ 3,590,154
Revenue Receivable	97,707	132,515	332,530	133,383	696,135
Prepaid Accounts	12,863	-	-	13	12,876
<b>Total Assets</b>	\$ 1,743,430	\$ 2,038,142	\$ 332,530	\$ 185,063	\$ 4,299,165
<b>Liabilities</b>					
Cash Overdraft	-	-	22,340	92,284	\$ 114,624
Accounts Payable	32,497	2,882	310,190	42,412	387,981
Deferred Revenue	-	1,751,578	-	50,367	1,801,945
<b>Total Liabilities</b>	32,497	1,754,460	332,530	185,063	2,304,550
<b>Fund Balances</b>					
Restricted	-	283,682	-	-	283,682
Assigned	550,000	-	-	-	550,000
Unassigned	1,160,933	-	-	-	1,160,933
<b>Total Fund Balances</b>	1,710,933	283,682	-	-	1,994,615
<b>Total Liabilities and Fund Balances</b>	\$ 1,743,430	\$ 2,038,142	\$ 332,530	\$ 185,063	

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

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

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

Net assets of governmental activities.

	153,837
	(39,059)
	\$ 2,109,393

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

Southern Oklahoma Development Association  
Statement of Revenues, Expenditures and  
Changes in Fund Balances— Governmental Funds  
For the Year Ended June 30, 2011

	General Fund	REAP	SUOA AAA	Other Governmental Funds	Total
<b>REVENUE</b>					
Grants	\$ -	\$ 1,243,869	\$ 2,340,639	\$ 565,426	\$ 4,149,934
Administrative Fee	1	-	-	-	1
Interest	13,581	-	-	-	13,581
Miscellaneous	3,880	-	-	-	3,880
Service Revenue	439,755	-	-	-	439,755
Total Revenue	<u>457,217</u>	<u>1,243,869</u>	<u>2,340,639</u>	<u>565,426</u>	<u>4,607,151</u>
<b>EXPENDITURES</b>					
Current					
General Government	190,109	132,046	-	-	322,155
Health and Welfare	47,535	-	320,611	106,001	474,147
Economic Development	102,205	-	-	36,364	138,569
Culture and Recreation	-	-	-	13,725	13,725
Public Safety	-	-	-	67,638	67,638
Urban Development and Housing	11,101	-	-	78,591	89,692
Pass through Expenditures	-	1,163,313	2,005,539	260,765	3,429,617
Capital Outlay	-	-	-	-	-
General Government	282,602	-	-	-	282,602
Health and Welfare	-	-	14,489	-	14,489
Economic Development	-	-	-	-	-
Total Expenditures	<u>633,552</u>	<u>1,295,359</u>	<u>2,340,639</u>	<u>563,084</u>	<u>4,832,634</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(176,335)</u>	<u>(51,490)</u>	<u>-</u>	<u>2,342</u>	<u>(225,483)</u>
Other Financing Sources					
Transfers In	26,872	-	-	9	26,881
Transfers Out	(24,743)	-	-	(2,138)	(26,881)
Total Other Financing Sources	<u>2,129</u>	<u>-</u>	<u>-</u>	<u>(2,129)</u>	<u>-</u>
Net Change in Fund Balances	(174,206)	(51,490)	-	213	(225,483)
Fund Balances	<u>1,885,139</u>	<u>335,172</u>	<u>-</u>	<u>(213)</u>	<u>2,220,098</u>
Fund Balances - Ending	<u>\$ 1,710,933</u>	<u>\$ 283,682</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,994,615</u>

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

Southern Oklahoma Development Association  
 Reconciliation of the Statement of Revenues, Expenditures and  
 Changes in Net Assets – Modified Cash Basis – Governmental Funds  
 to the Statement of Revenue, Expenses and Changes in Net Assets – Modified Cash Basis  
 For the Year Ended June 30, 2011

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

Net change in fund balances - total governmental funds	\$ (225,483)
--	--------------

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense in the current period.

101,818

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

4,183

Change in net assets of governmental activities.

