

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

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

**YEAR ENDED  
September 30, 2015**

**MIDWESTERN OKLAHOMA DEVELOPMENT AUTHORITY**

**LIST OF PRINCIPAL OFFICIALS**

**BOARD MEMBERS**

Don Greteman, Chairman

Alex Damon, Vice-chairman

Guy Hylton, Secretary

Chuck Dougherty

Lee Litterell

Jason Hulin

**EXECUTIVE DIRECTOR**

Kathy Carlisle

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**INDEPENDENT AUDITOR'S REPORT**

***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, 2015, 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 September 30, 2015, 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**

### Required supplementary information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 25 and 26 be presented to supplement the basic financial statements. Such information, though 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. I have applied certain limited procedures to the required supplementary information previously referred to in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Management has elected to omit budgetary comparison information that accounting principles generally accepted in the United States of America requires 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. My opinion on the basic financial statements is not affected by this missing information.

### **Other reporting required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, I have also issued my report dated January 7, 2016, on my consideration of the Midwestern Oklahoma Development Authority's internal control over financial reporting and on my 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 my 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* in considering the Midwestern Oklahoma Development Authority's internal control over financial reporting and compliance.



Certified Public Accountant  
Mangum, Oklahoma  
January 7, 2016



**MIDWESTERN OKLAHOMA DEVELOPMENT AUTHORITY**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015**

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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, 2015. Please read it in conjunction with the Authority's financial statements, which follow this section.

**FINANCIAL HIGHLIGHTS**

- For the fiscal year ended September 30, 2015, the Authority's total net position decreased by \$6,457 or .098% from the prior year.
- During the year, Authority's expenses for business-type activities amounted to \$825,135 and were funded by operating revenues of \$825,374 and further funded with other general revenues (investment income) that totaled (\$6,696).
- In the Authority's business-type activities, program revenues exceeded expenses by \$239.
- At September 30, 2015, the proprietary fund reported unrestricted net assets of \$2,199,652.

**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, economic development, and administrative activities are reported here.

**MIDWESTERN OKLAHOMA DEVELOPMENT AUTHORITY**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015**

**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 decreased from \$6,606,947 to \$6,600,520 between fiscal years 2014 and 2015.

	<b><u>2015</u></b>	<b>Business-Type Activities <u>2014</u></b>	<b><u>Difference</u></b>
Current assets	\$ 3,637,183	\$ 3,872,040	\$ (234,857)
Capital assets, net	3,227,245	3,121,302	105,943
Total assets	<u>6,864,428</u>	<u>6,993,342</u>	<u>(128,914)</u>
Deferred outflows of resources	<u>29,497</u>	<u>-</u>	<u>29,497</u>
Current liabilities	143,694	200,971	(57,277)
Non-current liabilities	79,792	185,424	(105,632)
Total liabilities	<u>223,486</u>	<u>386,395</u>	<u>(162,909)</u>
Deferred inflows of resources	<u>69,919</u>	<u>-</u>	<u>69,919</u>
<b>Net assets</b>			
Invested in capital assets, net of related debt	3,227,245	3,121,302	105,943
Restricted	1,173,623	1,210,006	(36,383)
Unrestricted	2,199,652	2,275,639	(75,987)
Total net assets	<u>\$ 6,600,520</u>	<u>\$ 6,606,947</u>	<u>\$ (6,427)</u>



**MIDWESTERN OKLAHOMA DEVELOPMENT AUTHORITY  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015**

**Changes in Net Position**

For the year ended September 30, 2015, net position of the primary government changed as follows:

	<b>Business-type Activities</b>		
	<b>2015</b>	<b>2014</b>	<b>Difference</b>
<b>Revenues</b>			
Program revenues	\$ 825,374	\$ 885,748	\$ (60,374)
Other general revenues	(6,696)	256,632	(263,328)
<b>Total revenues</b>	<b>818,678</b>	<b>1,142,380</b>	<b>(323,702)</b>
<b>Expenses</b>			
Administrative	152,410	150,239	2,171
Rentals	548,969	482,112	66,857
Economic development	123,756	145,298	(21,542)
<b>Total expenses</b>	<b>825,135</b>	<b>777,649</b>	<b>47,486</b>
<b>Increase (decrease) in net position</b>	<b>\$ (6,457)</b>	<b>\$ 364,731</b>	<b>\$ (371,188)</b>

