

***Payne County Youth Services, Inc.***  
***Stillwater, Oklahoma***

***REPORT ON AUDIT OF FINANCIAL STATEMENTS  
AND SUPPLEMENTAL INFORMATION***

***For the Year Ended June 30, 2016***

***SAUNDERS & ASSOCIATES, PLLC***

***Certified Public Accountants***

***630 East 17<sup>th</sup> Street***

***P. O. Box 1406***

***Ada, Oklahoma 74820***

***(580) 332-8548***

***FAX: (580) 332-2272***

***Website: [www.saunderscpas.com](http://www.saunderscpas.com)***

PAYNE COUNTY YOUTH SERVICES, INC.  
Stillwater, Oklahoma

TABLE OF CONTENTS

June 30, 2016

	<u>Page</u>
Independent Auditor's Report .....	1
FINANCIAL STATEMENTS:	
Statement of Financial Position .....	3
Statement of Activities .....	4
Statement of Functional Expenses .....	5
Statement of Cash Flows .....	8
Notes to Financial Statements .....	9
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 .....	13
SUPPLEMENTAL INFORMATION:	
Schedule of Federal and State Awards .....	15
Status of Prior Audit Findings .....	16
Schedule of Findings and Responses .....	17

# *Saunders & Associates, PLLC*

## *Certified Public Accountants*

---

630 East 17<sup>th</sup> Street \* P. O. Box 1406 \* Ada, Oklahoma 74820 \* (580) 332-8548 \* FAX: (580) 332-2272  
Website: [www.saunderscpas.com](http://www.saunderscpas.com)

### INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Payne County Youth Services, Inc.

We have audited the accompanying financial statements of Payne County Youth Services, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2016, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

#### **Management's Responsibility for the Financial Statements**

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

#### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

#### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Payne County Youth Services, Inc. as of June 30, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplemental information, as listed in the preceding table of contents, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

**Other Reporting Required By Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated November 17, 2016 on our consideration of Payne County Youth Services, Inc.'s internal control over financial reporting and on our tests of compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Payne County Youth Services, Inc.'s internal control over financial reporting and compliance.

*Saunders & Associates PLLC*

SAUNDERS & ASSOCIATES, PLLC  
Certified Public Accountants  
Ada, Oklahoma

November 17, 2016

## FINANCIAL STATEMENTS

PAYNE COUNTY YOUTH SERVICES, INC.  
Stillwater, Oklahoma

STATEMENT OF FINANCIAL POSITION

June 30, 2016

**ASSETS**

**Current Assets:**

Cash	\$ 219,817
Certificate of Deposits	77,126
Contract Revenues Receivable	81,856
Prepaid Expenses	<u>10,543</u>
Total Current Assets	<u>389,342</u>

**Fixed Assets:**

Furniture and Equipment	23,420
Leasehold Improvements	18,120
Less: Accumulated Depreciation	<u>(41,540)</u>
Total Fixed Assets	<u>0</u>

**TOTAL ASSETS** **\$ 389,342**

**LIABILITIES AND NET ASSETS**

**Current Liabilities:**

Accounts Payable - Trade	\$ 0
Payroll Taxes and Withholding Payable	10,613
Accrued Annual Leave	32,532
Other Payables	<u>191</u>
Total Current Liabilities	<u>43,336</u>

**Net Assets:**

Unrestricted	<u>346,006</u>
--------------	----------------

**TOTAL LIABILITIES AND NET ASSETS** **\$ 389,342**

\* The accompanying notes are an integral part of the financial statements.

PAYNE COUNTY YOUTH SERVICES, INC.  
Stillwater, Oklahoma

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2016

<u>REVENUE AND SUPPORT</u>	<u>Unrestricted</u>
OJA - Community Based Services	\$ 472,197
Victims of Crime Act	154,306
Community-At-Risk Services	6,159
School Services	54,641
Title XIX	16,977
Workforce Investment Act	56,411
United Way	42,934
City of Stillwater	15,000
Within My Reach	720
Donations	158,403
Fund Raising	29,189
Dividends and Interest	671
Miscellaneous	4,412
ESG	20,854
Foster Care	6,814
OJJDP	39,184
Total Revenues and Support	<u>1,078,872</u>
 <u>EXPENSES</u>	
Program Services:	
Counseling and Shelter	466,324
Victims of Crime Act	154,306
Community-At-Risk Services	3,961
Title XIX	9,757
Workforce Investment Act	56,416
TLP - ESG	22,475
OJJDP	46,841
Foster Care	23,218
Total Program Expenses	<u>783,298</u>
Administrative and General	260,986
Depreciation	0
Total Expenses	<u>1,044,284</u>
Change in Net Assets	34,588
Net Assets, June 30, 2015	<u>311,418</u>
 NET ASSETS, JUNE 30, 2015	 <u>\$ 346,006</u>

\* The accompanying notes are an integral part of the financial statements.

