

**MIDWESTERN OKLAHOMA DEVELOPMENT  
AUTHORITY  
Burns Flat, Oklahoma**

**Annual Financial Statements and  
Accompanying Independent Auditor's Report**

**YEAR ENDED  
September 30, 2013**

MIDWESTERN OKLAHOMA DEVELOPMENT AUTHORITY  
TABLE OF CONTENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013

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	<u>PAGE NUMBER</u>
LIST OF PRINCIPAL OFFICIALS.....	1
INDEPENDENT AUDITOR'S REPORT.....	2
REQUIRED SUPPLEMENTARY INFORMATION: Management's Discussion and Analysis.....	3-7
BASIC FINANCIAL STATEMENTS:	
<i>Government-Wide Financial Statements:</i>	
Statement of Net Position.....	8
Statement of Activities .....	9
<i>Fund Financial Statements:</i>	
Statement of Fund Net Position- Proprietary Fund.....	10
Statement of Revenues, Expenses and Changes in Net Position- Proprietary Fund.....	11
Statement of Cash Flows- Proprietary Fund.....	12
Notes to Basic Financial Statements.....	13-22
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i> .....	23-24

**MIDWESTERN OKLAHOMA DEVELOPMENT AUTHORITY**

**LIST OF PRINCIPAL OFFICIALS**

**BOARD MEMBERS**

Don Greteman, Chairman

Alex Damon, Vice-chairman

Guy Hylton, Secretary

Chuck Dougherty

Scott Grubitz

Jason Hulin

**EXECUTIVE DIRECTOR**

Kathy Carlisle

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**INDEPENDENT AUDITOR'S REPORT**

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e-mail: dotcpa@davidotatecpa.com

Fax: (580) 782-5140

***David O. Tate***

Certified Public Accountant  
112 North Oklahoma, Suite A  
Mangum, Oklahoma 73554

**Independent Auditor's Report**

To the governing body of  
Midwestern Oklahoma Development Authority

I have audited the accompanying financial statements of the Midwestern Oklahoma Development Authority as of and for the year ended September 30, 2013, and the related notes to the 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 accounting principles generally accepted in the United States; 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**

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States. Those standards require that I plan and perform my 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 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, I 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.

I believe that the audit evidence that I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

**Opinion**

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Midwestern Oklahoma Development Authority as of June 30, 2013, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States.

**Other matters**

In accordance with "Government Auditing Standards", I have issued my report dated January 8, 2014, on my consideration of the District's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters.

The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance with 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 my audit.

A handwritten signature in black ink that reads "David O. Tate". The signature is written in a cursive style with a large initial 'D' and 'T'.

Certified Public Accountant  
Mangum, Oklahoma  
January 8, 2014

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**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**MIDWESTERN OKLAHOMA DEVELOPMENT AUTHORITY  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013**

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Our discussion and analysis of Midwestern Oklahoma Development Authority's (the "Authority") financial performance provides an overview of the Authority's financial activities for the fiscal year ended September 30, 2013. Please read it in conjunction with the Authority's financial statements, which follow this section.

### **FINANCIAL HIGHLIGHTS**

- For the fiscal year ended September 30, 2013, the Authority's total net position increased by \$162,941 or 2.63% from the prior year.
- During the year, Authority's expenses for business-type activities amounted to \$828,648 and were funded by operating revenues of \$853,677 and further funded with other general revenues (investment income) that totaled \$137,912.
- In the Authority's business-type activities, program revenues exceeded expenses by \$25,029.
- At September 30, 2013, the proprietary fund reported unrestricted net assets of \$2,092,364.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

The financial statements presented herein include all of the activities of the Midwestern Oklahoma Development Authority using the integrated approach as prescribed by GASB Statement No. 34. Included in this report are government-wide statements for its business-type activities. The government-wide financial statements present the complete financial picture of the Authority from the economic resources measurement focus using the accrual basis of accounting. These statements include all assets of the Authority (including infrastructure capital assets) as well as all liabilities (including all long-term debt).

### **REPORTING THE AUTHORITY AS A WHOLE**

#### **The Statement of Net Assets and the Statement of Activities**

One of the most frequently asked questions about the Authority's finances is, "Has the Authority's overall financial condition improved, declined or remained steady over the past year?" The Statement of Net Assets and the Statement of Activities report information about the Authority as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two government-wide statements report the Authority's net assets and changes in them from the prior year. You can think of the Authority's net assets, the difference between assets and liabilities, as one way to measure the Authority's financial condition, or position. Over time, increases or decreases in the Authority's net assets are one indicator of whether its financial health is improving, deteriorating, or remaining steady.