The business-type activities' decrease in net position of \$6,457 represents 0.0978% change in net position. The results indicate that, as a whole, the Authority's financial condition was fairly stable compared to 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 \$239 for the year ended September 30, 2015.
- Housing rentals activity reported net revenue for the year ended September 30, 2015 in the amount of \$201,563. The administrative and economic development activities reported net expenses of \$77,568 and \$123,756 respectively.

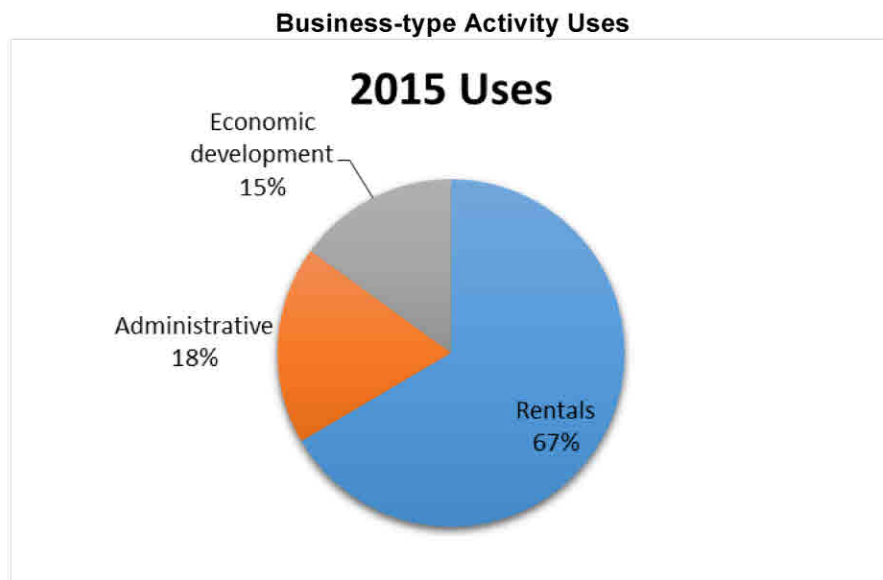
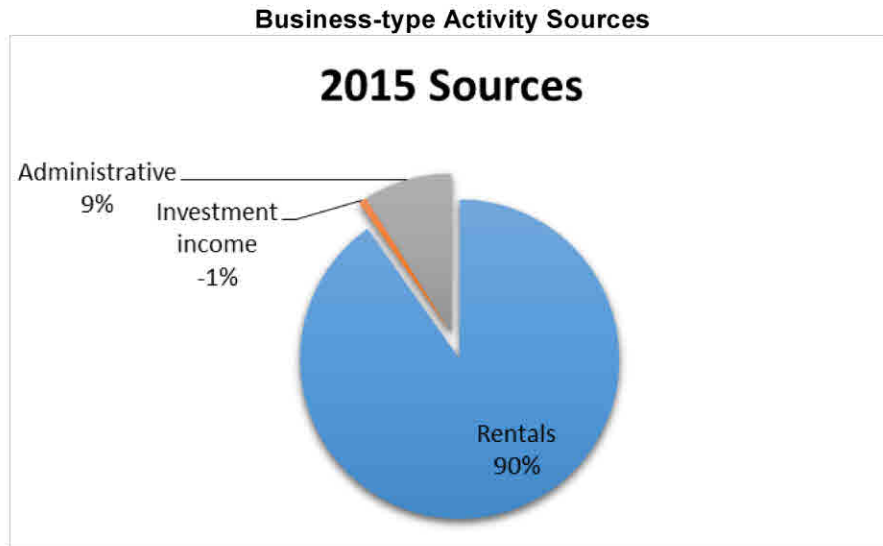
**Net Revenue (Expense) of Business-Type Activities**