PAYNE COUNTY YOUTH SERVICES, INC.  
Stillwater, Oklahoma

## STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2016

	OJA Counseling and Shelter	USDOJ Victims of Crime Act VOCA	OJA Community At-Risk Services	Medicaid Title XIX
<b>EXPENSES</b>				
Personnel:				
Contract Labor/Services	\$ 11,506	\$ 143	\$ 66	\$ 97
Salaries	280,802	91,628	2,761	7,121
Payroll Taxes	22,296	7,135	214	569
Fringe Benefits	52,392	15,316	427	850
Worker's Compensation	6,332	0	63	173
Total Personnel	<u>373,328</u>	<u>114,222</u>	<u>3,531</u>	<u>8,810</u>
Equipment Lease Expense	9,707	3,429	0	0
Travel and Per Diem	9,052	4,302	34	291
Rent	15,728	16,145	155	0
Utilities	12,876	4,729	76	112
Telephone	3,553	1,075	16	43
Maintenance and Repair	9,913	1,713	46	88
Shelter Supplies	6,171	2,784	0	0
Shelter Recreation	2,157	0	0	0
Office Supplies and Postage	5,970	1,712	45	111
Printing, Publishing and Advertising	1,378	0	13	27
Program Supplies	783	0	0	0
Dues and Peer Review	2,563	0	0	0
OSBI Record Checks	633	0	0	2
Accounting/Audit	3,567	1,217	0	106
Liability and Property Insurance	8,945	2,978	45	167
BAD Debt	0	0	0	0
Total Expenses Before Depreciation	<u>466,324</u>	<u>154,306</u>	<u>3,961</u>	<u>9,757</u>
Depreciation	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>TOTAL EXPENSES</b>	<u>\$ 466,324</u>	<u>\$ 154,306</u>	<u>\$ 3,961</u>	<u>\$ 9,757</u>

\* The accompanying notes are an integral part of the financial statements.

PAYNE COUNTY YOUTH SERVICES, INC.  
Stillwater, Oklahoma

## STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2016

	OJJDP	Foster Care	USDOL Workforce Investment Act	ESG	Total Program Services
<b>EXPENSES</b>					
<b>Personnel:</b>					
Contract Labor/Services	\$ 0	\$ 43	\$ 9,101	\$ 0	\$ 20,956
Salaries	33,691	15,441	32,480	10,327	474,251
Payroll Taxes	2,662	1,219	3,241	817	38,153
Fringe Benefits	6,241	2,515	6,065	1,705	85,511
Worker's Compensation	535	230	1,108	208	8,649
Total Personnel	<u>43,129</u>	<u>19,448</u>	<u>51,995</u>	<u>13,057</u>	<u>627,520</u>
Equipment Lease Expense	0	0	0	0	13,136
Travel and Per Diem	1,491	1,201	1,002	796	18,169
Rent	0	0	0	3,224	35,252
Utilities	0	50	99	2,358	20,300
Telephone	0	144	292	1,332	6,455
Maintenance and Repair	0	115	304	233	12,412
Shelter Supplies	0	128	0	615	9,698
Shelter Recreation	0	0	0	0	2,157
Office Supplies and Postage	0	373	1,048	0	9,259
Printing, Publishing and Advertising	2,006	321	143	0	3,888
Program Supplies	215	0	0	0	998
Dues and Peer Review	0	780	0	475	3,818
OSBI Record Checks	0	48	9	0	692
Accounting/Audit	0	200	533	0	5,623
Liability and Property Insurance	0	410	991	385	13,921
BAD Debt	0	0	0	0	0
Total Expenses Before Depreciation	<u>46,841</u>	<u>23,218</u>	<u>56,416</u>	<u>22,475</u>	<u>783,298</u>
Depreciation	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>TOTAL EXPENSES</b>	<b>\$ <u>46,841</u></b>	<b>\$ <u>23,218</u></b>	<b>\$ <u>56,416</u></b>	<b>\$ <u>22,475</u></b>	<b>\$ <u>783,298</u></b>

\* The accompanying notes are an integral part of the financial statements.