\$ (119,482)

Southern Oklahoma Development Association  
Statement of Fiduciary Net Assets  
June 30, 2011

	<u>911 Service Fee</u>
Assets	
Cash	<u>\$ 4,729</u>
Total Assets	<u><u>\$ 4,729</u></u>
Liabilities	
Accounts Payable	<u>4,729</u>
Total Liabilities	<u><u>4,729</u></u>
Fund Balances	
Total Liabilities and Fund Balances	<u><u>\$ 4,729</u></u>

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

Southern Oklahoma Development Association  
Statement of Changes in Fiduciary Net Assets  
For the Year Ended June 30, 2011

	911 Service Fee
<b>Additions</b>	
Service Fee	\$ 825,508
Total Revenue	825,508
 <b>Deductions</b>	
Amounts paid to	825,508
Total Expenditures	825,508
 Net Change in Net Assets	-
Net Assets - Beginning	-
 Net Assets - Ending	\$ -

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

**NOTES TO FINANCIAL STATEMENTS**

Southern Oklahoma Development Association  
Notes to Financial Statements  
June 30, 2011

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**A. The Reporting Entity**

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

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

**B. Government-wide and fund financial statements**

*Government-Wide Financial Statements*

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

Southern Oklahoma Development Association  
Notes to Financial Statements  
June 30, 2011

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

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

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

*Fund Financial Statements*

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

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

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

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



Southern Oklahoma Development Association  
Notes to Financial Statements  
June 30, 2011

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

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

SODA reports the following major government funds:

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

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

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

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

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

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

Southern Oklahoma Development Association  
Notes to Financial Statements  
June 30, 2011

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

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

Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. SODA has restricted resources from federal grants as of June 30, 2011.

Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal ordinance or resolution of the Board of Directors. These amounts cannot be used for any other purpose unless the Board of Directors removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. SODA did not have any committed resources as of June 30, 2011.

Assigned: This classification includes amounts that are constrained by SODA's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Board of Directors or through the Board delegating this responsibility to the manager through the budgetary process. SODA has assigned resources of \$550,000 for construction of a building as of June 30, 2011.

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

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

Southern Oklahoma Development Association  
Notes to Financial Statements  
June 30, 2011

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

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

7. *Government-wide Net Assets*

Government-wide net assets are divided into three components:

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

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

The governmental fund balance sheet includes a reconciliation of the \$114,778 difference between *fund balance - total governmental funds* and *net assets - governmental activities* as reported in the government-wide statement of net assets.

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

Compensated absences	\$ (39,059)
Net adjustment to reduce <i>fund balance - total governmental funds</i> to arrive at <i>net assets - governmental activities</i>	<u>\$ (39,059)</u>

Southern Oklahoma Development Association  
Notes to Financial Statements  
June 30, 2011

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

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

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

Capital assets, not being depreciated	\$ 106,381
Capital assets, being depreciated	189,591
Less Accumulated Depreciation	<u>(142,135)</u>
Net adjustment to increase <i>fund balance</i> to arrive at <i>net assets - governmental activities</i>	<u>\$ 153,837</u>

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

The government fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation of the \$106,001 difference between *net changes in fund balances - total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities.

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

Capital Outlay	\$ 295,106
Loss on Disposal	(176,961)
Depreciation Expense	<u>(16,327)</u>
	<u>\$ 101,818</u>

Southern Oklahoma Development Association  
Notes to Financial Statements  
June 30, 2011

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

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

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

Decrease in compensated absences payable	<u>\$ 4,183</u>
Net adjustment to increase <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$ 106,001</u>

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

**A. Budgetary information**

The Finance Director, under the authority and approval of the Executive Director, prepares and submits for approval to the Budget and Finance Committee an annual budget for the operation of the SODA for the ensuing year. The Budget and Finance Committee then submits the budget to the Board of Directors for final approval.

IV. DETAILED NOTES ON ALL FUNDS

**A. Deposits and investments**

Custodial Credit Risk - Custodial credit risk for deposits is the risk that in the event of a bank failure, the SODA’s deposits may not be returned or the SODA will not be able to recover collateral securities in the possession of an outside party. The SODA’s policy requires collateral for demand deposits and certificates of deposit for all amounts not covered by federal deposit insurance. As of June 30, 2011, SODA is not exposed to custodial credit risk.

Southern Oklahoma Development Association  
Notes to Financial Statements  
June 30, 2011

IV. DETAILED NOTES ON ALL FUNDS – (continued)

**A. Deposits and investments - continued**

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

**B. Receivables**

Receivables as of June 30, 2011 for the SODA's individual major funds and nonmajor governmental funds in the aggregate, are as follows:

	General Fund	REAP	SUOA AAA	Other Governmental Funds	Total
Grants	\$ -	\$ 132,515	\$ 332,530	\$ 133,383	\$ 598,428
Other	97,706	-	-	-	97,706
	<u>\$ 97,706</u>	<u>\$ 132,515</u>	<u>\$ 332,530</u>	<u>\$ 133,383</u>	<u>\$ 696,134</u>