	<b>Total Expense of Services</b>	<b>Net Revenue (Expense) of Services</b>
Administrative	\$ 152,410	\$ (77,568)
Rentals	548,969	201,563
Economic development	123,756	(123,756)
<b>Total</b>	<b>\$ 825,135</b>	<b>\$ 239</b>

**MIDWESTERN OKLAHOMA DEVELOPMENT AUTHORITY**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015**

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For the year ended September 30, 2015, the Authority's business-type activities were funded as follows:



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

As the Authority completed its 2015 fiscal year, the enterprise fund reported net position of \$6,600,520 or a 0.098% decrease from 2014.

Other fund highlights include:

- For the year ended September 30, 2015, the Authority opened up 4 new units for rental. The total number of units available for rental is 201.

**MIDWESTERN OKLAHOMA DEVELOPMENT AUTHORITY  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015**

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**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

At the end of September 30, 2015, the Authority had \$3,227,245 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</b>	
	<b>Activities</b>	
	<b><u>2015</u></b>	<b><u>2014</u></b>
Land	\$ 99,823	\$ 99,823
Buildings	5,058	6,382
Duplexes held for resale	3,109,965	3,013,144
Machinery & equipment	12,399	1,953
<b>Totals</b>	<b><u><u>\$ 3,227,245</u></u></b>	<b><u><u>\$ 3,121,302</u></u></b>

This year's more significant capital asset additions included:

- In Business-Type Activities, \$217,031 for other capitalized improvements to duplexes, \$9,417 for bucket and installation, and \$4,522 for a mower.

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**

According to the Oklahoma Economic Report, "revenue growth from the past year has been erased and indications are the situation is going to get worse before it gets better" stated by State Treasurer, Ken Miller in October, 2015. The economic environment of the state sheds light on the economy in MODA's four county area. The demand for rentals of the Authority owned duplexes has decreased. The Authority is currently trying to maintain property but control expenditures and will look at opening up additional duplexes for rentals and upgrade existing duplexes and explore other housing type projects as the economy improves. 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, 2015**

<b>ASSETS</b>	<b>Business-type Activity</b>
<b>Current Assets:</b>	
Cash and cash equivalents	\$ 132,945
Investments	3,471,515
Interest receivable	7,126
Accounts receivable, net of allowance	9,833
Prepaid items	15,764
<b>Capital assets (net)</b>	
Nondepreciable land	99,823
Duplexes (net of accumulated depreciation)	3,109,965
Other capital assets (net of accumulated depreciation)	17,457
 Total assets	 <u>6,864,428</u>
 <b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred amounts related to pension obligations	<u>29,497</u>
 <b>LIABILITIES</b>	
<b>Current liabilities:</b>	
Accounts payable and accrued liabilities	\$ 139,945
Current portion of other liabilities	3,749
Total current liabilities	<u>143,694</u>
<b>Noncurrent liabilities:</b>	
Pension liability	19,036
Due in more than one year	60,756
Total noncurrent liabilities	<u>79,792</u>
 Total liabilities	 <u>223,486</u>
 <b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred amounts related to pension obligations	<u>69,919</u>
 <b>NET POSITION</b>	
Net investment in capital assets	3,227,245
<b>Restricted for:</b>	
Major catastrophe	758,155
Repair/upkeep of airpark	408,868
Educational loan fund	6,600
Unrestricted	2,199,652
 Total net position	 <u>\$ 6,600,520</u>

