

McIntosh County Development Authority

Cash Basis Financial Statements

June 30, 2014 and 2013
(With Independent Auditors' Report Thereon)



McINTOSH COUNTY DEVELOPMENT AUTHORITY

CASH BASIS FINANCIAL STATEMENTS

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
McIntosh County Development Authority

Report on the Financial Statements

We have audited the accompanying cash basis financial statements of the governmental activities and the major fund of the McIntosh County Development Authority (the "Authority"), a component unit of McIntosh County, Oklahoma, as of and for the years ended June 30, 2014 and 2013, and the related notes to the cash basis financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 2; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for 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.

Auditors' Responsibility

Our responsibility is to express opinions on these 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 auditors consider 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.

(Continued)

INDEPENDENT AUDITORS' REPORT, CONTINUED

Auditors' Responsibility, Continued

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

Opinions

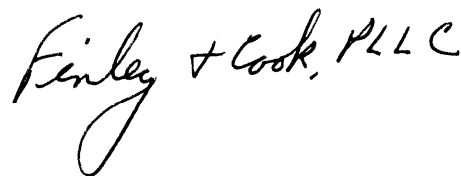
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities and the major fund of the Authority as of June 30, 2014 and 2013, and the respective changes in cash basis financial position for the years then ended in accordance with the cash basis of accounting described in Note 2.

Basis of Accounting

We draw attention to Note 2 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States. Our opinions are not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 3, 2014, 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 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 in considering the Authority's internal control over financial reporting and compliance.

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

Shawnee, Oklahoma
November 3, 2014

McINTOSH COUNTY DEVELOPMENT AUTHORITY

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

June 30, 2014 and 2013

	<u>2014</u>		<u>2013</u>	
	<u>General Fund</u>	<u>Statement of Net Position</u>	<u>General Fund</u>	<u>Statement of Net Position</u>
Assets				
Current assets:				
Cash	\$ -	-	11,584	11,584
Total assets	<u>\$ -</u>	<u>-</u>	<u>11,584</u>	<u>11,584</u>
Liabilities and Fund Balance				
Total liabilities	\$ -	-	-	-
Fund balance:				
Assigned to debt service	-		11,584	
Total liabilities and fund balance	<u>\$ -</u>		<u>11,584</u>	
Net position:				
Unrestricted		<u>\$ -</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, 2014 and 2013

	2014		2013	
	<u>General Fund</u>	<u>Statement of Activities</u>	<u>General Fund</u>	<u>Statement of Activities</u>
Expenditures/expenses:				
Economic development	\$ 3,507	3,507	44,817	44,817
Interest	16	16	1,520	1,520
Administrative	-	-	3,650	3,650
Refund to McIntosh County				
Health Department	8,061	8,061	-	-
Total expenditures/expenses	<u>11,584</u>	<u>11,584</u>	<u>49,987</u>	<u>49,987</u>
Program revenues:				
Charges for services—rental	<u>-</u>	<u>-</u>	<u>49,987</u>	<u>49,987</u>
Net program expenses	<u>11,584</u>	<u>11,584</u>	<u>-</u>	<u>-</u>
Change in fund balances/ net position	(11,584)	(11,584)	-	-
Fund balances/net position:				
Beginning of year	<u>11,584</u>	<u>11,584</u>	<u>11,584</u>	<u>11,584</u>
End of year	<u>\$ -</u>	<u>-</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, 2014 and 2013

(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 position 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.

The assigned fund balance for the Authority as of June 30, 2013, was \$11,584 for note payments to People's National Bank of Checotah, Oklahoma. Lease payments were received one quarter in advance from the McIntosh County Health Department, which included three note payments of \$3,861 plus audit fees, until the revenue note was paid. During the year ended June 30, 2014, the note was paid in full and therefore there was no assigned fund balance at June 30, 2014.

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 position and the statements of activities, the Authority’s activities are presented using the “economic resources” measurement focus as defined below:

- The statements of net position 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 position 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.

See Independent Auditors' Report.

McINTOSH COUNTY DEVELOPMENT AUTHORITY

NOTES TO CASH BASIS FINANCIAL STATEMENTS, CONTINUED

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Recent Accounting Pronouncements

In March 2012, GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities* (GASB 65). The objective of GASB 65 is to establish accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets or liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The Authority adopted this statement effective July 1, 2013. The adoption had no significant impact on the Authority's financial statements. Presently, the Authority has no items of deferred outflows of resources or deferred inflows of resources to be reported.

In March 2012, GASB issued Statement No. 66, *Technical Corrections—2012—an amendment of GASB Statements No. 10 and No. 62* (GASB 66). GASB 66 improves accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements: Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The Authority adopted this statement effective July 1, 2013. The adoption had no significant impact on the financial statements of the Authority.

Date of Management's Review of Subsequent Events

Management has evaluated subsequent events through November 3, 2014, the date which the cash basis financial statements were available to be issued, and determined that no subsequent events have occurred which require adjustment to or disclosure in the cash basis financial statements.

(3) CASH

As of June 30, 2014, the cash balance is a part of McIntosh County's pooled cash account. Cash balances of McIntosh County are either insured or collateralized.

(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 was 5.75%. The term was 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.

See Independent Auditors' Report.

McINTOSH COUNTY DEVELOPMENT AUTHORITY

NOTES TO CASH BASIS FINANCIAL STATEMENTS, CONTINUED

(4) CONDUIT DEBT, CONTINUED

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 was paid. The Authority was liable for the note payments only to the extent of the lease payments. As of June 30, 2013, the outstanding principal balance of the note payable was \$3,507. This obligation was paid in full during the fiscal year ended June 30, 2014.

During the fiscal years ended June 30, 2014 and 2013, the Authority paid \$3,507 and \$44,817, respectively, in principal on the note.

See Independent Auditors' Report.



**INDEPENDENT AUDITORS' 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, in accordance with the 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, the cash basis financial statements of the governmental activities and the 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, 2014, and the related notes to the cash basis financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated November 3, 2014. Our report includes an explanatory paragraph noting that the financial statements were prepared on the cash basis of accounting.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or 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. 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.

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**INDEPENDENT AUDITORS' 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**

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's cash basis financial statements are free from 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 the Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Finley + Cook, PLLC

Shawnee, Oklahoma
November 3, 2014