Southern Oklahoma Development Association  
Notes to Financial Statements  
June 30, 2011

IV. DETAILED NOTES ON ALL FUNDS – (continued)

**C. Capital assets**

Capital asset activity for the year ended June 30, 2011, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<i>Governmental Activities:</i>				
<i>Capital assets, not being depreciated</i>				
Land	\$ -	\$ 37,930	\$ -	\$ 37,930
Construction in progress	-	68,451	-	68,451
Total capital assets, not being depreciated	<u>-</u>	<u>106,381</u>	<u>-</u>	<u>106,381</u>
<i>Capital assets, being depreciated</i>				
Equipment	\$ 169,167	\$ 13,725	\$ 28,561	\$ 154,331
Building	-	175,000	175,000	-
Vehicles	44,378	-	9,118	35,260
Total capital assets, being depreciated	<u>213,545</u>	<u>188,725</u>	<u>212,679</u>	<u>189,591</u>
Less Accumulated Depreciation	<u>161,526</u>	<u>16,327</u>	<u>35,718</u>	<u>142,135</u>
Total capital assets, being depreciated, net	<u>52,019</u>	<u>172,398</u>	<u>176,961</u>	<u>47,456</u>
Governmental activities capital assets, net	<u>52,019</u>	<u>278,779</u>	<u>176,961</u>	<u>153,837</u>
<b>Total Primary Government</b>	<u><b>\$ 52,019</b></u>	<u><b>\$ 278,779</b></u>	<u><b>\$ 176,961</b></u>	<u><b>\$ 153,837</b></u>

SODA determined that the building purchased to remodel for the new headquarters was not in a condition that was economically feasible to pursue. Thus the building was demolished and the recorded purchase price of the building of \$175,000 was recognized as an asset impairment expense.

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

General government	\$ 10,630
Public safety	871
Health and Welfare	<u>4,826</u>
Total depreciation expense - governmental activities	<u><u>\$ 16,327</u></u>

Southern Oklahoma Development Association  
Notes to Financial Statements  
June 30, 2011

IV. DETAILED NOTES ON ALL FUNDS – (continued)

**D. Interfund receivables, payables, and transfers**

The composition of interfund transfers as of June 30, 2011 is as follows:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 26,872	\$ 9
AED Fund	-	-
USDOC EDA	9	-
OSDA Rural Fire Fund	-	2,138
Rural Fire Def Center	-	24,734

Transfers are used to move revenues from the fund that collects them to the fund that budget requires to expend them and to move unrestricted revenue collected to finance various programs accounted for in the general fund in accordance with budgetary authorizations.

**E. Pension plans**

SODA, as an employer contributes to a 403-(b) defined contribution plan for each qualified employee at the rate of 5% of gross annual wages. The employee is not required to contribute to the plan. A qualified employee must be employed a minimum of six months. Total contribution for the year ended June 30, 2011 was \$31,664.

**F. Economic Dependency**

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

**G. Risk Management**

SODA is exposed to various risks of loss (torts, theft of, damage to, or destruction of assets, business interruptions, errors and omissions, job-related illnesses or injuries to employees, and acts of God) and has established a risk management strategy that attempts to minimize



Southern Oklahoma Development Association  
Notes to Financial Statements  
June 30, 2011

IV. DETAILED NOTES ON ALL FUNDS – (continued)

losses and the carrying cost of insurance. There have been no significant reductions in insurance coverage from the prior year and settlements have not exceeded coverage in the past three years.

**H. Subsequent Event**

SODA entered into a construction contract during the fiscal year for the construction of the association's new headquarters. Construction commitments were \$550,000 which will be financed from operating funds.

**REQUIRED SUPPLEMENTAL INFORMATION**

**BUDGET TO ACTUAL MAJOR GOVERNMENTAL FUNDS**

Southern Oklahoma Development Association  
Statement of Revenues, Expenditures and Changes in Fund Balance – Modified Cash Basis  
Budget to Actual (Unaudited)  
General Fund  
For the Year Ended June 30, 2011