**Midwestern Oklahoma Development Authority**  
**Statement of Activities**  
**Year Ended September 30, 2015**

Functions/Programs	Expenses	Program Revenues		Net (Expense)/ Revenue	
		Charges for Services	Operating Grants and Contributions		Capital Grants & Contributions
<b>Business-type activities:</b>					
Administrative	\$ 152,410	\$ 74,842	\$ -	\$ -	\$ (77,568)
Rentals	548,969	750,532	-	-	201,563
Economic development	123,756	-	-	-	(123,756)
Total business-type activities	<u>825,135</u>	<u>825,374</u>	<u>-</u>	<u>-</u>	<u>239</u>
Total primary government	<u>\$ 825,135</u>	<u>\$ 825,374</u>	<u>\$ -</u>	<u>\$ -</u>	239
General revenues:					
Investment income					(46,188)
Pension change					56,100
Gain (loss) on sale of assets					(16,608)
Total general revenues					<u>(6,696)</u>
Change in net position					(6,457)
Net position-beginning					6,722,535
Restatement					(115,558)
Net position-ending					<u>\$ 6,600,520</u>

**Midwestern Oklahoma Development Authority**  
**Statement of Net Position**  
**Proprietary Fund**  
**September 30, 2015**

	<b>Enterprise Fund</b>
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 132,945
Investments	3,471,515
Accrued interest receivable	7,126
Receivables:	
Rent receivables	2,458
Educational loan fund	7,375
Prepays	15,764
Total current assets	3,637,183
Noncurrent assets:	
Capital assets (net)	
Nondepreciable land	99,823
Duplexes, net of accumulated depreciation	3,109,965
Depreciable, net of accumulated depreciation	17,457
Total noncurrent assets	3,227,245
<b>Total assets</b>	6,864,428
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred amount related to pension obligations	29,497
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable and accrued liabilities	\$ 24,945
Economic development grants payable	115,000
Security deposit liability	2,703
Accrued compensated absences	1,046
Total current liabilities	143,694
Noncurrent liabilities:	
Pension liability	19,036
Security deposit liability	51,347
Accrued compensated absences	9,409
Total noncurrent liabilities	79,792
<b>Total liabilities</b>	223,486
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred amount related to pension obligations	69,919
<b>NET POSITION</b>	
Invested in capital assets, net of related debt	3,227,245
Restricted for major catastrophe	758,155
Restricted for repair/upkeep of airpark	408,868
Restricted for Educational Loan Fund	6,600
Unrestricted	2,199,652
<b>Total net position</b>	\$ 6,600,520

**Midwestern Oklahoma Development Authority**  
**Statement of Revenues, Expenses and Changes in Net Position**  
**Proprietary Fund**  
**Year Ended September 30, 2015**

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**Operating revenues:**

Housing rentals	\$	750,532
PSO lease		60,000
Office rentals		-
Other income		14,842
Total operating revenues		825,374

**Operating expenses:**

Salaries and wages		286,697
Employee benefits		118,877
Advertising and promotion		4,898
Bad debt expense		13,907
Depreciation expense		125,027
Economic development		100,500
Insurance		37,874
Office supplies and expense		6,845
Other supplies and expense		36,878
Professional fees		34,526
Rent expenses		924
Repairs and maintenance		14,842
Telephone		5,544
Training and meeting expense		5,361
Travel		4,200
Utilities		28,235
Total operating expenses		825,135
Operating income (loss)		239

**Nonoperating revenue (expense):**

Investment income		(46,188)
Pension change		56,100
Gain (loss) on sale of assets		(16,608)

Total nonoperating revenue (expense)		(6,696)
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<b>Change in net position</b>		(6,457)
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Net position-beginning of year		6,722,535
Restatement		(115,558)

Net position-end of year	\$	6,600,520
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**Midwestern Oklahoma Development Authority**  
**Statement of Cash Flows**  
**Proprietary Fund**  
**Year Ended September 30, 2015**

