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*Difference*



**South Western Oklahoma Development Authority**  
**Report on Audit of Financial Statements**  
**June 30, 2011**

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Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, legislation, or other legal restrictions total \$ 1,312,046. An additional portion of SWODA’s net assets \$ 884,421 (29%) represents resources that are subject to external restrictions on how they may be used. These restrictions apply to governmental activities such as the Revolving Loan program, Area Agency on Aging, and other grant based programs in which SWODA participates.

### Governmental Activities

Total net assets as of June 30, 2010 were \$ 2,557,611. For the year ended June 30, 2011, net assets decreased by \$ 79,380 to \$ 2,478,231. Table 2 illustrates the change in net assets due to governmental activities. SWODA’s four major governmental programs are displayed to provide additional detail for analysis.

The main cause for the decrease in total net assets is due to the retirement incentives, debt service payments, REAP projects funded with restricted reserves and repayment of RLF funds to EDA.

The Air Force contract provided an increase to governmental net assets of \$ 148,747 as of June 30, 2011 versus a \$ 251,023 increase as of June 30, 2010. The increase in net assets during the current year is attributed to positive results of operations. Expenses were inflated during the year due to the payment of four retirement incentives. The Air Force contract ended as of March 31, 2011.

SWODA’s Aging Services activities consist of three separate programs, Area Agency on Aging, Case Management (Advantage services), and the CENA program. Case Management services are provided to elderly residents in the SWODA district who wish to stay at home rather than enter long-term care facilities. During the current year, the decrease in net assets for Aging services is due to the payment of one retirement incentive and a reduction in case management revenue.

**Table 2**  
**South Western Oklahoma Development Authority’s**  
**Governmental Activities**  
**June 30, 2011**

	Governmental Activities					Total
	Air Force Contract	Aging Services	Workforce Investment	Community Development	All Other Government	
<b>Program revenues:</b>						
Charges for services	\$ -	\$ 14,344	\$ 69,272	\$ 121,534	\$ 250,313	\$ 455,463
Grants/contributions	2,671,157	1,809,392	1,052,360	1,396,773	275,523	7,205,205
Total revenues	<u>2,671,157</u>	<u>1,823,736</u>	<u>1,121,632</u>	<u>1,518,307</u>	<u>525,836</u>	<u>7,660,668</u>
<b>Expenses:</b>						
Direct program expenses	2,222,075	1,745,383	1,062,370	1,659,022	577,399	7,266,249
Indirect expense allocation	300,335	110,484	55,721	33,920	55,796	556,256
Total expenses	<u>2,522,410</u>	<u>1,855,867</u>	<u>1,118,091</u>	<u>1,692,942</u>	<u>633,195</u>	<u>7,822,505</u>
<b>Changes in net assets:</b>						
Net increase or (decrease)	<u>\$ 148,747</u>	<u>\$ (32,131)</u>	<u>\$ 3,541</u>	<u>\$ (174,635)</u>	<u>\$ (107,359)</u>	<u>\$ (161,837)</u>

See disclaimer in accompanying Independent Auditor’s Report.

Community development activities decreased net assets as of June 30, 2011 by \$ 174,635. Rural Economic Action Program projects that were funded with interest from restricted reserve funds (revenue from previous years) totaled \$ 72,830. Due to reductions in spending at the Federal and State levels, funding for Community development programs is on the decline. Therefore, fewer projects administered by SWODA are being funded. In addition, several current projects are long-term in nature (Hazard Mitigation plans) and are not completed to the billing stage. All of these factors contributed to the decrease in net assets.

### **Business-type Activities**

The *Statement of Revenues, Expenses, and Changes in Fund Net Assets—Proprietary Funds* shows a combined net loss of (\$ 80,460) for the period versus a net loss of (\$ 67,967) during the period ended June 30, 2010. These funds account for the operation of the Clinton-Sherman Industrial Airpark, the Oklahoma Spaceport, SWODA's regional tub grinding service and the Quartz Mountain Pro Shop special financing. The net loss is due to \$77,582 of depreciation expense, maintenance expenses that were charged to the Airpark upon termination of the Air Force contract and a loss on the disposition of the Quartz Mountain Pro Shop. The note for the pro shop was paid in full during the year. In order to remove the asset from the books a \$51,590 loss was recognized.

### **Fund Balance**

The *Statement of Revenues, Expenses, and Changes in Fund Balance—Governmental Funds* shows SWODA's total governmental fund balance decreased \$ 15,998 since last year primarily resulting from the payment of retirement incentives and the use of restricted reserves to pay for current year REAP expenditures.