However, you must consider other nonfinancial factors, such as changes in the Authority's economic base to assess the overall health and performance of the Authority.

The Statement of Net Assets and the Statement of Activities are normally divided into two kinds of activities:

- **Governmental activities-** Basic services are reported here. However, all of the Authority's activities are reported as business-type activities (see below).
- **Business-type activities-** The Authority charges a fee to customers to help cover all or most of the cost of certain services it provides. The Authority's rentals, housing sales, economic development, and administrative activities are reported here.

**MIDWESTERN OKLAHOMA DEVELOPMENT AUTHORITY  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013**

**Reporting the Authority's Most Significant Funds**

**Fund Financial Statements**

The fund financial statements provide detailed information about the most significant funds- not the Authority as a whole. Some funds are required to be established by State law and by bond covenants. However, management may establish other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants and other money.

*Proprietary funds-* When the Authority charges customers for the services it provides, whether to outside customers or to other units of the Authority, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Fund Net Position. In fact, the Authority's enterprise funds are essentially the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows.

**A FINANCIAL ANALYSIS OF THE AUTHORITY AS A WHOLE**

**Net Assets**

The Authority's combined net assets increased from \$6,194,863 to \$6,357,804 between fiscal years 2012 and 2013.

	<b>Business-Type Activities</b>	
	<b><u>2013</u></b>	<b><u>2012</u></b>
Current assets	\$ 3,458,531	\$ 3,297,527
Capital assets, net	3,144,084	3,069,763
Total assets	<u>6,602,615</u>	<u>6,367,290</u>
Current liabilities	155,217	106,566
Non-current liabilities	89,594	65,861
Total liabilities	<u>244,811</u>	<u>172,427</u>
Net assets		
Invested in capital assets, net of related debt	3,144,084	3,069,763
Restricted	1,121,356	1,070,356
Unrestricted	2,111,441	2,054,744
Total net assets	<u>\$ 6,376,881</u>	<u>\$ 6,194,863</u>

**MIDWESTERN OKLAHOMA DEVELOPMENT AUTHORITY  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013**

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**Changes in Net Position**

For the year ended September 30, 2013, net position of the primary government changed as follows:

	<u>Business-type Activities</u>	
	<u>2013</u>	<u>2012</u>
<b>Revenues</b>		
Program revenues	\$ 853,677	\$ 761,846
Other general revenues	137,912	200,519
<b>Total revenues</b>	<u>991,589</u>	<u>962,365</u>
<b>Expenses</b>		
Administrative	155,463	191,880
Rentals	502,142	506,465
Economic development	171,043	58,688
<b>Total expenses</b>	<u>828,648</u>	<u>757,033</u>
<b>Increase (decrease) in net position</b>	<u>\$ 162,941</u>	<u>\$ 205,332</u>

The business-type activities' increase in net position of \$162,941 represents 2.63% positive change in net position. The results indicate that, as a whole, the Authority's financial condition improved over the prior year.

**Business-type Activities**

In reviewing the business-type activities net (expense)/revenue, the following highlights should be noted:

- Total business-type activities reported net operating revenue of \$25,029 for the year ended September 30, 2013.
- Housing sales and rentals activities reported net revenue for the year ended September 30, 2013 in the amounts of \$1,661 and \$279,963 respectively. The administrative and economic development activities reported net expenses of \$85,552 and \$171,043 respectively.

**Net Revenue (Expense) of Business-Type Activities**

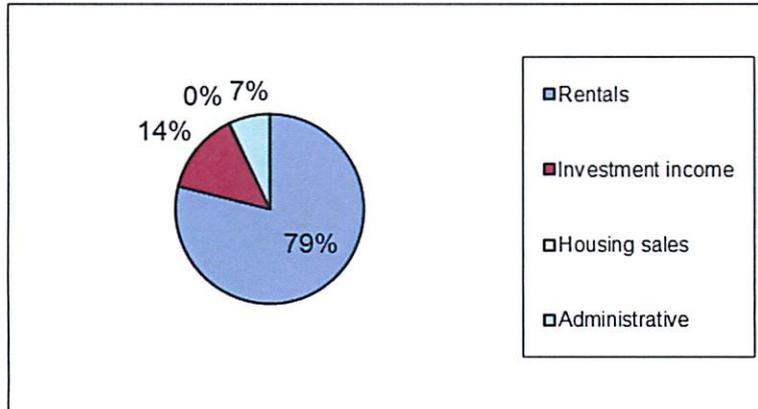
	<b>Total Expense of Services</b>	<b>Net Revenue (Expense) of Services</b>
Administrative	\$ 155,463	\$ (85,552)
Housing sales	-	1,661
Rentals	502,142	279,963
Economic development	171,043	(171,043)
<b>Total</b>	<u>\$ 828,648</u>	<u>\$ 25,029</u>