<b>Cash flows from operating activities:</b>	
Receipts from tenants	\$ 750,129
Receipts of other income	74,842
Payments to suppliers	(298,570)
Payments to employees	(286,853)
Payments of additional security deposits	(5,175)
Payments to economic development recipients	(162,054)
<b>Net cash provided (used) by operating activities</b>	<b>72,319</b>
 <b>Cash flows from capital and related financing activities:</b>	
Purchases of capital assets and improvements to duplexes	(230,970)
<b>Net cash provided (used) by capital and related financing activities</b>	<b>(230,970)</b>
 <b>Cash flows from investing activities:</b>	
Investment income	142,611
Sale of investments	539,309
Purchase of investments	(798,599)
<b>Net cash provided (used) by investing activities</b>	<b>(116,679)</b>
Net increase (decrease) in cash and cash equivalents	(275,330)
Cash and cash equivalents, October 1, 2014	408,275
Cash & cash equivalents, September 30, 2015	\$ 132,945
Cash and cash equivalents	\$ 132,945
Total cash and cash equivalents, end of year	\$ 132,945
 <b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities</b>	
Operating income (loss)	\$ 239
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	125,027
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	13,504
(Increase) decrease in prepaids	(94)
Increase (decrease) in accounts payable	528
Increase (decrease) in compensated absences	(156)
Increase (decrease) in security deposits	(5,175)
Increase (decrease) in grants payable	(61,554)
Total adjustments	72,080
<b>Net cash provided (used) by operating activities</b>	<b>\$ 72,319</b>



**MIDWESTERN OKLAHOMA DEVELOPMENT AUTHORITY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015**

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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. 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 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

**MIDWESTERN OKLAHOMA DEVELOPMENT AUTHORITY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015**

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- 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.

**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 six 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.

**MIDWESTERN OKLAHOMA DEVELOPMENT AUTHORITY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015**

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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

**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 Authority has \$29,497 in deferred amounts related to pension obligations 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 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 \$69,919 in deferred amounts related to pension obligations that qualifies for reporting in this category.

**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:

**MIDWESTERN OKLAHOMA DEVELOPMENT AUTHORITY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015**

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- 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 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**

**MIDWESTERN OKLAHOMA DEVELOPMENT AUTHORITY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015**

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, 2015 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, 2015 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	\$ 207,008	\$ 207,008	N/A	92
Federal agency notes	435,956	405,605	Aaa	3,652
Residential mortgage backed securities	11,740	11,014	Aaa	1,946
Mutual funds	2,775,057	2,672,592		
Limited partnerships	41,754	50,113		
Grand total investments	<u>\$ 3,471,515</u>	<u>\$ 3,346,332</u>		

**Capital Assets**

Capital asset activity for the fiscal year ended September 30, 2015, was as follows:

	<u>Balance at October 1, 2014</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance at September 30, 2015</u>
<b>Business-type activities</b>				
Non depreciable				
Land	\$ 99,823	\$ -	\$ -	\$ 99,823
Total non-depreciable assets at historical cost	99,823	-	-	99,823
Depreciable				
Duplexes held for rental	3,326,186	217,031	-	3,543,217
Building	399,479	-	-	399,479
Machinery and equipment	155,484	13,939	-	169,423
Total depreciable assets at historical cost	3,881,149	230,970	-	4,112,119
Less accumulated depreciation				
Duplexes held for rental	(313,042)	(120,210)	-	(433,252)
Building	(393,097)	(1,324)	-	(394,421)
Machinery and equipment	(153,531)	(3,493)	-	(157,024)
Total accumulated depreciation	(859,670)	(125,027)	-	(984,697)
Net depreciable assets	3,021,479	105,943	-	3,127,422
Business-type capital assets, net	<u>\$ 3,121,302</u>	<u>\$ 105,943</u>	<u>\$ -</u>	<u>\$ 3,227,245</u>

**MIDWESTERN OKLAHOMA DEVELOPMENT AUTHORITY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015**

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

Administrative	\$ 1,324
Rentals	123,703
Economic development	-
Total business-type activities depreciation expense	\$ 125,027

Housing units consist of the following as of September 30, 2015:

	<b>Single Family</b>	<b>Units</b>	<b>Total</b>
Total units owned at 9-30-14	2	199	201
Units sold during FYE 9-30-15	-	-	-
Units purchased during FYE 9-30-15	-	-	-
Total units owned at 9-30-15	2	199	201

All remaining units are being held for rental.