### **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, 2011, SWODA had \$ 904,057 invested in capital assets, which is a net decrease from the previous year of \$ 168,182. Capital assets include maintenance vehicles and equipment, fire department vehicles and equipment, building improvements, computer equipment, software, and furniture. Major capital asset additions during the current year included:

Two – 2011 Ford F-250 Crewcab Pickups	\$ 47,863
US Foundation Search Software	5,295

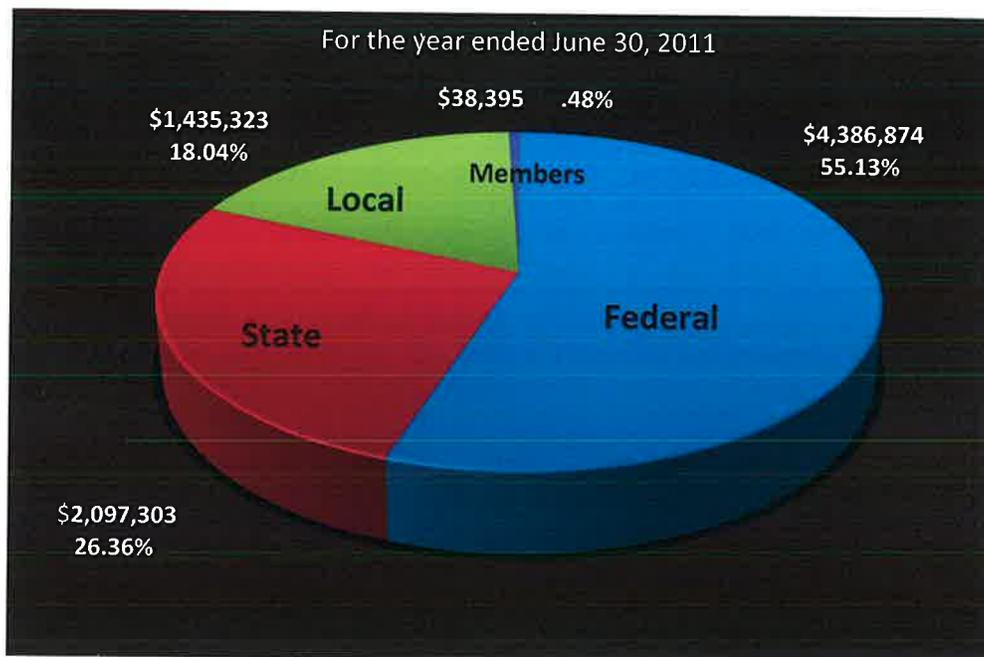
### Debt administration

At June 30, 2011, SWODA had notes and capital leases payable of \$ 629,336, which is a decrease in liabilities of \$ 110,991 from the previous year. The major part of this debt is \$ 624,099 payable to USDA Rural Development for the Intermediary Re-lending Program.

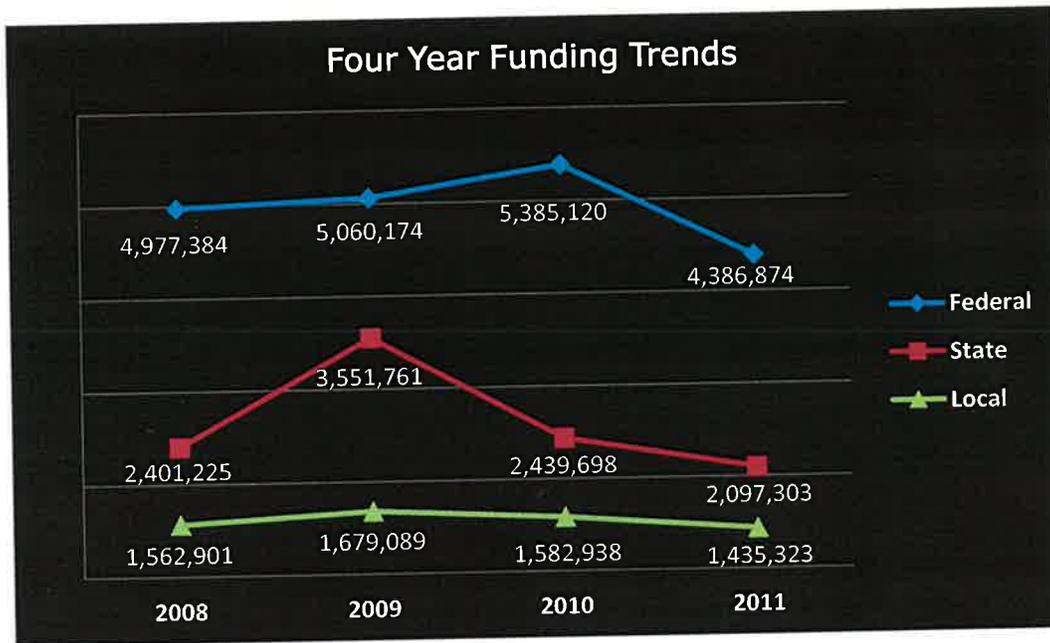
The USDA note is a 30-year loan with annual payments of \$ 42,450 and 1% interest, which will be completed in 2027. The Quartz Mountain Pro Shop note was paid in full during the year. Capital leases had balances as of June 30, 2011 totaling \$ 5,237.

### 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 influences SWODA's overall health. Revenue shortfalls and subsequent budget reductions pose a risk to SWODA's various government funded grants and contracts. Management has tried to mitigate this risk by building an unrestricted reserve \$1,312,046 and investing resources into strong local programs.



See disclaimer in accompanying Independent Auditor's Report.



#### 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.

*Stefanie Shields*

STEFANIE SHIELDS / Director of Finance

See disclaimer in accompanying Independent Auditor's Report.