**MIDWESTERN OKLAHOMA DEVELOPMENT AUTHORITY**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013**

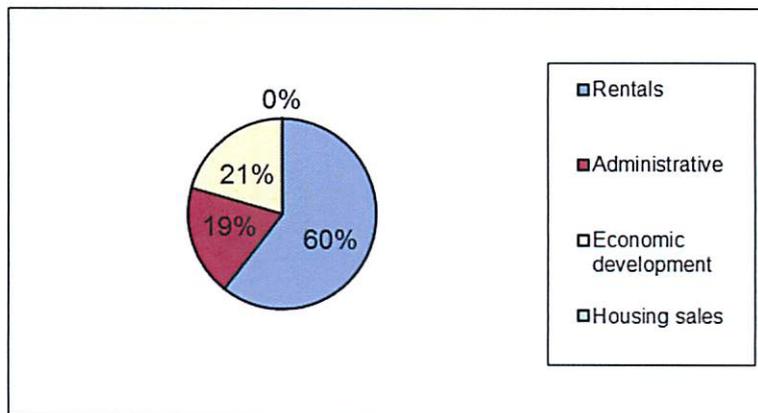
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For the year ended September 30, 2013, the Authority's business-type activities were funded as follows:

**Business-type Activity Sources**



**Business-type Activity Uses**



**A FINANCIAL ANALYSIS OF THE AUTHORITY'S FUNDS**

As the Authority completed its 2013 fiscal year, the enterprise fund reported net position of \$6,357,804 or a 2.63% increase over 2012.

Other fund highlights include:

- For the year ended September 30, 2013, the Authority did not open up any remodeled units for rental. The total number of units available for rental remains at 185.

**MIDWESTERN OKLAHOMA DEVELOPMENT AUTHORITY  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013**

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**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

At the end of September 30, 2013, the Authority had \$3,144,084 invested in capital assets, net of depreciation, including duplexes held for rental, office building and equipment, vehicles and housing maintenance equipment in business-type activities. (See table below).

**Primary Government Capital Assets (net of  
accumulated depreciation)**

	<b>Business-type Activities</b>	
	<b><u>2013</u></b>	<b><u>2012</u></b>
	Land	\$ 92,373
Buildings	8,130	10,035
Duplexes held for resale	3,036,987	3,042,953
Machinery & equipment	6,594	15,148
<b>Totals</b>	<b><u>\$ 3,144,084</u></b>	<b><u>\$ 3,069,763</u></b>

This year's more significant capital asset additions included:

- In Business-Type Activities, \$97,529 for other capitalized improvements to duplexes and \$90,746 for land located on Highway 44.

See Note 3 to the financial statements for more detail information on the Authority's capital assets and changes therein.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

There continues to be significant oil and gas exploration and wind energy production in western Oklahoma. There is a shortage of housing in western Oklahoma and the demand for rentals of the Authority owned duplexes will increase and will spur the economy in the area. In order to be prepared to meet this need, the Authority continues to open up additional duplexes for rentals and upgrade existing duplexes and explore other housing type projects. Level projections were budgeted for investment income.

**CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide citizens, taxpayers, customers and creditors with a general overview of the Authority's finances and to show the Authority's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Executive Director's Office at 500 North Holcomb, P.O. Box 549, Burns Flat, Oklahoma, 73624 or phone at (580) 562-3111.



**Midwestern Oklahoma Development Authority**  
**Statement of Net Position**  
**September 30, 2013**

<b>ASSETS</b>	<b>Business-type Activity</b>
<b>Current Assets:</b>	
Cash and cash equivalents	\$ 238,807
Investments	3,141,689
Interest receivable	7,088
Accounts receivable, net of allowance	27,154
Home mortgage receivables	28,075
Prepaid items	15,718
<b>Capital assets (net)</b>	
Nondepreciable land	92,373
Duplexes (net of accumulated depreciation)	3,036,987
Other capital assets (net of accumulated depreciation)	14,724
<b>Total assets</b>	<b>6,602,615</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Total deferred outflows of resources	-
<b>LIABILITIES</b>	
<b>Current liabilities:</b>	
Accounts payable and accrued liabilities	\$ 155,217
<b>Noncurrent liabilities:</b>	
Due within one year	4,070
Due in more than one year	66,447
<b>Total liabilities</b>	<b>225,734</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred revenue	19,077
<b>Total deferred outflows of resources</b>	<b>19,077</b>
<b>NET POSITION</b>	
Net investment in capital assets	3,144,084
<b>Restricted for:</b>	
Major catastrophe	590,155
Repair/upkeep of airpark	525,701
Educational loan fund	5,500
Unrestricted	2,111,441
<b>Total net position</b>	<b>\$ 6,376,881</b>