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		
<b>REVENUE</b>				
Interest	\$ 14,400	\$ 12,000	\$ 13,581	\$ 1,581
Miscellaneous	174,344	200,269	3,880	(196,389)
Service Revenue	388,704	349,396	392,493	43,097
Total Revenue	<u>577,448</u>	<u>561,665</u>	<u>409,955</u>	<u>(151,710)</u>
<b>EXPENDITURES</b>				
Current				
General Government	446,245	347,046	190,109	156,937
Economic Development	152,381	151,750	102,205	49,545
Capital Outlay	-	-	282,602	(282,602)
Total Expenditures	<u>598,626</u>	<u>498,796</u>	<u>574,916</u>	<u>(76,120)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(21,178)</u>	<u>62,869</u>	<u>(164,961)</u>	<u>(227,830)</u>
Other Financing Sources (Uses)				
Transfers In	131,181	33,562	26,872	(6,690)
Transfers Out	(110,003)	(34,344)	(9)	34,335
Total Other Financing Sources (Uses)	<u>21,178</u>	<u>(782)</u>	<u>26,863</u>	<u>27,645</u>
Net Change in Fund Balances	-	62,087	(138,098)	(200,185)
Fund Balance - Beginning	<u>1,598,727</u>	<u>1,598,727</u>	<u>1,648,148</u>	<u>49,421</u>
Fund Balance - Ending	<u>\$ 1,598,727</u>	<u>\$ 1,660,814</u>	<u>\$ 1,510,050</u>	<u>\$ (150,764)</u>

See accompanying notes to required supplementary information

Southern Oklahoma Development Association, Oklahoma  
Statement of Revenues, Expenditures and Changes in Fund Balance – Modified Cash Basis  
Budget to Actual (Unaudited)  
REAP Fund  
For the Year Ended June 30, 2011

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		
<b>REVENUE</b>				
Grants	\$ 1,807,500	\$ 1,465,050	\$ 1,243,869	\$ (221,181)
Interest Income	10,800	7,600		(7,600)
Total Revenue	<u>1,818,300</u>	<u>1,472,650</u>	<u>1,243,869</u>	<u>(228,781)</u>
<b>EXPENDITURES</b>				
Current				
General Government	60,746	131,687	132,046	(359)
Pass Through Expenditures	<u>1,757,125</u>	<u>1,403,050</u>	<u>1,163,313</u>	<u>239,737</u>
Total Expenditures	<u>1,817,871</u>	<u>1,534,737</u>	<u>1,295,359</u>	<u>239,378</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>429</u>	<u>(62,087)</u>	<u>(51,490)</u>	<u>10,597</u>
Other Financing Sources (Uses)				
Transfers In	-	-	-	-
Transfers Out	<u>(429)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>(429)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	-	(62,087)	(51,490)	10,597
Fund Balance - Beginning	<u>408,140</u>	<u>408,140</u>	<u>335,172</u>	<u>(72,968)</u>
Fund Balance - Ending	<u>\$ 408,140</u>	<u>\$ 346,053</u>	<u>\$ 283,682</u>	<u>\$ (62,371)</u>

See accompanying notes to required supplementary information

Southern Oklahoma Development Association  
Statement of Revenues, Expenditures and Changes in Fund Balance – Modified Cash Basis  
Budget to Actual (Unaudited)  
SUOA AAA Fund  
For the Year Ended June 30, 2011

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		
<b>REVENUE</b>				
Grants	\$ 1,859,787	\$ 2,376,044	\$ 2,340,639	\$ (35,405)
Miscellaneous	-	-	-	-
Total Revenue	<u>1,859,787</u>	<u>2,376,044</u>	<u>2,340,639</u>	<u>(35,405)</u>
<b>EXPENDITURES</b>				
Current				
Health and Welfare	301,550	356,565	320,611	35,954
Pass Through Expenditures	1,558,237	2,019,413	2,005,539	13,874
Capital Outlay	-	-	14,489	(14,489)
Total Expenditures	<u>1,859,787</u>	<u>2,375,978</u>	<u>2,340,639</u>	<u>35,339</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>-</u>	<u>66</u>	<u>-</u>	<u>(66)</u>
Other Financing Sources (Uses)				
Transfers In	-	-	-	-
Transfers Out	-	(66)	-	66
Total Other Financing Sources (Uses)	<u>-</u>	<u>(66)</u>	<u>-</u>	<u>66</u>
Net Change in Fund Balances	-	-	-	-
Fund Balance - Beginning	-	-	-	-
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying notes to required supplementary information

Southern Oklahoma Development Association  
Notes to Required Supplementary Information  
June 30, 2011

I. Summary Of Significant Accounting Policies

**A. Budget Process**

The Finance Director, under the authority and approval of the Executive Director, prepares and submits for approval to the Budget and Finance Committee an annual budget for the operation of the SODA for the ensuing year. The Budget and Finance Committee then submits the budget to the Board of Directors for final approval.