**South Western Oklahoma Development Authority**  
**Statement of Activities**  
**Year Ended June 30, 2011**

	Program Expenses		Program Revenues	
	Expenses	Indirect Expense Allocation	Charges for Services	Operating Grants and Contributions
<b>Governmental activities:</b>				
General government	\$ 155,720	\$ 8,428	\$ 41,513	\$ -
Workforce investment	1,062,370	55,721	69,272	1,052,360
Aging services	1,745,383	110,484	14,344	1,809,392
Enhanced 911 services	164,718	20,115	208,800	-
Air Force contract	2,222,075	300,335	-	2,671,157
Economic development	144,320	12,443	-	160,523
Rural fire defense	104,211	14,810	-	115,000
Community development	1,659,022	33,920	121,534	1,396,773
Interest on long-term debt	8,430	-	-	-
Total governmental activities	<u>7,266,249</u>	<u>556,256</u>	<u>455,463</u>	<u>7,205,205</u>
<b>Business-type activities:</b>				
Quartz Mountain Pro-Shop	11,092	-	-	24,381
Clinton-Sherman Industrial Airpark	311,149	13,856	4,085	270,000
Tub grinder	58,952	578	64,790	-
Total business-type activities	<u>381,193</u>	<u>14,434</u>	<u>68,875</u>	<u>294,381</u>
Total government	<u>\$ 7,647,442</u>	<u>\$ 570,690</u>	<u>\$ 524,338</u>	<u>\$ 7,499,586</u>

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

Changes in net assets

Net assets, beginning

Net assets, ending

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

Net (Expense) Revenue and Changes in Net Assets

<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
\$ (122,635)	\$ -	\$ (122,635)
3,541	-	3,541
(32,131)	-	(32,131)
23,967	-	23,967
148,747	-	148,747
3,760	-	3,760
(4,021)	-	(4,021)
(174,635)	-	(174,635)
(8,430)	-	(8,430)
<u>(161,837)</u>	<u>-</u>	<u>(161,837)</u>
-	13,289	13,289
-	(50,920)	(50,920)
-	5,260	5,260
<u>-</u>	<u>(32,371)</u>	<u>(32,371)</u>
<u>(161,837)</u>	<u>(32,371)</u>	<u>(194,208)</u>
32,353	486	32,839
47,099	1,394	48,493
-	(46,964)	(46,964)
3,005	(3,005)	-
<u>82,457</u>	<u>(48,089)</u>	<u>34,368</u>
(79,380)	(80,460)	(159,840)
<u>2,557,611</u>	<u>697,516</u>	<u>3,255,127</u>
<u>\$ 2,478,231</u>	<u>\$ 617,056</u>	<u>\$ 3,095,287</u>

**South Western Oklahoma Development Authority**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2011**

	General Fund (Local Government)	Area Agency on Aging	Air Force Contract
<b>Assets</b>			
Cash and cash equivalents	\$ 87,413	\$ (65,870)	\$ 668,617
Investments	-	-	-
Receivables:			
Accounts, net of allowance	-	-	-
Due from other governments	-	76,115	-
Inventories	8,272	-	-
Total assets	<u>\$ 95,685</u>	<u>\$ 10,245</u>	<u>\$ 668,617</u>
<b>Liabilities and fund equity</b>			
<b>Liabilities:</b>			
Accounts payable and accrued expenses	\$ 91,187	\$ 37,790	\$ -
Deferred revenue	528	-	-
Accrued compensated absences	-	10,404	-
Total liabilities	<u>91,715</u>	<u>48,194</u>	<u>-</u>
<b>Fund balance:</b>			
Reserved	-	(37,949)	-
Unreserved	3,970	-	668,617
Total fund balance	<u>3,970</u>	<u>(37,949)</u>	<u>668,617</u>
Total liabilities and fund balance	<u>\$ 95,685</u>	<u>\$ 10,245</u>	<u>\$ 668,617</u>

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

Intermediary Loan Program	REAP	Employment & Training	Other Governmental Funds	Total Governmental Funds
\$ 470,076	\$ 1,289,289	\$ (68,090)	\$ 903,911	\$ 3,285,346
-	239,424	-	-	239,424
-	-	249	78,928	79,177
-	-	84,679	122,428	283,222
-	-	-	-	8,272
<u>\$ 470,076</u>	<u>\$ 1,528,713</u>	<u>\$ 16,838</u>	<u>\$ 1,105,267</u>	<u>\$ 3,895,441</u>
\$ 4	\$ 52	\$ 3,127	\$ 10,601	\$ 142,761
-	1,416,606	-	10,885	1,428,019
-	350	13,571	36,619	60,944
<u>4</u>	<u>1,417,008</u>	<u>16,698</u>	<u>58,105</u>	<u>1,631,724</u>
470,072	111,705	140	144,904	688,872
-	-	-	902,258	1,574,845
<u>470,072</u>	<u>111,705</u>	<u>140</u>	<u>1,047,162</u>	<u>2,263,717</u>
<u>\$ 470,076</u>	<u>\$ 1,528,713</u>	<u>\$ 16,838</u>	<u>\$ 1,105,267</u>	<u>\$ 3,895,441</u>

**South Western Oklahoma Development Authority**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Governmental Funds**  
**Year Ended June 30, 2011**