**Midwestern Oklahoma Development Authority**  
**Statement of Activities**  
**Year Ended September 30, 2013**

Functions/Programs	Expenses	Program Revenues		Net (Expense)/ Revenue
		Charges for Services	Operating Grants and Contributions	
<b>Business-type activities:</b>				
Administrative	\$ 155,463	\$ 69,911	\$ -	\$ (85,552)
Housing sales	-	1,661	-	1,661
Rentals	502,142	782,105	-	279,963
Economic development	171,043	-	-	(171,043)
Total business-type activities	<u>828,648</u>	<u>853,677</u>	<u>-</u>	<u>25,029</u>
Total primary government	<u>\$ 828,648</u>	<u>\$ 853,677</u>	<u>\$ -</u>	<u>25,029</u>
<b>General revenues:</b>				
Investment income				137,912
Total general revenues				<u>137,912</u>
Change in net position				162,941
Net position-beginning				6,194,863
Net position-ending				<u>\$ 6,357,804</u>

**Midwestern Oklahoma Development Authority**  
**Statement of Net Position**  
**Proprietary Fund**  
**September 30, 2013**

	<b>Enterprise Fund</b>
<b>ASSETS</b>	
<b>Current assets:</b>	
Cash and cash equivalents	\$ 238,807
Investments	3,141,689
Accrued interest receivable	7,088
<b>Receivables:</b>	
Rent receivables	3,304
Educational loan fund	23,850
Prepays	15,718
<b>Total current assets</b>	<b>3,430,456</b>
<b>Noncurrent assets:</b>	
<b>Capital assets (net)</b>	
Nondepreciable land	92,373
Duplexes, net of accumulated depreciation	3,036,987
Depreciable, net of accumulated depreciation	14,724
Home mortgages, non-current portion	28,075
<b>Total noncurrent assets</b>	<b>3,172,159</b>
<b>Total assets</b>	<b>\$ 6,602,615</b>
<b>LIABILITIES</b>	
<b>Current liabilities:</b>	
Accounts payable and accrued liabilities	\$ 12,258
Economic development grants payable	142,959
Security deposit liability	2,981
Accrued compensated absences	1,089
<b>Total current liabilities</b>	<b>159,287</b>
<b>Noncurrent liabilities:</b>	
Deferred revenue	19,077
Security deposit liability	56,647
Accrued compensated absences	9,800
<b>Total noncurrent liabilities</b>	<b>85,524</b>
<b>Total liabilities</b>	<b>244,811</b>
<b>NET POSITION</b>	
Invested in capital assets, net of related debt	3,144,084
Restricted for major catastrophe	590,155
Restricted for repair/upkeep of airpark	525,701
Restricted for Educational Loan Fund	5,500
Unrestricted	2,092,364
<b>Total net position</b>	<b>\$ 6,357,804</b>

**Midwestern Oklahoma Development Authority**  
**Statement of Revenues, Expenses and Changes in Net Position**  
**Proprietary Fund**  
**Year Ended September 30, 2013**

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**Operating revenues:**

Realized gain on installment housing sales	\$	1,661
Gain (loss) on sale of assets		(3,054)
Housing rentals		777,305
PSO lease		65,623
Office rentals		4,800
Other income		7,342
Total operating revenues		853,677

**Operating expenses:**

Salaries and wages		217,133
Employee benefits		113,508
Advertising and promotion		3,368
Bad debt expense		3,505
Depreciation expense		113,955
Economic development		149,038
Insurance		31,211
Office supplies and expense		6,829
Other supplies and expense		4,137
Professional fees		46,454
Rent expenses		2,139
Repairs and maintenance		101,404
Telephone		4,494
Training and meeting expense		3,196
Travel		4,200
Utilities		24,077
Total operating expenses		828,648
Operating income (loss)		25,029

**Nonoperating revenue (expense):**

Investment income		137,912
Total nonoperating revenue (expense)		137,912
Change in net position		162,941
Net position-beginning of year		6,194,863
Net position-end of year	\$	6,357,804

**Midwestern Oklahoma Development Authority**  
**Statement of Cash Flows**  
**Proprietary Fund**  
**Year Ended September 30, 2013**

