

McIntosh County Development Authority

Cash Basis Financial Statements

June 30, 2012 and 2011
(With Independent Auditors' Report Thereon)



McINTOSH COUNTY DEVELOPMENT AUTHORITY

CASH BASIS FINANCIAL STATEMENTS

Table of Contents

	<u>Page</u>
<u>Independent Auditors' Report</u>	1
<u>Basic Financial Statements:</u>	
Governmental Funds Balance Sheets/ Statements of Net Assets (Cash Basis)	3
Statements of Governmental Funds Revenues, Expenditures, and Changes in Fund Balances/Statements of Activities (Cash Basis)	4
Notes to Cash Basis Financial Statements	5
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in <u>Accordance with <i>Government Auditing Standards</i></u>	10



INDEPENDENT AUDITORS' REPORT

Board of Trustees
McIntosh County Development Authority

We have audited the accompanying cash basis financial statements of the governmental activities and major fund of the McIntosh County Development Authority (the "Authority"), a component unit of McIntosh County, Oklahoma, as of June 30, 2012 and 2011, which collectively comprise the Authority's basic financial statements as listed in the table of contents. The cash basis financial statements are the responsibility of the Authority's management. Our responsibility is to express opinions on these cash basis financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States 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 cash basis financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the cash basis 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 audits provide a reasonable basis for our opinions.

As described in the accompanying notes, the financial statements were prepared on the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States, and are not intended to present the financial position and results of operations in conformity with accounting principles generally accepted in the United States.


In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities and major fund of the Authority as of June 30, 2012 and 2011, and the respective changes in cash basis financial position thereof for the years then ended, on the basis of accounting described in the accompanying notes.

(Continued)

INDEPENDENT AUDITORS' REPORT, CONTINUED

In accordance with *Government Auditing Standards*, we have also issued our report dated September 4, 2012, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

Management has not presented the management's discussion and analysis that governmental accounting principles generally accepted in the United States require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

A handwritten signature in black ink that reads "Finley + Cook, PLLC". The signature is written in a cursive, flowing style.

Shawnee, Oklahoma
September 4, 2012

McINTOSH COUNTY DEVELOPMENT AUTHORITY

**GOVERNMENTAL FUNDS BALANCE SHEETS/
STATEMENTS OF NET ASSETS (CASH BASIS)**

June 30, 2012 and 2011

	<u>2012</u>		<u>2011</u>	
	<u>General Fund</u>	<u>Statement of Net Assets</u>	<u>General Fund</u>	<u>Statement of Net Assets</u>
Assets				
Current assets:				
Cash	\$ 11,584	11,584	11,584	11,584
Total assets	<u>\$ 11,584</u>	<u>11,584</u>	<u>11,584</u>	<u>11,584</u>
Liabilities	\$ -	-	-	-
Fund balance:				
Assigned to debt service	<u>11,584</u>		<u>11,584</u>	
Total liabilities and fund balance	<u>\$ 11,584</u>		<u>11,584</u>	
Net assets:				
Unrestricted		<u>\$ 11,584</u>		<u>11,584</u>

See Independent Auditors' Report.

See accompanying notes to cash basis financial statements.

McINTOSH COUNTY DEVELOPMENT AUTHORITY**STATEMENTS OF GOVERNMENTAL FUNDS REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES/STATEMENTS OF ACTIVITIES (CASH BASIS)***Years Ended June 30, 2012 and 2011*

	<u>2012</u>		<u>2011</u>	
	<u>General Fund</u>	<u>Statement of Activities</u>	<u>General Fund</u>	<u>Statement of Activities</u>
Expenditures/expenses:				
Economic development	\$ 42,194	42,194	39,774	39,774
Interest	4,143	4,143	6,563	6,563
Administrative	3,650	3,650	3,500	3,500
Total expenditures/expenses	<u>49,987</u>	<u>49,987</u>	<u>49,837</u>	<u>49,837</u>
Program revenues:				
Charges for services—rental	<u>49,987</u>	<u>49,987</u>	<u>49,837</u>	<u>49,837</u>
Net program expenses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
General revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in fund balances/ net assets	-	-	-	-
Fund balances/net assets:				
Beginning of year	<u>11,584</u>	<u>11,584</u>	<u>11,584</u>	<u>11,584</u>
End of year	<u>\$ 11,584</u>	<u>11,584</u>	<u>11,584</u>	<u>11,584</u>

See Independent Auditors' Report.

See accompanying notes to cash basis financial statements.

McINTOSH COUNTY DEVELOPMENT AUTHORITY

NOTES TO CASH BASIS FINANCIAL STATEMENTS

June 30, 2012 and 2011

(1) NATURE OF OPERATIONS AND REPORTING ENTITY

The McIntosh County Development Authority (the “Authority”) was created by a Trust Indenture enacted on October 14, 1997, under the provisions of Title 60, Oklahoma Statutes 1991, Section 176 to 180.4, and the Oklahoma Trust Act. The Authority was established as a public trust, with McIntosh County, Oklahoma, as its beneficiary, and is a duly constituted authority of McIntosh County and an agency of the State of Oklahoma. The Authority is authorized under its Declaration of Trust and the Oklahoma Trust Act to hold, manage, invest, assign, convey, and distribute property that trustors or others may assign, transfer, lease, convey, give, bequeath, devise, or deliver to the Authority for the benefit of McIntosh County, Oklahoma.

The financial statements present only the cash transactions of the Authority, a component unit of McIntosh County, and are not intended to present the financial position of McIntosh County.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

As further noted below, the financial statements have been prepared using the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States.

Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments* (GASB 34), defines the accounting principles to be used for the presentation of financial statements of the Authority.