	General Fund (Local Government)	Area Agency on Aging	Air Force Contract
<b>Revenues</b>			
Membership dues and assessments	\$ 38,395	\$ -	\$ -
Local projects and contracts	3,118	-	-
Federal grant and contract funds	-	608,994	2,671,157
State grant funds	-	395,246	-
Match revenue	-	14,344	-
Interest	4,584	-	-
Other	31,809	-	-
Total revenues	<u>77,906</u>	<u>1,018,584</u>	<u>2,671,157</u>
<b>Expenditures</b>			
<b>Current:</b>			
General government	102,616	-	-
Workforce investment	-	-	-
Aging services	-	1,018,584	-
Enhanced 911 contracts	-	-	-
Air Force contract	-	-	2,502,711
Economic development	-	-	-
Rural fire defense	-	-	-
Community development	-	-	-
Debt service - principal	4,241	-	47,620
Debt service - interest	397	-	1,431
Capital outlay	5,295	-	47,863
Total expenditures	<u>112,549</u>	<u>1,018,584</u>	<u>2,599,625</u>
Excess of revenues over (under) expenditures	(34,643)	-	71,532
<b>Other financing sources (uses)</b>			
Principal received on notes receivable	-	-	-
Transfers in	-	-	-
Transfers out	-	-	-
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net change in fund balances</b>	(34,643)	-	71,532
Fund balance, beginning	<u>38,613</u>	<u>(37,949)</u>	<u>597,085</u>
Fund balance, ending	<u>\$ 3,970</u>	<u>\$ (37,949)</u>	<u>\$ 668,617</u>

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

<u>Intermediary Loan Program</u>	<u>REAP</u>	<u>Employment &amp; Training</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ -	\$ -	\$ -	\$ 38,395
-	-	-	1,074,780	1,077,898
-	-	1,048,526	80,290	4,408,967
-	1,382,910	-	273,636	2,051,792
-	-	69,272	39,340	122,956
10,942	23,462	-	8,111	47,099
105	-	36,288	330	68,532
<u>11,047</u>	<u>1,406,372</u>	<u>1,154,086</u>	<u>1,476,487</u>	<u>7,815,639</u>
-	-	-	-	102,616
-	-	1,153,937	-	1,153,937
-	-	-	836,379	1,854,963
-	-	-	184,833	184,833
-	-	-	-	2,502,711
4,430	-	-	181,173	185,603
-	-	-	119,021	119,021
-	1,479,202	-	204,320	1,683,522
35,849	-	-	-	87,710
6,602	-	-	-	8,430
-	-	-	2,089	55,247
<u>46,881</u>	<u>1,479,202</u>	<u>1,153,937</u>	<u>1,527,815</u>	<u>7,938,593</u>
(35,834)	(72,830)	149	(51,328)	(122,954)
54,867	-	-	52,089	106,956
-	-	-	14,432	14,432
-	-	-	(14,432)	(14,432)
<u>54,867</u>	<u>-</u>	<u>-</u>	<u>52,089</u>	<u>106,956</u>
19,033	(72,830)	149	761	(15,998)
451,039	184,535	(9)	1,046,401	2,279,715
<u>\$ 470,072</u>	<u>\$ 111,705</u>	<u>\$ 140</u>	<u>\$ 1,047,162</u>	<u>\$ 2,263,717</u>

**South Western Oklahoma Development Authority**  
**Reconciliation of Governmental Funds and Government-Wide**  
**Financial Statements**  
**Year Ended June 30, 2011**

Total fund balance - governmental funds	\$ 2,263,717
Amounts reported for governmental activities in the statement of net assets are different because:	
Assets used in governmental activities are not financial resources, and therefore, are not reported as assets in the governmental funds.	
Notes receivable	120,549
Other assets held for investment	75,000
Capital assets, net of accumulated depreciation	648,301
Long-term liabilities are not due and payable in the current period, and therefore, are not reported as liabilities in the funds. Long-term liabilities consist of:	
Capital lease obligations	(5,237)
Notes payable	(624,099)
Internal service funds are used to charge the costs of indirect expenses to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets	
Net assets of governmental activities	\$ 2,478,231
Net change in fund balances - total governmental funds	\$ (15,998)
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.	
Equipment purchases/dipositions, net	55,896
Depreciation expense	(89,532)
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	(106,956)
Bad debt write offs	(10,500)
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	87,710
Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue (expense) of the internal service funds is reported with governmental activities	
Change in net assets of governmental activities	\$ (79,380)

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



**Southwestern Oklahoma Development Authority**  
**Statement of Net Assets**  
**Proprietary Funds**  
**June 30, 2011**

	Business-Type Activities		
	Enterprise Funds		
	Clinton-Sherman Industrial Airpark	Oklahoma Spaceport	Nonmajor Enterprise Funds
<b>Assets</b>			
Current assets:			
Cash and cash equivalents	\$ 166,502	\$ 46,892	\$ (4,172)
Investments	121,932	-	
Receivables:			
Due from other governments	-	-	22,003
Inventories	11,959	-	
Prepaid expenses	3,655	-	665
Total current assets	<u>304,048</u>	<u>46,892</u>	<u>18,496</u>
Noncurrent assets:			
Capital assets (net of accumulated depreciation)	133,304	-	122,452
Total noncurrent assets	<u>133,304</u>	<u>-</u>	<u>122,452</u>
Total assets	<u>437,352</u>	<u>46,892</u>	<u>140,948</u>
<b>Liabilities</b>			
Current liabilities:			
Accounts payable and accrued liabilities	430	-	116
Total current liabilities	<u>430</u>	<u>-</u>	<u>116</u>
Noncurrent liabilities:			
Accrued compensated absences	5,694	-	1,896
Total noncurrent liabilities	<u>5,694</u>	<u>-</u>	<u>1,896</u>
Total liabilities	<u>6,124</u>	<u>-</u>	<u>2,012</u>
<b>Net assets</b>			
Invested in capital assets, net of related debt	133,304	-	122,452
Restricted	-	-	-
Unrestricted	297,924	46,892	16,484
Total net assets	<u>\$ 431,228</u>	<u>\$ 46,892</u>	<u>\$ 138,936</u>