**B. Basis of Accounting**

The budget is prepared on the cash basis of accounting where cash receipts are recognized as revenue at the date of receipt and cash payments are recognized as expenditures at the date of payment.

**C. Excess of Expenditures over Appropriations**

For the year ended June 30,2011, expenditures exceed appropriations in the General Fund by \$76,120.

Southern Oklahoma Development Association  
 Combining Balance Sheet  
 Nonmajor Governmental Special Revenue Funds  
 June 30, 2011

	USDOC EDA	OSDA Rural Fire	ODOC SSPD	CENA Admin
Assets				
Cash	\$ -	\$ -	\$ -	\$ -
Revenue Receivables	12,500	4,182	6,062	106,505
Total Assets	\$ 12,500	\$ 4,195	\$ 6,062	\$ 106,505
Liabilities				
Cash Overdraft	11,727	2,803	5,697	67,937
Accounts Payable	773	1,392	365	38,568
Deferred Revenue	-	-	-	-
Total Liabilities	12,500	4,195	6,062	106,505
Fund Balances				
Total Liabilities and Fund Balances	\$ 12,500	\$ 4,195	\$ 6,062	\$ 106,505



Southern Oklahoma Development Association  
 Combining Balance Sheet  
 Nonmajor Governmental Special Revenue Funds  
 June 30, 2011

	O4A Fund	Special Projects	MIPPA	Total
<b>Assets</b>				
Cash	\$ 50,154	\$ 1,513	\$ -	\$ 51,667
Revenue Receivables	-	-	4,134	133,383
<b>Total Assets</b>	<b>\$ 50,154</b>	<b>\$ 1,513</b>	<b>\$ 4,134</b>	<b>\$ 185,063</b>
<b>Liabilities</b>				
Cash Overdraft	\$ -	\$ -	4,120	\$ 92,284
Accounts Payable	1,189	111	14	42,412
Deferred Revenue	48,965	1,402	-	50,367
<b>Total Liabilities</b>	<b>50,154</b>	<b>1,513</b>	<b>4,134</b>	<b>185,063</b>
<b>Fund Balances</b>				
<b>Total Liabilities and Fund Balances</b>	<b>\$ 50,154</b>	<b>\$ 1,513</b>	<b>\$ 4,134</b>	<b>\$ 185,063</b>

Southern Oklahoma Development Association  
 Combining Statement of Revenues, Expenditures and Changes in Fund Balance  
 Nonmajor Governmental Special Revenue Funds  
 For the Year Ended June 30, 2011

	USDOC EDA	OSDA Rural Fire	ODOC SSPD	CENA Admin
REVENUE				
Grants	\$ 78,571	\$ 70,000	\$ 36,364	\$ 274,490
Total Revenue	<u>78,571</u>	<u>70,000</u>	<u>36,364</u>	<u>274,490</u>
EXPENDITURES				
Current				
Health and Welfare	-	-	-	-
Economic Development	-	-	36,364	-
Culture and Recreation	-	-	-	13,725
Public Safety	-	67,638	-	-
Urban Development and Housing	78,591	-	-	-
Pass through Expenditures	-	-	-	260,765
Total Expenditures	<u>78,591</u>	<u>67,638</u>	<u>36,364</u>	<u>274,490</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(20)</u>	<u>2,362</u>	<u>-</u>	<u>-</u>
Other Financing Sources				
Transfers In	9	-	-	-
Transfers Out	-	(2,138)	-	-
Total Other Financing Sources	<u>9</u>	<u>(2,138)</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	(11)	224	-	-
Fund Balances - Beginning	11	(224)	-	-
Fund Balances - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Southern Oklahoma Development Association  
 Combining Statement of Revenues, Expenditures and Changes in Fund Balance  
 Nonmajor Governmental Special Revenue Funds  
 For the Year Ended June 30, 2011

	O4A Fund	AAA Special Projects	MIPPA	Total
<b>REVENUE</b>				
Grants	\$ 73,890	\$ 19,855	12,256	\$ 565,426
Total Revenue	<u>73,890</u>	<u>19,855</u>	<u>12,256</u>	<u>565,426</u>
<b>EXPENDITURES</b>				
Current				
Health and Welfare	73,890	19,855	12,256	106,001
Economic Development	-	-	-	36,364
Culture and Recreation	-	-	-	13,725
Public Safety	-	-	-	67,638
Urban Development and Housing	-	-	-	78,591
Pass through Expenditures	-	-	-	260,765
Total Expenditures	<u>73,890</u>	<u>19,855</u>	<u>12,256</u>	<u>563,084</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	-	2,342
Other Financing Sources				
Transfers In	-	-	-	9
Transfers Out	-	-	-	(2,138)
Total Other Financing Sources	-	-	-	(2,129)
Net Change in Fund Balances	-	-	-	213
Fund Balances - Beginning	-	-	-	(213)
Fund Balances - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Southern Oklahoma Development Association  
 Combining Balance Sheet  
 General Fund  
 For the Year Ended June 30, 2011