PAYNE COUNTY YOUTH SERVICES, INC.  
Stillwater, Oklahoma

## STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2016

	<u>Support Services</u>	
	Local Management and General	<u>Total Expenses</u>
<b><u>EXPENSES</u></b>		
Personnel:		
Contract Labor/Services	\$ 13,990	\$ 34,946
Salaries	159,452	633,703
Payroll Taxes	11,963	50,116
Fringe Benefits	22,019	107,530
Worker's Compensation	5,232	13,881
Total Personnel	<u>212,656</u>	<u>840,176</u>
Equipment Lease Expense	0	13,136
Travel and Per Diem	10,535	28,704
Rent	(96)	35,156
Utilities	623	20,923
Telephone	1,719	8,174
Maintenance and Repair	1,258	13,670
Shelter Supplies	0	9,698
Shelter Recreation	40	2,197
Office Supplies and Postage	3,256	12,515
Printing, Publishing and Advertising	1,242	5,130
Program Supplies	1,075	2,073
Dues and Peer Review	21,326	25,144
OSBI Record Checks	166	858
Accounting/Audit	3,077	8,700
Liability and Property Insurance	4,109	18,030
BAD Debt	0	0
Total Expenses Before Depreciation	<u>260,986</u>	<u>1,044,284</u>
Depreciation	<u>0</u>	<u>0</u>
<b>TOTAL EXPENSES</b>	<b><u>\$ 260,986</u></b>	<b><u>\$ 1,044,284</u></b>

\* The accompanying notes are an integral part of the financial statements.

PAYNE COUNTY YOUTH SERVICES, INC.  
Stillwater, Oklahoma

STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2016

<b><u>Cash Flows From Operating Activities</u></b>	
Increase (Decrease) in Unrestricted Net Assets	\$ 34,588
Adjustments to Reconcile Change in Net Assets to	
Net Cash Provided by Operating Activities:	
Depreciation	0
(Increase) Decrease in Assets:	
Accounts Receivable	(10,011)
Prepaid Expenses	(1,727)
Increase (Decrease) in Liabilities:	
Accounts Payable - Trade	0
Accrued Annual Leave	1,464
Payroll Taxes Payable	327
Other Payables	0
	<u>0</u>
Net Cash Provided (Used) by Operating Activities	<u>24,641</u>
<b><u>Cash Flows From Investing Activities:</u></b>	
(Increase) Decrease in Certificate of Deposits	0
(Increase) Decrease in Investments	0
Loss on Disposal of Assets	0
	<u>0</u>
Net Cash Provided (Used) by Investing Activities	<u>0</u>
<b><u>Cash Flows From Financing Activities:</u></b>	
Principal Payments on Loan	<u>0</u>
Net Cash Provided (Used) by Financing Activities	<u>0</u>
Net Increase (Decrease) in Cash	24,641
Cash at Beginning of Year	<u>272,302</u>
CASH AT END OF YEAR	<u>\$ 296,943</u>
<b><u>Supplemental Information:</u></b>	
Interest Paid	<u>\$ 0</u>
<b>Cash Consists of:</b>	
Cash	\$ 219,817
Certificates of Deposit	<u>77,126</u>
Total Cash	<u>\$ 296,943</u>

\* The accompanying notes are an integral part of the financial statements.

PAYNE COUNTY YOUTH SERVICES, INC.  
Stillwater, Oklahoma

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Payne County Youth Services, Inc. is a private nonprofit organization that provides counseling and emergency shelter services for at-risk youth and families.

The following is a summary of the Organization's significant accounting policies, which have been applied in the preparation of the accompanying financial statements.

**Basis of Accounting** – The financial statements are presented on the accrual basis of accounting. Revenues are recognized in the accounting period in which they become available and measurable. Expenses are recognized in the accounting period in which the liability is incurred if measurable.

**Fixed Assets**: Property and equipment are stated at cost less accumulated depreciation. Maintenance, repairs, and betterments are charged to expense when incurred, except that renewals which extend the useful life of assets are capitalized. Gains and losses on disposition of equipment are included in current operations.

**Accrued Annual Leave** – Each salaried employee is entitled to annual leave, which accrues at the rate of 6 hours per month for the first year of services, 10 hours per month for the second through the fifth years, and 12 hours per month after five years. Hourly waged employees' annual leave during the first year of employment will accrue at the rate of .038 hours for each regular hour worked, not to exceed 80 hours per year. Annual leave during the second through the fifth year of employment will be accrued at the rate of .058 hours for each regular hour worked, not to exceed 120 hours per year. Annual leave after five years of employment is accrued at the rate of .069 hours for each regular hour worked, not to exceed 144 hours per year. Accrued leave at June 30, 2016 is \$32,532.