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

The following is a detail of the accounts payable and accrued liability balances as of September 30, 2015:

	<b>Balance at September 30, 2015</b>
Accounts payable - trade	\$ 24,622
Economic development grants	115,000
Payroll liabilities	323
Total accounts payable and accrued liabilities	\$ 139,945

**(5) LONG TERM LIABILITIES**

The following is a summary of changes in long term liabilities for the year ended September 30, 2015:

	<b>Balance at October 1, 2014</b>	<b>Amount Issued</b>	<b>Amount Retired</b>	<b>Balance at September 30, 2015</b>	<b>Due Within One Year</b>
<b>Business-type activities:</b>					
Security deposits payable	\$ 59,225	\$ 25,650	\$ 30,825	\$ 54,050	\$ 2,703
Compensated absences	10,611	-	156	10,455	\$ 1,046
Total business-type activities	\$ 69,836	\$ 25,650	\$ 30,981	\$ 64,505	\$ 3,749

**(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 emergency. 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:



**MIDWESTERN OKLAHOMA DEVELOPMENT AUTHORITY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015**

	<b>FYE 9/30/15</b>	<b>FYE 9/30/14</b>
Restricted for major catastrophe	\$ 758,155	\$ 674,155
Restricted for repair/upkeep-airpark	408,868	525,701
Restricted for Educational loan fund	6,600	10,150
	<b>\$ 1,173,623</b>	<b>\$ 1,210,006</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 maintenance costs, and economic development (exempt purpose) expense.

**(9) EMPLOYEE PENSION PLAN**

**Plan Description**

MODA participated in OPERS, as state-wide cost sharing multiple-employer pension system which covers eligible employees of participating organizations that are not covered by other plans. All regular, permanent employees who work 1,000 or more hours in a year are eligible for participation in OPERS. Benefits vest after 8 years of service. Employees who retire at age 62 or after completion of six years of service, if later, are entitled to an annual retirement benefits, payable monthly, equal to 2.0% of final average compensation multiplied by the number of years of credited services. Final average compensation is defined as the average of the three highest years' annual salary out of the last ten calendar years of service.

An employee is eligible for an early retirement benefit once he has attained age 55 and has completed ten years of service. The amount of benefit is determined based on the final average salary and credited service as of the date of termination. If benefit payments are to begin before age 65, the benefit is actuarially reduced. A late retirement benefit is computed in the same manner as a normal retirement based on average salary and credited service as of the termination of employment. A participant who becomes totally and permanently disabled after completion of eight year of service is entitled to a disability benefit computed as an early retirement benefit based on average salary and service as of the date of disability but without actuarial reduction for payments beginning prior to normal retirement age if the employee is also eligible for a disability benefit from Social Security.

OPERS issues a publically available financial report that can be obtained at [www.opers.ok.gov](http://www.opers.ok.gov).

For the year ended September 30, 2015, employees were required to contribute 5% of annual compensation. The Authority contributed 15%.

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources related to OPERS**

At September 30, 2015, the Authority reported a liability of \$19,036 for its proportionate share of the net pension liability. The net pension net pension liability was measured as of July 1, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Authority's proportion of the net pension liability was based on a projection of the Authority's long-term share of contributions to the pension plan relative to the projected contributions of all participating municipalities, actuarially determined. At September 30, 2015, the Authority's proportion was 0.01037011 percent.

Changes to the actuarial valuation between the measurement date of the net pension liability and the Authority's reporting dates are not expected to have a significant effect on the net pension liability.

**MIDWESTERN OKLAHOMA DEVELOPMENT AUTHORITY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015**

For the year ended September 30, 2015, the Authority recognized pension expense of \$28,408. At September 30, 2015, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ -	\$ (6,302)
Changes of assumptions	1,089	-
Net difference between projected and actual earnings on pension plan investments	-	(63,617)
Changes in proportion and differences between Authority contributions and proportionate share of contributions	-	-
Auth. contributions subsequent to the measurement date	28,408	-
<b>Total</b>	<u>\$ 29,497</u>	<u>\$ (69,919)</u>

Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

**Year ended September 30:**

	<u>Outflows</u>	<u>Inflows</u>
2015	\$ 509	\$ (18,849)
2016	509	(18,849)
2017	71	(16,317)
2018	-	(15,904)
<b>Total</b>	<u>1,089</u>	<u>(69,919)</u>

*Actuarial assumptions:* The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3 percent
Salary increases	5.54 percent, average
Investment rate of return	7.5 percent of net investment expenses per annum, compounded annually

Mortality rates were based on the RP-2000 Combined Active/Retiree Health Mortality Table projected to 2010 using Scale AA.