	General Fund	OHFA Housing	Aging & Fund Raising	Rural Fire Defense Center	FEMA	Total
<b>Assets</b>						
Cash	\$ 1,450,269	\$ 110,475	\$ 9,711	\$ -	\$ 62,405	\$ 1,632,860
Revenue Receivables	78,787	18,360	-	-	560	97,707
Prepaid Accounts	12,863	-	-	-	-	12,863
<b>Total Assets</b>	<b>\$ 1,541,919</b>	<b>\$ 128,835</b>	<b>\$ 9,711</b>	<b>\$ -</b>	<b>\$ 62,965</b>	<b>\$ 1,743,430</b>
<b>Liabilities</b>						
Cash Overdraft	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts Payable	31,869	163	-	-	465	32,497
Deferred Revenue	-	-	-	-	-	-
<b>Total Liabilities</b>	<b>31,869</b>	<b>163</b>	<b>-</b>	<b>-</b>	<b>465</b>	<b>32,497</b>
<b>Fund Balances</b>						
Assigned	550,000	-	-	-	-	550,000
Unassigned	960,050	128,672	9,711	-	62,500	1,160,933
<b>Total Fund Balances</b>	<b>1,510,050</b>	<b>128,672</b>	<b>9,711</b>	<b>-</b>	<b>62,500</b>	<b>1,710,933</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 1,541,919</b>	<b>\$ 128,835</b>	<b>\$ 9,711</b>	<b>\$ -</b>	<b>\$ 62,965</b>	<b>\$ 1,743,430</b>

Southern Oklahoma Development Association  
Combining Statement Revenues, Expenditures and Changes in Fund Balance

General Fund

For the Year Ended June 30, 2011

	General Fund	OHFA Housing	Aging & Fund Raising	Rural Fire Defense Center	FEMA	Total
<b>REVENUE</b>						
Administrative Fee	\$ 1	\$ -	\$ -	\$ -	\$ -	\$ 1
Interest	13,581	-	-	-	-	13,581
Miscellaneous	3,880	-	-	-	-	3,880
Service Revenue	392,493	33,605	-	-	13,657	439,755
Total Revenue	<u>409,955</u>	<u>33,605</u>	<u>-</u>	<u>-</u>	<u>13,657</u>	<u>457,217</u>
<b>EXPENDITURES</b>						
Current						
General Government	190,109	-	-	-	-	190,109
Health and Welfare	-	-	250	-	47,285	47,535
Economic Development	102,205	-	-	-	-	102,205
Urban Development and Housing	-	11,101	-	-	-	11,101
Capital Outlay						
General Government	282,602	-	-	-	-	282,602
Total Expenditures	<u>574,916</u>	<u>11,101</u>	<u>250</u>	<u>-</u>	<u>47,285</u>	<u>633,552</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(164,961)</u>	<u>22,504</u>	<u>(250)</u>	<u>-</u>	<u>(33,628)</u>	<u>(176,335)</u>
Other Financing Sources						
Transfers In	26,872	-	-	-	-	26,872
Transfers Out	(9)	-	-	(24,734)	-	(24,743)
Total Other Financing Sources	<u>26,863</u>	<u>-</u>	<u>-</u>	<u>(24,734)</u>	<u>-</u>	<u>2,129</u>
Net Change in Fund Balances	<u>(138,098)</u>	<u>22,504</u>	<u>(250)</u>	<u>(24,734)</u>	<u>(33,628)</u>	<u>(174,206)</u>
Fund Balances - Beginning	1,648,148	106,168	9,961	24,734	96,128	1,885,139
Fund Balances - Ending	<u>\$ 1,510,050</u>	<u>\$ 128,672</u>	<u>\$ 9,711</u>	<u>\$ -</u>	<u>\$ 62,500</u>	<u>\$ 1,710,933</u>

**INTERNAL CONTROL AND COMPLIANCE**

**RAHHAL HENDERSON JOHNSON, PLLC**  
CERTIFIED PUBLIC ACCOUNTANTS

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

Board of Directors  
Southern Oklahoma Development Association  
Durant, Oklahoma

Compliance

We have audited the compliance of Southern Oklahoma Development Association with the types of compliance requirements described in the OMB Circular A- 133 Compliance Supplement that could have a direct and material effect on each of Southern Oklahoma Development Association's major federal programs for the year ended June 30, 2011. Southern Oklahoma Development Association's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Southern Oklahoma Development Association's management. Our responsibility is to express an opinion on Southern Oklahoma Development Association's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Government, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirement referred to above that could have a direct and material effect on a major federal program occurred. An audit included examining, on a test basis, evidence about Southern Oklahoma Development Association's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Southern Oklahoma Development Association's compliance with those requirements.