**Financial Statement Presentation**: Payne County Youth Services, Inc. is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, Payne County Youth Services, Inc. is required to present a statement of cash flows. Payne County Youth Services, Inc. has no temporarily or permanently restricted net assets. Therefore, these classifications have been omitted. All temporarily restricted revenues for the year which have met their requirements have been shown as unrestricted revenue.

**Contributions** – Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Payne County Youth Services, Inc. has not received any contributions with donor-imposed restrictions that would result in temporarily or permanently restricted net assets. Contributions are classified as restricted or unrestricted and are measured at their fair values. Contributions of services are recognized if the services received create or enhance non-financial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributions of services are also recognized if they are part of "In-Kind" revenue required by certain funding contracts.

PAYNE COUNTY YOUTH SERVICES, INC.  
Stillwater, Oklahoma

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

**Functional Expenses** – Expenses are charged directly to program or management in general categories based on specific identification. Indirect expenses have been allocated based on revenue.

**Management and General Expenses** – Expenses are classified by program and according to their function. Expenses that are not identifiable with any of the Organization's program services, but are critical to the Organization's existence, are classified as management and general expenses. All amounts allocated from this category to program services are distributed equitably across the funding sources unless the cost is directly unallowable.

**NOTE 2: CASH AND CASH EQUIVALENT**

Cash and cash equivalents consist of demand deposits and time deposits maintained at financial institutions insured by the Federal Deposit Insurance Corporation (FDIC). Deposits are carried at cost. Bank balances at year-end are categorized as follows to give an indication of the level of risk assumed by the organization.

**Unreconciled**

<u>Category</u>	<u>Balance Per Bank</u>
1) Insured or collateralized with securities held by the organization or by its agent in the organization's name.	\$ 324,470
2) Collateralized with securities held by pledging financial institutions trust department.	0
3) Uncollateralized	0
TOTAL	<u>\$ 324,470</u>

**NOTE 3: RETIREMENT PLAN**

Effective July 1, 1985, the Board of Directors approved a non-contributory, simplified employee pension plan under Section 408(k) of the Internal Revenue Code. All full time employees who are at least twenty-one years of age are covered by the plan after three years of service. The percentage of salary to be contributed is determined by the Board of Directors. The rate of contribution as of June 30, 2016 was 8.75% and plan expense for the fiscal year ending June 30, 2016 was \$31,314.

**NOTE 4: RELATED PARTY TRANSACTIONS**

The Organization leases office space, the youth shelter building, furniture and equipment from Payne County Child Welfare Advisory Committee, Inc., which is a related party through common directors. Current year lease payments for space and equipment rented from Payne County Child Welfare Advisory Committee was \$34,834.

PAYNE COUNTY YOUTH SERVICES, INC.  
Stillwater, Oklahoma

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE 5: INCOME TAX STATUS

The Organization qualifies as an organization exempt from income taxes under Section 501(c)(3) of the *Internal Revenue Code* and is subject to a tax on income from any unrelated business, as defined by Section 509(a)(1) of the Code. The Organization currently has no unrelated business income. Accordingly, no provision for income taxes has been recorded.

The Organization has adopted the recognition requirements for uncertain income tax positions as required by generally accepted accounting principles. Income tax benefits are recognized for income tax positions taken or expected to be taken in a tax return only when it is determined that the income tax position will more-likely-than-not be sustained upon examinations by taxing authorities. The Organization has analyzed tax positions taken for filing with the Internal Revenue Service and all state jurisdictions where it operates. The Organization believes that income tax filing positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse effect on the Organization's financial condition, results of operations, or cash flows. Accordingly, the Organization has not recorded any reserves, or related accruals for interest and penalties for uncertain income tax positions at June 30, 2016.

Federal and state income tax statutes dictate that tax returns filed in any of the previous three reporting periods remain open to examination. Currently, the Organization has no open examinations with the Internal Revenue Service or the Oklahoma Tax Commission.

NOTE 6: ECONOMIC DEPENDENCY

The Organization 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 state agencies. If significant budget cuts are made at the federal and/or state level, the amount of the funds the Organization 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 the organization will receive in the next fiscal year.

NOTE 7: COMMITMENTS AND CONTINGENCIES

The Organization receives Federal and State Grants for specific purposes that are subject to review and audit by Federal and State agencies. Such audits could result in a request for reimbursement by the Federal and State agencies for expenditures disallowed under the terms and conditions of the appropriate agency. In the opinion of management, such disallowances, if any, will not be significant to the organization's financial statements.