The actuarial assumptions used in the July 1, 2015 valuation were based on the results of an actuarial experience study for the three year period ended June 30, 2013.

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which the best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of geometric real rates of return for each major asset class as of July 1, 2014 are summarized in the following table:

**MIDWESTERN OKLAHOMA DEVELOPMENT AUTHORITY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015**

	Target Allocation	Long Term Expected Rate of Return
US Large Cap Equity	38%	5.30%
US Small Cap Equity	6%	5.60%
US Fixed income	25%	0.70%
International stock	18%	5.60%
Emerging market stock	6%	6.40%
TIPS	4%	0.70%
Rate anticipation	4%	1.50%
	100%	

*Discount rate:*

The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and the employers will be made at the current contribution rate as set out in State statute. Based on those assumptions, the pension plan's fiduciary net position was projected through 2113 to be available to make all projected future benefit payments of current plan members. Therefore, the longterm expected rate of return on pensionplan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate determined does not use a municipal bond rate.

*Sensitivity of the Authority's proportionate share of the net pension liability to changes in the discount rate:*

The following presents the net pension liability of the employer calculated using the discount rate of 7.50%, as well as what the plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50 percent) or one percentage point higher (8.50 percent) than the current rate:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Authority's proportionate share of the net pension liability/(asset)	118,406	19,036	(65,475)

*Pension plan fiduciary net position:* Detailed information about the pension plan's fiduciary net position is available in the separately issued OPERS financial report.

**(10) RISK MANAGEMENT**

The Authority is exposed to various risk of loss as follows:

**MIDWESTERN OKLAHOMA DEVELOPMENT AUTHORITY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015**

<u>Type of Loss</u>	<u>Method Managed</u>	<u>Risk of Loss Retained</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 on all assets for commercial liability. Property damage is covered by commercial insurance for all assets except for duplexes which are self insured.	Duplexes are self insured for property damage. \$7,000/month is put in a fund and restricted for this purpose. Fund is currently at \$758155
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, 2015, 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.

**(12) RESTATEMENT OF BEGINNING NET POSITION**

Net position of the Government-Wide Business Type Activities financial statements has been restated to include the pension liability at the beginning of the period in accordance with GASB 68. As a result of the restatement, total beginning net position has decreased by \$115,558. The prior period financial statements were not re-issued or restated as a result of this change in accounting principle.

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**REQUIRED SUPPLEMENTARY INFORMATION**

**Schedules of Required Supplementary Information**

**SCHEDULE OF THE AUTHORITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
Oklahoma Public Employees Retirement System**

	<u>2015*</u>
Authority's portion of the net pension liability (asset)	0.01037%
Authority's proportionate share of the net pension liability (asset)	\$ 19,036
Authority's covered-employee payroll	\$ 193,260
Authority's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	9.85%
Plan fiduciary net position as a percentage of the total pension liability	99.99%

\* The amount presented for each fiscal year were determined as of the fiscal year-end that occurred previous

**Schedules of Required Supplementary Information**

**SCHEDULE OF CITY CONTRIBUTIONS  
Oklahoma Public Employees Retirement System**

	<u>2015*</u>
Actuarially determined contribution	\$ 28,989
Contributions in relation to the actuarially determined contribution	<u>(28,989)</u>
Contribution deficiency (excess)	<u>\$ -</u>
Authority's covered-employee payroll	\$ 193,260
Contributions as a percentage of covered-employee payroll	15.00%

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**INTERNAL CONTROL AND COMPLIANCE INFORMATION**

***David O. Tate***

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

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, 2015, 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 7, 2016

**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 Midwestern Oklahoma Development Authority'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 7, 2016