In our opinion, Southern Oklahoma Development Association complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2011.

### Internal Control Over Compliance

Management of Southern Oklahoma Development Association is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Southern Oklahoma Development Association's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133 but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Association's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purposed described in the first paragraphs of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses as defined above. However, we identified a deficiency in internal control over compliance that we consider to be a significant deficiency described in the accompanying schedule of findings and questioned costs as item 2011-4. *A significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

*Rahhal Henderson Johnson, PLLC*

Ardmore, Oklahoma  
January 23, 2012



Southern Oklahoma Development Association  
 Schedule of Expenditure of Federal and State Awards  
 For Year Ended June 30, 2011

Federal Grantor/Pass- Through Grantor Program Title	Federal CFDA Number	Pass-Through Grantor's Project Number	Award Amount	(Accrued) Deferred Revenue 6/30/2010	Add Program Receipts (net)	Cash Match	Less Federal Expenditures	(Accrued) Deferred Revenue 6/30/2011
<u>U.S. Department of Commerce direct programs:</u>								
Economic Development District Planning Investment	11.302	08-83-04535	\$ 60,000	\$ -	\$ 30,000	\$ 12,857	\$ 42,857	\$ -
Economic Development District Planning Investment	11.302	08-83-04676	180,000	-	25,000	10,715	35,715	-
Subtotal Department of Commerce direct programs			240,000	-	55,000	23,572	78,572	-
<u>U.S. Department of Health and Human Services</u>								
Disease Prevention and Health Promotion Services - Title III part D	93.043	34073004	19,797	(1,879)	19,979	-	19,797	(1,697)
National Family Caregiver Support - Title III part E	93.052	34073004	139,275	(29,925)	120,973	2,227	124,609	(31,334)
Programs for Prevention of Elder Abuse, Neglect, and Exploitation- Title VII, chapter 3	93.041	34073004	4,899	(525)	5,008	542	5,441	(416)
Subtotal Department of Health and Human Services			163,971	(32,329)	145,960	2,769	149,847	(33,447)
<u>Aging Cluster:</u>								
Grants for Supportive Services and Senior Centers - Title III part B	93.044	34074004	325,732	(49,922)	321,501	10,378	314,921	(32,964)
Nutrition Services - Title III part C -1	93.045	34074004	394,656	(67,861)	404,541	6,513	389,937	(46,744)
Nutrition Services - Title III part C -2	93.045	34074004	197,383	(11,239)	220,503	3,104	255,993	(43,625)
Nutrition Services Incentive Program - Cash in Lieu of Commodity	93.053	34074004	284,006	(33,683)	299,936	-	284,006	(17,753)
ARRA - Aging Home Delivered Nutrition - Home Delivery	93.705	09AAOKCIRR	15,630	-	15,630	-	15,630	-
ARRA - Aging Congregate Nutrition - Congregate meals	93.707	09AAOKC2RR	31,748	-	31,748	-	31,748	-
Subtotal Aging Cluster			1,249,155	(162,705)	1,293,859	19,995	1,292,235	(141,086)
Total federal awards			1,653,126	(195,034)	1,494,819	46,336	1,520,654	(174,533)

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

Southern Oklahoma Development Association  
 Schedule of Expenditure of Federal and State Awards  
 For Year Ended June 30, 2011