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

<u>Business-Type Activities</u>	<u>Governmental Activities</u>
<u>Enterprise Funds</u>	<u>Internal Service Fund</u>
<u>Total</u>	<u>Indirect Cost</u>
\$ 209,222	\$ 14,736
121,932	-
22,003	-
11,959	-
4,320	-
<u>369,436</u>	<u>14,736</u>
255,756	-
<u>255,756</u>	<u>-</u>
<u>625,192</u>	<u>14,736</u>
546	3,036
<u>546</u>	<u>3,036</u>
7,590	11,700
<u>7,590</u>	<u>11,700</u>
<u>8,136</u>	<u>14,736</u>
255,756	-
-	-
361,300	-
<u>\$ 617,056</u>	<u>\$ -</u>

**South Western Oklahoma Development Authority**  
**Statement of Revenues, Expenses, and Changes in Fund Net Assets**  
**Proprietary Funds**  
**Year Ended June 30, 2011**

	Business-Type Activities		
	Enterprise Funds		
	Clinton-Sherman Industrial Airpark	Oklahoma Spaceport	Nonmajor Enterprise Funds
<b>Operating revenues</b>			
Charges for services	\$ 4,085	\$ -	\$ 64,790
State grants and contracts	-	270,000	24,381
Other	486	-	-
Total operating revenues	<u>4,571</u>	<u>270,000</u>	<u>89,171</u>
<b>Operating expenses</b>			
General government	-	-	-
Community development	-	-	19,821
Clinton-Sherman Industrial Airpark	94,014	203,113	-
Depreciation	27,878	-	49,704
Total operating expenses	<u>121,892</u>	<u>203,113</u>	<u>69,525</u>
Operating income (loss)	(117,321)	66,887	19,646
<b>Nonoperating revenues (expenses)</b>			
Interest earned	1,394	-	-
Interest expense	-	-	(1,097)
Gain (loss) on disposition of assets	4,626	-	(51,590)
Total nonoperating revenues (expenses)	<u>6,020</u>	<u>-</u>	<u>(52,687)</u>
<b>Operating transfers</b>			
Transfers in	-	-	-
Transfers out	(3,005)	-	-
Total operating transfers	<u>(3,005)</u>	<u>-</u>	<u>-</u>
Net income (loss)	(114,306)	66,887	(33,041)
Net assets, beginning	545,534	(19,995)	171,977
Net assets, ending	<u>\$ 431,228</u>	<u>46,892</u>	<u>\$ 138,936</u>

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

Business-Type Activities	Governmental Activities
Enterprise Funds	Internal Service Funds
Total	Indirect Cost
\$ 68,875	\$ -
294,381	-
486	595,614
<u>363,742</u>	<u>595,614</u>
-	595,614
19,821	-
297,127	-
77,582	-
<u>394,530</u>	<u>595,614</u>
(30,788)	-
1,394	-
(1,097)	-
(46,964)	-
<u>(46,667)</u>	<u>-</u>
-	-
(3,005)	-
<u>(3,005)</u>	<u>-</u>
(80,460)	-
697,516	-
<u>\$ 617,056</u>	<u>\$ -</u>

**South Western Oklahoma Development Authority**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**Year Ended June 30, 2011**

	Business-Type Activities		
	Enterprise Funds		
	Clinton-Sherman Industrial Airpark	Oklahoma Spaceport	Nonmajor Enterprise Funds
<b>Cash flows from operating activities</b>			
Receipts from customers	\$ 6,212	\$ 330,000	\$ 76,949
Payments to suppliers	(73,318)	(185,935)	(18,079)
Payments to employees	(42,864)	(24,354)	(2,922)
Net cash provided (used) by operating activities	<u>(109,970)</u>	<u>119,711</u>	<u>55,948</u>
<b>Cash flows from noncapital financing activities</b>			
Transfers out	(3,005)	-	-
Net cash provided (used) by noncapital financing activities	<u>(3,005)</u>	<u>-</u>	<u>-</u>
<b>Cash flows from capital and related financing activities</b>			
Principal paid on long-term debt	-	-	(23,281)
Interest expense and fiscal charges	-	-	(1,097)
(Acquisition) disposition of capital assets	10,000	-	-
Net cash provided (used) by capital and related financing activities	<u>10,000</u>	<u>-</u>	<u>(24,378)</u>
<b>Cash flows from investing activities</b>			
(Increase) decrease in investments	(1,394)	-	-
Interest income	1,394	-	-
Net cash provided (used) by investing activities	<u>-</u>	<u>-</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	(102,975)	119,711	31,570
Cash and cash equivalents, beginning	269,477	(72,819)	(35,742)
Cash and cash equivalents, ending	<u>\$ 166,502</u>	<u>\$ 46,892</u>	<u>\$ (4,172)</u>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>			
Net operating income (loss)	\$ (117,321)	66,887	\$ 19,646
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation and amortization	27,878	-	49,704
Changes in assets and liabilities:			
(Increase) decrease in receivables	1,641	60,000	(12,222)
(Increase) decrease in inventories	(7,930)	-	-
(Increase) decrease in prepaid expenses	(3,655)	-	(665)
Increase (decrease) accounts payable	(16,277)	(4,331)	76
Increase (decrease) accrued compensated absences	5,694	(2,845)	(591)
Total adjustments	<u>7,351</u>	<u>52,824</u>	<u>36,302</u>
Net cash provided (used) by operating activities	<u>\$ (109,970)</u>	<u>\$ 119,711</u>	<u>\$ 55,948</u>