<b>Cash flows from operating activities:</b>	
Receipts from tenants	\$ 753,700
Receipts on installment sales	2,444
Receipts of other income	69,911
Payments to suppliers	(352,413)
Payments to employees	(217,775)
Receipts of additional security deposits	1,225
Payments to economic development recipients	(66,654)
<b>Net cash provided (used) by operating activities</b>	<u>190,438</u>
<b>Cash flows from capital and related financing activities:</b>	
Purchases of capital assets and improvements to duplexes	(188,276)
<b>Net cash provided (used) by capital and related financing activities</b>	<u>(188,276)</u>
<b>Cash flows from investing activities:</b>	
Investment income	138,695
Sale of investments	(552,490)
<b>Net cash provided (used) by investing activities</b>	<u>(413,795)</u>
Net increase (decrease) in cash and cash equivalents	(411,633)
Cash and cash equivalents, October 1, 2012	<u>650,440</u>
Cash & cash equivalents, September 30, 2013	<u>\$ 238,807</u>
Cash and cash equivalents	\$ 238,807
Total cash and cash equivalents, end of year	<u>\$ 238,807</u>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities</b>	
Operating income (loss)	\$ 25,029
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	113,955
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	(24,900)
(Increase) decrease in mortgages receivable	2,444
(Increase) decrease in prepaids	1,526
Increase (decrease) in accounts payable	(8,922)
Increase (decrease) in compensated absences	(642)
Increase (decrease) in security deposits	1,225
Increase (decrease) in grants payable	82,384
Increase (decrease) in deferred revenue	(1,661)
Total adjustments	<u>165,409</u>
<b>Net cash provided (used) by operating activities</b>	<u>\$ 190,438</u>

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**NOTES TO BASIC FINANCIAL STATEMENTS**

**MIDWESTERN OKLAHOMA DEVELOPMENT AUTHORITY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013**

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**(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Midwestern Oklahoma Development Authority (the "Authority") is a public trust created under the provisions of Title 60, Oklahoma Statutes 1961, Section 176 to 180, inclusive. Exemption from federal income tax was obtained under section 501 c (4) of the Internal Revenue Code.

The Authority's accounting and financial reporting policies conform to accounting principles generally accepted in the United States of America (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. In accordance with GASB Statement Nos. 20 and 34, for its governmental and business-type activities and enterprise funds, the Authority has elected to apply Financial Accounting Standards Board (FASB) pronouncements, Accounting Principles Board (APB) opinions, and Accounting Research Bulletins issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this Note.

**1.A. Financial Reporting Entity**

Midwestern Oklahoma Development Authority is a public trust organized in November 1969, for the purpose of administration and development of the Clinton-Sherman Airpark. The Authority is a Public Trust established pursuant to Title 60 of Oklahoma State law. Public Trusts (Authorities) have no taxing power. The State of Oklahoma, as beneficiary of this Public Trust, receives title to any residual assets when a Public Trust is dissolved.

In determining the financial reporting entity, the Authority complies with the provisions of Governmental Accounting Standards Board Statement No. 14, The Financial Reporting Entity.

**1.B. Basis of Presentation**

***Government-Wide Financial Statements***

The statement of net assets and statement of activities display information about the Authority as a whole. They include all financial activities of the reporting entity. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. All the Authority's business is reported as a business-type activity.

The statement of activities presents a comparison between the expenses and program revenues directly associated with the different business-type activities to arrive at the net revenue or expense of the activity prior to the use of other general revenues. Program revenues include (1) fees, fines, rent, and service charges generated by the activity, (2) operating grants and contributions that are restricted to meeting the operational requirements of the activity, and (3) capital grants and contributions that are restricted to meeting the capital requirements of the program or activity.

***Fund Financial Statements***

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts which constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Separate financial statements are presented for its major fund category: proprietary. An emphasis of the fund financial statements is placed on major enterprise funds. A

**MIDWESTERN OKLAHOMA DEVELOPMENT AUTHORITY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013**

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fund is considered major if it is the primary operating fund of the Authority or meets the following criteria:

- a. Total assets, liabilities, revenues or expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type, and
- b. Total assets, liabilities, revenues, or expenses of the individual enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.
- c. A fund not meeting the criteria of (a) and (b), however management has elected to report the fund as a major fund due to its significance to users of the financial statements.

All remaining governmental and enterprise funds not meeting the above criteria are aggregated and reported as a nonmajor fund. The Authority has only one fund in the financial reporting entity and it is described below:

**Proprietary Funds**

Proprietary funds include enterprise funds. Enterprise funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector.

**1.C. Measurement Focus and Basis of Accounting**

Measurement focus is a term used to describe **how** transactions are recorded within the financial statements. Basis of accounting refers to **when** transactions are recorded regardless of the measurement focus applied.

**Measurement Focus**

*Government-wide and Proprietary Fund Financial Statements*

In the government-wide Statement of Net Position and the Statement of Activities, and the proprietary fund statements, the “*economic resources*” measurement focus is applied. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position and cash flows. All assets and liabilities (whether current or noncurrent, financial or nonfinancial) associated with their activities are reported.