Government-Wide Financial Statements

The statements of net assets and statements of activities display information about the Authority as a whole. The Authority’s activities are all governmental in nature and generally are financed primarily through rental revenues received. The Authority has no business-type activities as defined by GASB 34.

See Independent Auditors’ Report.

McINTOSH COUNTY DEVELOPMENT AUTHORITY

NOTES TO CASH BASIS FINANCIAL STATEMENTS, CONTINUED

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Basis of Presentation, Continued

Fund Financial Statements

Fund financial statements are normally organized into funds, each of which is considered to be a separate accounting entity. A fund is accounted for by providing a separate set of self-balancing accounts which constitute its assets, liabilities, fund balance, revenues, and expenditures/expenses.

For the financial statement presentation, the Authority has only one fund, which is the General Fund. The General Fund is the operating fund of the Authority and is used to account for all activities of the Authority.

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, defines fund balances for presentation as follows:

- Assigned—includes amounts that are constrained to be used for specific purposes but are neither restricted nor committed.
- Unassigned—represents fund balance that has not been assigned to other funds and has not been restricted, committed, or assigned to specific purposes within the general fund.

Assigned fund balance for the Authority as of June 30, 2012, is \$11,584 for note payments to People's National Bank of Checotah, Oklahoma. Lease payments are received one quarter in advance from the McIntosh County Health Department which includes three note payments of \$3,861, plus audit fees, until the revenue note is paid.

See Independent Auditors' Report.

(2) **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded, regardless of the measurement focus applied.

Measurement Focus

On the government-wide statements of net assets and the statements of activities, the Authority’s activities are presented using the “economic resources” measurement focus as defined below:

- The statements of net assets and the statements of activities utilize an “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of changes in net assets and financial positions. All assets and liabilities (whether current or noncurrent) associated with their activities are normally reported. However, due to the presentation of these financial statements on a cash basis, only cash is reported.

In the fund financial statements, the “current financial resources” measurement focus is used as defined below:

- The General Fund utilizes a “current financial resources” measurement focus. Only current financial assets and liabilities are generally included on the balance sheets. The operating statements present sources and uses of available spendable financial resources during a given period. The General Fund uses fund balances as the measure of available spendable financial resources at the end of the period, as limited by the use of the cash basis of accounting.

McINTOSH COUNTY DEVELOPMENT AUTHORITY

NOTES TO CASH BASIS FINANCIAL STATEMENTS, CONTINUED

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Measurement Focus and Basis of Accounting, Continued

Basis of Accounting

The accompanying financial statements have been prepared using the cash basis of accounting and are not intended to present the financial position and results of operations in conformity with accounting principles generally accepted in the United States.

If the aforementioned financial statements were prepared in accordance with accounting principles generally accepted in the United States, the following changes would be necessary:

- The Authority would utilize the accrual basis of accounting in the government-wide financial statements and the modified accrual basis of accounting in the fund financial statements.
- The Authority would capitalize and record on its accrual basis financial statements, at cost, fixed assets (such as land, buildings, furniture, and equipment) and depreciate such assets.
- The Authority would record liabilities and long-term debt on its accrual basis financial statements.

Income Tax Status

The Authority is a public trust and, as such, is exempt from federal and state income taxes.

Date of Management's Review of Subsequent Events

Management has evaluated subsequent events through September 4, 2012, the date which the cash basis financial statements were available to be issued, and determined that no subsequent events have occurred that require adjustment to or disclosure in the cash basis financial statements.

(3) CASH

As of June 30, 2012, the cash balance is a part of McIntosh County's pooled cash account. Cash balances of McIntosh County are either insured or collateralized.

See Independent Auditors' Report.

McINTOSH COUNTY DEVELOPMENT AUTHORITY

NOTES TO CASH BASIS FINANCIAL STATEMENTS, CONTINUED

(4) CONDUIT DEBT

On April 23, 1998, the Authority obtained a \$465,000 revenue note payable to People's National Bank of Checotah, Oklahoma. The interest rate on the note is 5.75%. The term is 15 years, with the first monthly payment of \$3,861 due September 1998 and the final payment due August 1, 2013. The purposes of the note were to acquire land and to construct a new health department building.

The new building was leased to the McIntosh County Health Department in the amount of the monthly payment of \$3,861, plus audit fee, until the revenue note is paid. The Authority is liable for the note payments only to the extent of the lease payments. As of June 30, 2012 and 2011, the outstanding principal balance of the note payable was \$48,325 and \$90,518, respectively.

During the fiscal years ended June 30, 2012 and 2011, the Authority paid \$42,194 and \$39,774, respectively, in principal on the note. Future requirements are as follows:

Fiscal Year Ending <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 44,720	1,617	46,337
2014	<u>3,605</u>	<u>18</u>	<u>3,623</u>
	<u>\$ 48,325</u>	<u>1,635</u>	<u>49,960</u>

See Independent Auditors' Report.



**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Trustees
McIntosh County Development Authority

We have audited the cash basis financial statements of the governmental activities and major fund of the McIntosh County Development Authority (the "Authority"), a component unit of McIntosh County, Oklahoma, as of and for the year ended June 30, 2012, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated September 4, 2012. Our report includes an explanatory paragraph noting that the financial statements were prepared on the cash basis of accounting. In addition, our report included an explanatory paragraph noting that the Authority did not present Management's Discussion and Analysis as supplemental information. We conducted our audit in accordance with auditing standards generally accepted in the United States 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 the Authority is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the cash basis financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the 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 a 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.

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**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, CONTINUED**

Internal Control Over Financial Reporting, Continued

Our consideration of 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 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.

Compliance and Other Matters

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

This report is intended solely for the information and use of the Board of Trustees, management, 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.

Finley & Cook, PLLC

Shawnee, Oklahoma
September 4, 2012