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

Business-Type Activities	Governmental Activities
Enterprise Funds	Internal Service Funds
Totals	Indirect Cost
\$ 413,161	\$ 595,614
(277,332)	(303,568)
(70,140)	(307,445)
<u>65,689</u>	<u>(15,399)</u>
(3,005)	-
(3,005)	-
(23,281)	-
(1,097)	-
10,000	-
<u>(14,378)</u>	<u>-</u>
(1,394)	-
1,394	-
<u>-</u>	<u>-</u>
48,306	(15,399)
160,916	30,135
<u>\$ 209,222</u>	<u>\$ 14,736</u>
\$ (30,788)	\$ -
77,582	-
49,419	-
(7,930)	-
(4,320)	-
(20,532)	(4,527)
2,258	(10,872)
<u>96,477</u>	<u>(15,399)</u>
<u>\$ 65,689</u>	<u>\$ (15,399)</u>

**South Western Oklahoma Development Authority**  
**Statement of Net Assets**  
**Fiduciary Funds**  
**June 30, 2011**

	Agency	
	Oklahoma Association of Regional Councils	Wireless Holding Fund
<b>Assets</b>		
Cash and cash equivalents	\$ (7,954)	\$ 35,763
Receivables:		
Accounts	8,964	-
Total assets	1,010	35,763
<b>Liabilities</b>		
Accounts payable	-	35,763
Accrued compensated absences	1,010	-
Total liabilities	1,010	35,763
<b>Net assets</b>	\$ -	\$ -

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

**South Western Oklahoma Development Authority**  
**Notes to Financial Statements**  
**June 30, 2011**

**I. Organization**

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

**II. Summary of significant accounting policies**

**A. Reporting entity**

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

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

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

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

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

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

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

The Authority reports the following major governmental funds:

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

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

The Air Force Contract fund reports the activities related to a contract with the U. S. Air Force to provide Airfield Management Service at the Clinton-Sherman Industrial Airpark in Burns Flat, Oklahoma.

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

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

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

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

The Authority reports the following major proprietary funds:

- Clinton-Sherman Industrial Airpark
- Oklahoma Spaceport

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

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all interest.

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

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

#### **D. Assets, liabilities, and net assets or equity**

##### ***1. Deposits and investments***

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

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

Investments for SWODA are reported at fair value.

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

Notes receivable	\$ 120,549
Other assets held for investment	<u>75,000</u>
Net adjustment to increase fund balance – total governmental funds to arrive at net assets – governmental activities	<u>\$ 195,549</u>

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes reconciliation between net changes in fund balances – total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that “governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.” The details of this difference are as follows:

Equipment purchases /dispositions – net	\$ 55,896
Depreciation expense	<u>(89,532)</u>
Net adjustment to decrease net changes in fund balances – total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ (33,636)</u>

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

Capital lease principal payments	\$ 51,861
Note principal payments	<u>35,849</u>
Net adjustment to decrease net changes in fund balances – total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ 87,710</u>

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

Principal received on notes receivable	\$ 106,956
Bad debt write-offs	<u>10,500</u>
Net adjustment to increase net changes in fund balances – total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ 117,456</u>

#### IV. Stewardship, compliance, and accountability

##### Budgetary information

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

#### V. Detailed notes on all funds

##### A. Deposits and investments

###### Deposits

SWODA's carrying amount of deposits was \$ 2,107,098 as of June 30, 2011, and the bank balances totaled \$ 2,281,848. 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, 2011, all of SWODA's bank balance was FDIC insured or collateralized.

###### Investments

As of June 30, 2011, SWODA had the following investments.

<u>Investment</u>	<u>Maturities</u>	<u>Fair Value</u>
Certificates of deposit	< 1 year	\$ 1,791,165
Total		<u>\$ 1,791,165</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, 2011, 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.

## 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, 2011, employees contributed 5.0% on all compensation, while The Authority's contribution was 15.5% of total compensation. For the year ended June 30, 2011, SWODA's payroll for employees covered by OPERS was \$ 1,908,567. Employer and employee contributions for the year ended June 30, 2011, were \$ 286,470 and \$ 95,595 respectively.

OPERS does not make separate measurements of assets and pension benefit obligation for individual employers. The actuarial accrued liability at July 1, 2010 as a whole, determined through actuarial valuations performed as of July 1, 2010 using the entry age normal cost method was \$ 9,622,627,833 for the OPERS. The systems' net assets available for benefits on that date (valued at market) were \$ 6,348,416,407 resulting in underfunded pension obligation of \$ 3,274,211,426.

### **D. Subsequent events**

On September 24, 2011, SWODA held an auction to dispose of equipment, vehicles, and supplies that it no longer needed due to the loss of the contracts for maintenance and fire rescue services with the Air Force, and maintenance of the Clinton-Sherman Industrial Airpark contract with Oklahoma Space Industry Development Authority. Net proceeds from the auction were approximately \$ 580,000.