Federal CFDA Number	Pass-Through Grantor's Project Number	Award Amount	(Accrued) Deferred Revenue 6/30/2009	Add Program Receipts (net)	Cash Match	Less Federal Expenditures	(Accrued) Deferred Revenue 6/30/2010
<u>Oklahoma Insurance Department</u>							
Centers for Medical and Medicaid Services (CMS) Research,							
		\$ 6,600	\$ -	\$ 6,600	\$ -	\$ 6,600	\$ -
93.779	INOCMS020203-18-01						
Demonstrations and Evaluations							
93.048	90MP0071/01	441	-	441	-	441	-
Special Program for the Aging - Title IV and Title II							
93.048	90AM2952/06	1,730	-	1,730	-	1,730	-
Summit Medicare/Medicaid Fraud, Abuse, and Waste Reduction							
93.048	90AM2952/06	1,730	-	1,730	-	1,730	-
Subtotal Oklahoma Insurance Department							
		10,501	-	10,501	-	10,501	-
<u>Oklahoma Department of Human Services Aging Services Division</u>							
93.071	11017385 000	12,256	-	8,122	-	12,256	(4,134)
Medicare Improvements for Patients and Providers Act Grant							
Programs for Prevention of Elder Abuse, Neglect, and							
Exploitation- Title VII, chapter 3							
93.041	8309013923	1,083	(69)	1,064	-	1,192	(197)
93.043	8309013923	3,494	-	3,194	-	3,494	(300)
Disease Prevention and Health Promotion Services - Title III part D							
93.044	8309013923	98,955	(9,934)	95,440	-	94,217	(8,711)
Grants for Supportive Services and Senior Centers - Title III part B							
93.045	8309013923	362,379	(7,372)	320,962	-	373,304	(59,714)
93.045	8309013923	429,828	(36,817)	321,924	-	374,200	(89,093)
Nutrition Services - Title III part C-1							
93.052	8309013923	50,331	(201)	44,008	-	44,611	(804)
National Family Caregiver Support - Title III part E							
93.705	ARRA - Aging Home Delivered Nutrition - Home Delivery	2,759	-	2,759	-	2,759	-
93.707	ARRA - Aging Congregate Nutrition - Congregate meals	5,603	-	5,603	-	5,603	-
Subtotal Oklahoma Department of Human Services Aging Services Division							
		966,688	(54,393)	803,076	-	911,636	(162,953)
Total state awards							
		977,189	(54,393)	813,577	-	922,137	(162,953)
Total federal and state awards							
		2,630,315	(249,427)	2,308,396	46,336	2,442,791	(337,486)

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

Southern Oklahoma Development Association  
Notes to the Schedule of Expenditure of Federal and State Awards  
For Year Ended June 30, 2011

**Note 1 – Basis of Presentation**

The accompanying schedule of expenditure of federal and state awards (the Schedule) includes the federal and state grant activity of Southern Oklahoma Development Association under programs of the federal and Oklahoma state government for the year ended June 30, 2011. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audit of States, Local Governments, and Non-Profit Organizations*. Because the Schedule present on a selected portion of the operation of Southern Oklahoma Development Association, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Southern Oklahoma Development Association.

**Note 2 – Summary of Significant Accounting Policies**

- (a) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, Cost Principle for State, Local, and Tribal Governments, wherein certain types of expenditures are not allowable or are limited to reimbursement.
- (b) Pass-through entity identifying numbers are presented where available.

**Note 3 – Subrecipients**

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

Program Name	CFDA Number	Subrecipient Number	Amount Provided To Subrecipient
Southern Oklahoma Nutrition Program	93.044	00-01	194,895
	93.045	00-01	1,233,575
	93.707	00-01	37,351
	93.705	00-01	18,389
	93.043	00-01	23,291
	93.053	00-01	284,006
Subtotal Pass Through to Southern Oklahoma Nutrition Program			1,791,507
Legal Aid Services of Oklahoma, Inc.	93.044	00-02	51,202
Big Five Community Services, Inc.	93.052	00-04	144,664
INCA Community Services, Inc.	93.044	00-05	18,166
Subtotal Pass Through to other programs			214,032
Total Pass Through			\$ 2,005,539

**RAHHAL HENDERSON JOHNSON, PLLC**  
CERTIFIED PUBLIC ACCOUNTANTS

January 23, 2012

To the Board of Directors  
Southern Oklahoma Development Association

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Southern Oklahoma Development Association for the year ended June 30, 2011. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards* and OMB Circular A-133, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated September 23, 2011. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

*Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Southern Oklahoma Development Association are described in Note I to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2011. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate(s) affecting the governmental activities's financial statements was:

Management's estimate of the the depreciation of capital assets is based on the estimated useful lives of the capital assets. We evaluated the key factors and assumptions used to develop the depreciation in determining that it is reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent and clear.

*Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. We did not note any misstatements to report to you.

### *Disagreements with Management*

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated January 23, 2012.

### *Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### *Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

### Other Information in Documents Containing Audited Financial Statements

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of Board of Directors and management of Southern Oklahoma Development Association and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

*Rakhal Henderson Johnson, PLLC*