**Basis of Accounting**

*Government-wide and Proprietary Fund Financial Statements*

In the government-wide Statement of Net Position and Statement of Activities, and the proprietary fund financial statements the accrual basis of accounting is applied. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

**MIDWESTERN OKLAHOMA DEVELOPMENT AUTHORITY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013**

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**1.D. Assets, Liabilities and Net Position/Fund Balance**

**Cash and Investments**

For the purposes of reporting cash flows, cash and cash equivalents include cash on hand, amounts due from banks, and any short-term, highly liquid investments that are readily convertible to cash with a maturity of three months or less. Investments are reported at fair value which is determined using selected bases. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates.

Additional cash and investment disclosure is presented in Note 2.

**Receivables**

Proprietary fund and business-type activities material receivables consist of all revenues earned at year-end and not yet received. Billed residential rental receivables comprise the majority of these receivables. They are reported net of allowances for uncollectible accounts.

**Capital Assets and Depreciation**

In the government-wide financial statements, property, plant, and equipment are accounted for as capital assets. The Authority's capitalization threshold is \$1,000. All capital assets are valued at historical cost or estimated historical cost, if actual is unavailable, except for donated capital assets which are recorded at their estimated fair value at the date of donation.

Depreciation of all exhaustible capital assets is recorded as an operating expense in proprietary fund financial statements and an allocated expense in the Statement of Activities, which accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The housing units are not currently for resale, so they are being depreciated over 27 ½ years. The range of estimated useful lives by type of asset is as follows:

Buildings	10-15 years
Machinery and equipment	3-10 years
Duplexes held for rental	27.5 years

**Housing Sales Financing**

MODA is financing up to ninety percent of the sales price of the housing units they sold to qualified buyers. Ten percent of the sales price was required as a down payment. MODA carried the balance at ten percent interest with payments amortized over a ten year payout. **Principal payments due** within one year are shown as notes receivable under current assets with the balance shown as other assets in the statement of net assets.

**Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The government does not have any items that qualify for reporting in this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of*

**MIDWESTERN OKLAHOMA DEVELOPMENT AUTHORITY  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013**

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*resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow or resources (revenue) until that time. The authority has one item that qualifies for reporting in this category. It is deferred revenue for housing sales revenue that is collected on an installment basis. This amount is deferred and revenue recognized as the payments are received.

**Compensated Absences**

The Authorities policies regarding vacation, sick and compensatory time permit employees to accumulate varying amounts as determined by management.

Compensated absences are reported as accrued in the government-wide and proprietary financial statements.

**Equity Classification**

*Government-Wide and Proprietary Fund Financial Statements:*

Equity is classified as net assets and displayed in three components:

- a. Invested in capital assets, net of related debt- Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those areas.
- b. Restricted net position- Consists of net assets with constraints placed on the use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or 2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position- All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

**1.E. Revenues and Expenses**

For purposes of display, transactions deemed by management to be ongoing, major, or central to the preservation of and development of housing and industrial facilities at Clinton Sherman Industrial Airpark are reported as revenues and expenses.

Since termination of the Airpark lease with the City of Clinton, September 30, 1989, MODA's primary goal has been to sell or rent the balance of the housing units it owns and use the funds to develop and promote industrial development in Western Oklahoma.

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services. It also includes all revenues and expenses not related to capital and related financing, noncapital financing or investing activities.

In the government-wide statement of activities, expenses, including depreciation of capital assets, are reported by activity. In proprietary fund financial statements, expenses are reported by object or activity.

**1.G. Use of 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

**MIDWESTERN OKLAHOMA DEVELOPMENT AUTHORITY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013**

certain reported amounts and disclosures; accordingly, actual results could differ from those estimates.

**(2) STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

By its nature as a governmental unit, the Authority is subject to various federal and state laws and contractual regulations. An analysis of the Authority's compliance with significant laws and regulations and demonstration of its stewardship over Authority resources follows:

**2.A. Fund Accounting Requirements**

The Authority complies, in all material respects, with all state laws and regulations requiring the use of separate funds. The legally required funds used by the Authority include the following:

Midwestern Oklahoma Development Authority- required by trust indenture

**2.B. Deposits and Investments Requirements**

In accordance with state law, all uninsured deposits of funds in financial institutions must be secured with acceptable collateral valued at the lower of market or par. Acceptable collateral includes certain U.S. Government or Government Agency securities, certain State of Oklahoma or political subdivision debt obligations or surety bonds. At September 30, 2013 all deposits were fully insured or collateralized.