**South Western Oklahoma Development Authority**  
**Combining Balance Sheet**  
**REAP**  
**June 30, 2011**

	2011 REAP	2010 REAP	2009 REAP	2008 REAP
<b>Assets</b>				
Cash and cash equivalents	\$ 883,216	\$ 305,755	\$ 40,419	\$ 130,639
Investments	-	67,960	81,841	-
Total assets	<u>\$ 883,216</u>	<u>\$ 373,715</u>	<u>\$ 122,260</u>	<u>\$ 130,639</u>
<b>Liabilities</b>				
Accounts payable and accrued liabilities	\$ 13	\$ -	\$ -	\$ -
Deferred revenue	879,963	354,740	94,426	85,143
Accrued compensated absences	-	-	-	-
Total liabilities	<u>879,976</u>	<u>354,740</u>	<u>94,426</u>	<u>85,143</u>
<b>Fund balances</b>				
Reserved:				
Other	3,240	18,975	27,834	45,496
Unreserved	-	-	-	-
Total fund balances	<u>3,240</u>	<u>18,975</u>	<u>27,834</u>	<u>45,496</u>
Total liabilities and fund balances	<u>\$ 883,216</u>	<u>\$ 373,715</u>	<u>\$ 122,260</u>	<u>\$ 130,639</u>

<u>2007 REAP</u>	<u>2005 REAP</u>	<u>Total</u>
\$ (73,737)	\$ 2,997	\$ 1,289,289
89,623	-	239,424
<u>\$ 15,886</u>	<u>\$ 2,997</u>	<u>\$ 1,528,713</u>
\$ 39	\$ -	\$ 52
2,334	-	1,416,606
350	-	350
<u>2,723</u>	<u>-</u>	<u>1,417,008</u>
13,163	2,997	111,705
-	-	-
<u>13,163</u>	<u>2,997</u>	<u>111,705</u>
<u>\$ 15,886</u>	<u>\$ 2,997</u>	<u>\$ 1,528,713</u>

**South Western Oklahoma Development Authority**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**Year Ended June 30, 2011**

	Special Revenue			
	State Appropriations 14344 SS 2011	Enhanced 911	2011 Rural Fire Defense	Community Improvement Projects
<b>Revenues</b>				
Local projects and contracts	\$ -	\$ 208,800	\$ 45,000	\$ 97,977
Federal grant and contract funds	-	-	-	-
State grant and contract funds	36,364	-	70,000	-
Match revenue	-	-	-	-
Interest	-	-	-	-
Other	-	-	-	-
Total revenues	<u>36,364</u>	<u>208,800</u>	<u>115,000</u>	<u>97,977</u>
<b>Expenditures</b>				
Current:				
Aging services	-	-	-	-
Enhanced 911 contracts	-	184,833	-	-
Economic development	36,364	-	-	-
Rural fire defense	-	-	119,021	-
Community development	-	-	-	109,135
Capital outlay	-	-	-	-
Total expenditures	<u>36,364</u>	<u>184,833</u>	<u>119,021</u>	<u>109,135</u>
Excess of revenues over (under) expenditures	-	23,967	(4,021)	(11,158)
<b>Other financing sources (uses)</b>				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Principal received on notes receivable	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net change in fund balances</b>	-	23,967	(4,021)	(11,158)
Fund balances, beginning	-	308,754	(26,317)	(16,863)
Fund balances, ending	<u>\$ -</u>	<u>\$ 332,721</u>	<u>\$ (30,338)</u>	<u>\$ (28,021)</u>

Special Revenue						
SHIP/SMP	MIPPA	Developmental Planning Administration	EDA 203 District Planning	EDA Revolving Loan Fund	CENA 2011	Hazard Mitigation
\$ -	\$ -	\$ 65,962	\$ -	\$ -	\$ -	\$ 13,863
10,060	10,474	-	31,627	-	-	-
-	-	-	21,627	-	163,438	-
-	-	-	-	8,111	-	-
-	-	-	-	-	-	-
<u>10,060</u>	<u>10,474</u>	<u>65,962</u>	<u>53,254</u>	<u>8,111</u>	<u>163,438</u>	<u>13,863</u>
10,060	9,680	-	-	-	163,438	-
-	-	8,131	54,289	38,106	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	57,437
-	794	-	1,295	-	-	-
<u>10,060</u>	<u>10,474</u>	<u>8,131</u>	<u>55,584</u>	<u>38,106</u>	<u>163,438</u>	<u>57,437</u>
-	-	57,831	(2,330)	(29,995)	-	(43,574)
-	-	14,432	-	-	-	-
-	-	-	(14,432)	-	-	-
-	-	-	-	52,089	-	-
-	-	<u>14,432</u>	<u>(14,432)</u>	<u>52,089</u>	-	-
-	-	72,263	(16,762)	22,094	-	(43,574)
-	-	(13,034)	16,762	153,148	-	(4,286)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 59,229</u>	<u>\$ -</u>	<u>\$ 175,242</u>	<u>\$ -</u>	<u>\$ (47,860)</u>

**South Western Oklahoma Development Authority**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**Year Ended June 30, 2011**

(continued)