PAYNE COUNTY YOUTH SERVICES, INC.  
Stillwater, Oklahoma

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

**NOTE 8: ACCOUNTS RECEIVABLE**

Accounts Receivable at June 30, 2016 consisted of:

Office of Juvenile Affairs	\$ 43,017
Community At-Risk Services	0
VOCA	7,412
WIA	13,040
ESG	4,578
TITLE XIX	1,648
Foster Care	1,260
OJJDP	6,167
Stillwater Public Schools	<u>4,734</u>
TOTAL	<u>\$ 81,856</u>

**NOTE 9: ESTIMATES**

The preparation of financial statements, in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**NOTE 10: PROPERTY AND EQUIPMENT**

Payne County Youth Services, Inc.'s property and equipment are capitalized at cost. All equipment with a useful life of one year or more is capitalized. Property and equipment are depreciated using the straight-line method with lives ranging from five to seven years. Leasehold improvements, and land improvements are depreciated using the straight-line method with lives of fifteen years. Depreciation expense for fiscal year ended June 30, 2016 totaled \$0.

	<u>Balance</u> <u>06/30/15</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>06/30/16</u>
Lease Improvements	\$ 18,120	\$ 0	\$ 0	\$ 18,120
Furniture and Equipment	<u>23,420</u>	<u>0</u>	<u>0</u>	<u>23,420</u>
TOTAL	41,540	0	0	41,540
Accumulated Depreciation	<u>( 41,540)</u>	<u>( 0)</u>	<u>0</u>	<u>( 41,540)</u>
Fixed Assets, Net of Accumulated Depreciation	<u>\$ 0</u>	<u>\$( 0)</u>	<u>\$ 0</u>	<u>\$ 0</u>

**NOTE 11: SUBSEQUENT EVENTS**

Subsequent events were evaluated through November 17, 2016, which is the date the financial statements were available to be issued.

# Saunders & Associates, PLLC

Certified Public Accountants

---

630 East 17<sup>th</sup> Street \* P. O. Box 1406 \* Ada, Oklahoma 74820 \* (580) 332-8548 \* FAX: (580) 332-2272  
Website: [www.saunderscpas.com](http://www.saunderscpas.com)

## 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

To the Board of Directors  
Payne County Youth Services, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Payne County Youth Services, Inc. (a non-profit organization), which comprise the statement of financial position as of June 30, 2016, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 17, 2016.

### Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Payne County Youth Services, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Payne County Youth Services, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Payne County Youth Services, Inc.'s internal control.

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

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

### Compliance and Other Matters

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

**Purpose of This Report**

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

*Saunders + Associates PLLC*

SAUNDERS & ASSOCIATES, PLLC  
Certified Public Accountants  
Ada, Oklahoma

November 17, 2016

**SUPPLEMENTAL INFORMATION**

PAYNE COUNTY YOUTH SERVICES, INC.  
Stillwater, Oklahoma

SCHEDULE OF FEDERAL AND STATE AWARDS

For the Year Ended June 30, 2016

<u>Grantor/Program</u>	<u>Grant/ Contract Number</u>	<u>CFDA Number</u>	<u>Grant/ Contract Period</u>	<u>Revenue</u>	<u>Expenditure</u>
<u>U. S. Department of Labor</u> <u>Passed Through Oklahoma Economic Development Authority:</u> Workforce Investment Act	PCYS 15-16	17.259	07/01/15 - 06/30/16	\$ 56,411	\$ 56,411
<u>U. S. Department of Justice</u> Victims of Crime Act	2015VOCA	16.575	07/01/15 - 06/30/16	154,306	154,306
<u>Office of Juvenile Affairs</u> Community Based Services	4009020919	N/A	07/01/15 - 06/30/16	472,197	472,197
Community At-Risk Services	4009020919	N/A	07/01/15 - 06/30/16	6,159	6,159
JJDP	4009020892	N/A	07/01/14 - 06/30/15	39,184	39,184
<u>Passed Through Oklahoma Department of Commerce:</u> Emergency Shelter Grant	16540ESG15	N/A	07/01/14 - 06/30/15	12,646	12,646
Emergency Shelter Grant	16170ESG14	N/A	07/01/15 - 06/30/16	<u>8,208</u>	<u>8,208</u>
<b>TOTAL FEDERAL AND STATE AWARDS</b>				<b>\$ <u>749,111</u></b>	<b>\$ <u>749,111</u></b>

\* The accompanying notes are an integral part of the financial statements.

**PAYNE COUNTY YOUTH SERVICES, INC.  
Stillwater, Oklahoma**

**STATUS OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS**

**June 30, 2016**

**None reported.**

PAYNE COUNTY YOUTH SERVICES, INC.  
Stillwater, Oklahoma

SCHEDULE OF FINDINGS AND RESPONSES

For the Year Ended June 30, 2016

None reported.