**(3) DETAIL NOTES- TRANSACTION CLASSES/ACCOUNTS**

The following notes present detail information to support the amounts reported in the basic financial statements for its various assets, liabilities, equity, revenues and expenses.

**Cash and Investments**

As of September 30, 2013 the Authority's reporting entity had the following investments:

<u>Types of Investments</u>	<u>Fair value/ carrying amount</u>	<u>Cost</u>	<u>Average Credit Quality/ Ratings (1)</u>	<u>Weighted Average Days to Maturity (2)</u>
Certificates of deposit	\$ 305,664	\$ 305,664	N/A	139
Federal agency notes	393,016	405,600	Aaa	4,382
Residential mortgage backed securities	21,531	21,185	Aaa	742
Mutual funds	2,366,498	2,205,888		
Limited partnerships	54,980	50,113		
 Grand total investments	 <u>\$ 3,141,689</u>	 <u>\$ 2,988,450</u>		

**MIDWESTERN OKLAHOMA DEVELOPMENT AUTHORITY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013**

**Capital Assets**

Capital asset activity for the fiscal year ended September 30, 2013, was as follows:

	<u>Balance at October 1, 2012</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance at September 30, 2013</u>
<b>Business-type activities</b>				
Non depreciable				
Land	\$ 1,627	\$ 90,746	\$ -	\$ 92,373
Total non-depreciable assets at historical cost	<u>1,627</u>	<u>90,746</u>	<u>-</u>	<u>92,373</u>
Depreciable				
Duplexes held for rental	3,142,801	97,529	-	3,240,330
Building	399,479	-	-	399,479
Machinery and equipment	155,484	-	-	155,484
Total depreciable assets at historical cost	<u>3,697,764</u>	<u>97,529</u>	<u>-</u>	<u>3,795,293</u>
Less accumulated depreciation				
Duplexes held for rental	(99,848)	(103,495)	-	(203,343)
Building	(389,444)	(1,905)	-	(391,349)
Machinery and equipment	(140,336)	(8,554)	-	(148,890)
Total accumulated depreciation	<u>(629,628)</u>	<u>(113,954)</u>	<u>-</u>	<u>(743,582)</u>
Net depreciable assets	<u>3,068,136</u>	<u>(16,425)</u>	<u>-</u>	<u>3,051,711</u>
Business-type capital assets, net	<u>\$ 3,069,763</u>	<u>\$ 74,321</u>	<u>\$ -</u>	<u>\$ 3,144,084</u>

Depreciation expense was charged to functions in the statement of activities as follows:

Administrative	\$ 3,481
Housing sales	-
Rentals	110,474
Economic development	-
Total business-type activities depreciation expense	<u>\$ 113,955</u>

Housing units consist of the following as of September 30, 2013:

	<u>Single Family</u>	<u>Units</u>	<u>Total</u>
Total units owned at 9-30-12	2	199	201
Units sold during FYE 9-30-13	-	-	-
Units purchased during FYE 9-30-13	-	-	-
Total units owned at 9-30-13	<u>2</u>	<u>199</u>	<u>201</u>

The single family unit is used by the Authority as a guest house. All remaining units are being held for rental.

**MIDWESTERN OKLAHOMA DEVELOPMENT AUTHORITY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013**

**(4) HOME MORTGAGES**

Profit on the sale of the units sold on installment in prior years is recognized on a percentage of principle payments received each year. The deferred installment contract sales amount of \$20,738 reflected under deferred credits in the liability section of the statement of net assets is the profit that has not been recognized on these sales at September 30, 2013.

Home mortgage activity for the year ended September 30, 2013 is detailed below:

	Balance at October 1, 2012	Mortgages Issued	Mortgages Retired	Balance at September 30, 2013
Year Units Sold:				
2011	30,519	-	2,444	28,075
	<u>\$ 30,519</u>	<u>\$ -</u>	<u>\$ 2,444</u>	<u>\$ 28,075</u>

The following is a detail of deferred revenue for the year ended September 30, 2013:

	Balance at September 30, 2013
Year Units Sold:	
2011	19,077
	<u>\$ 19,077</u>

**(5) ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

The following is a detail of the accounts payable and accrued liability balances as of September 30, 2013:

	Balance at September 30, 2013
Accounts payable - trade	\$ 11,940
Economic development grants	142,959
Payroll liabilities	318
Total accounts payable and accrued liabilities	<u>\$ 155,217</u>

**(6) LONG TERM LIABILITIES**

The following is a summary of changes in long term liabilities for the year ended September 30, 2013 :