	Special Revenue			
	Community Development Admin	Advantage Case Management	2011 Masonic Fund Grant	2010 Masonic Fund Grant
<b>Revenues</b>				
Local projects and contracts	\$ 23,557	\$ 566,891	\$ 36,572	\$ 16,158
Federal grant and contract funds	-	-	-	-
State grant and contract funds	-	-	-	-
Match revenue	-	-	-	-
Interest	-	-	-	-
Other	-	330	-	-
Total revenues	<u>23,557</u>	<u>567,221</u>	<u>36,572</u>	<u>16,158</u>
<b>Expenditures</b>				
Current:				
Aging services	-	598,912	36,572	16,158
Enhanced 911 contracts	-	-	-	-
Economic development	-	-	-	-
Rural fire defense	-	-	-	-
Community development	33,914	-	-	-
Capital outlay	-	-	-	-
Total expenditures	<u>33,914</u>	<u>598,912</u>	<u>36,572</u>	<u>16,158</u>
Excess of revenues over (under) expenditures	(10,357)	(31,691)	-	-
<b>Other financing sources (uses)</b>				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Principal received on notes receivable	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net change in fund balances</b>	(10,357)	(31,691)	-	-
Fund balances, beginning	<u>256,624</u>	<u>371,613</u>	<u>-</u>	<u>-</u>
Fund balances, ending	<u>\$ 246,267</u>	<u>\$ 339,922</u>	<u>\$ -</u>	<u>\$ -</u>

Special Revenue			
ADRC Living Choice Grant	Oklahoma Commission on Children & Youth	2011 EDA 203B District Planning	Total
\$ -	\$ -	\$ -	\$ 1,074,780
1,559	-	26,570	80,290
-	3,834	-	273,636
-	-	17,713	39,340
-	-	-	8,111
-	-	-	330
<u>1,559</u>	<u>3,834</u>	<u>44,283</u>	<u>1,476,487</u>
1,559	-	-	836,379
-	-	-	184,833
-	-	44,283	181,173
-	-	-	119,021
-	3,834	-	204,320
-	-	-	2,089
<u>1,559</u>	<u>3,834</u>	<u>44,283</u>	<u>1,527,815</u>
-	-	-	(51,328)
-	-	-	14,432
-	-	-	(14,432)
-	-	-	52,089
-	-	-	<u>52,089</u>
-	-	-	761
-	-	-	<u>1,046,401</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,047,162</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***

November 30, 2011

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of South Western Oklahoma Development Authority as of and for the year ended June 30, 2011, which collectively comprise the South Western Oklahoma Development Authority's basic financial statements, and have issued our report thereon dated November 30, 2011. We did not audit management's discussion and analysis, which is required supplementary information, and therefore, expressed no opinion on it. Budgetary comparison information, which is required supplementary information, has not been presented for the general fund and other major special revenue funds. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

#### **Internal Control Over Financial Reporting**

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

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

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



**South Western Oklahoma Development Authority**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2011**

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Expenditures
<b>FEDERAL PROGRAMS</b>			
<u>U. S. Department of Labor</u>			
Pass-Through Program From:			
Oklahoma Employment Security Commission - <i>Workforce Investment Act (WIA) Cluster</i>			
WIA Title I Adult	17.258	94220-SW-FY10-Adult 94620-SW-FY10-Adult 14000 94621-SW-FY11-Adult 14441	\$ 35,347 29,919 85,993
ARRA-WIA Title I Adult		94428-SW-PY08-ARRA-Adult 13557	1,867
WIA Title I Youth	17.259	95229-SW-PY09-Youth 13592 95220-SW-PY10-Youth 14103	58,114 89,283
WIA Title I Dislocated Worker	17.260	93820-SW-FY 10-DLW-Incentive 14113 93229-SW-PY09-DLW 13812 93620-SW-FY10-DLW 14001	11,548 3,503 70,088
ARRA-WIA Title I Dislocated Worker		93428-SW-PY08-ARRA-DLW 13558 93838-SW-PY0-ARRA-DLW-OJT 14438	1,910 4,418
WIA Title I Dislocated Worker	17.278	93220-SW-PY10-DLW 93621-SW-FY11-DLW 14442	32,465 30,653
<i>Subtotal WIA Cluster</i>			<u>455,108</u>
<i>Other Programs</i>			
WIA Trade Adjustment Assistance	17.245	170-016 TAA	16,200
Title V, Senior Community Services Employment Program	17.235	95849-SW-PY09-SCSEP 95840-SW-PY10-SCSEP	135,936 416,304
<i>Subtotal Other Programs</i>			<u>568,440</u>
Total U.S. Department of Labor			<u>1,023,548</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	151,537
Area Agency on Aging Title III Part C	93.045	3407-6010	275,723
ARRA-Area Agency on Aging- Title III Part C-2	93.705	ARRA	6,927
ARRA-Area Agency on Aging- Title III Part C-1	93.707	ARRA	14,070
Area Agency on Aging NSIP	93.053	3407-6010	92,753
<i>Subtotal Aging Cluster</i>			<u>541,010</u>

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





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### **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**

November 30, 2011

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

#### **Compliance**

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

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

In our opinion, South Western Oklahoma Development Authority complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

#### **Internal Control Over Compliance**

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



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on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the South Western Oklahoma Development Authority's internal control over compliance.

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

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

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

Ronald C. Cottrell, CPA