	Balance at October 1, 2012	Amount Issued	Amount Retired	Balance at September 30, 2013	Due Within One Year
<b>Business-type activities:</b>					
Security deposits payable	\$ 58,403	\$ 18,625	\$ 17,400	\$ 59,628	\$ 2,981
Compensated absences	11,531	-	642	10,889	\$ 1,089
Total business-type activities	<u>\$ 69,934</u>	<u>\$ 18,625</u>	<u>\$ 18,042</u>	<u>\$ 70,517</u>	<u>\$ 4,070</u>

**(7) NET ASSETS- RESTRICTIONS**

The Board approved earmarking \$7,000 per month for major catastrophes, a type of "self insurance" for the duplexes, with the condition that the board can vote to use the money elsewhere in case of

**MIDWESTERN OKLAHOMA DEVELOPMENT AUTHORITY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013**

emergency. In the current fiscal year. The Board also approved setting aside the total net proceeds of the airpark gas system sale to be used only on the repair and upkeep of MODA owned property on the airpark. The amounts of the net asset restrictions are listed below:

	<b>FYE 9/30/13</b>	<b>FYE 9/30/12</b>
Restricted for major catastrophe	\$ 590,155	\$ 506,155
Restricted for repair/upkeep-airpark	525,701	525,701
Restricted for Educational loan fund	5,500	38,500
	<b>\$ 1,121,356</b>	<b>\$ 1,070,356</b>

**(8) STATEMENT OF REVENUES AND EXPENSES**

MODA's primary sources of revenue are housing rentals and interest income. MODA's major expenses are general operational costs, housing sales costs and housing maintenance costs.

**(9) EMPLOYEE PENSION PLAN**

**Plan Description**

MODA participates in a cost sharing, multi-employer defined benefit pension plan adopted by MODA and administered by the Oklahoma Public Employees Retirement System which was established to administer pension plans for public employees. OPERS plan, as a whole, issues a separately issued annual financial report that may be obtained directly from them. Total MODA payroll was \$220,283; covered payroll was \$197,153 employee contributions were \$9,858, and employer contributions were \$29,573.

<b>Provision</b>	<b>Plan</b>
a. Eligible to Participate	Any officer or employee of a participating employer whose employment is not seasonal or temporary and whose employment requires at least 1,000 hours of work per year.
b. Contributions Requirements	
- Authorization	- By Board Approval
- Employer Rate	- 15% of covered payroll, effective 7/1/10
- Employee Rate	- 5% effective 7/1/06
c. Period Required to Vest	8 years of credited service
d. Eligibility for Distribution	- Normal retirement at age 62 with 6 years of service. - Early retirement at age 55 with 10 years of service. - Disability retirement upon disability with 8 years of credited service. - Death benefits for: (1) a member who has not retired (2) survivor benefit for spouses
e. Benefit Determination Base	Average annual salary – for the highest 3 of the last 10 years of participating service.
f. Benefit Determination Methods:	
- Normal Retirement	2.0% of final average compensation up to applicable maximum multiplied by all service.



**MIDWESTERN OKLAHOMA DEVELOPMENT AUTHORITY  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013**

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<u><b>Type of Loss</b></u>	<u><b>Method Managed</b></u>	<u><b>Risk of Loss Retained</b></u>
General Liability - Torts - Error and omissions - Officer liability - Vehicle	The Authority carries commercial insurance for these types of risk.	None
Physical Plant - Theft - Damages to assets - Natural disasters	The Authority carries commercial insurance for these types of risk.	None
Workers Compensation - Employees' injuries	The Authority carries Comp Source Oklahoma.	None
Health and Life - Medical - Disability - Dental - Life	The Authority carries commercial insurance for these types of risk.	None
Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.		

**(11) COMMITMENTS AND CONTINGENCIES**

As of September 30, 2013, the Authority did not have any pending litigation or potential non-disclosed liabilities that management believes would have a material effect on the financial statements.

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**OTHER SUPPLEMENTARY INFORMATION**

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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"

To the governing body of  
Midwestern Oklahoma Development Authority

I 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 financial statements of the Midwestern Oklahoma Development Authority as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the Midwestern Oklahoma Development Authority's basic financial statements, and have issued my report thereon dated January 8, 2014.

**Internal control over financial reporting**

In planning and performing my audit of the financial statements, I considered the Midwestern Oklahoma Development 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 my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Mountain Park Conservancy District's internal control. Accordingly, I do not express an opinion on the effectiveness of the Midwestern Oklahoma Development 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.

My 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 my audit I did not identify any deficiencies in internal control that I 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 the Midwestern Oklahoma Development Authority's financial statements are free from material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my 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 my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "David O. Tate". The signature is written in a cursive style with a large initial 'D' and 'T'.

Certified Public Accountant  
Mangum, Oklahoma  
January 8, 2014