

KINGFISHER COUNTY
INDUSTRIAL AUTHORITY

KINGFISHER, OKLAHOMA

FINANCIAL REPORT FOR PERIODS ENDED
JUNE 30, 2011 AND 2010

TABLE OF CONTENTS

Independent Auditor's Reports	1
Statements of Net Assets	2
Statements of Revenues and Expenses and Changes in Net Assets	3
Statements of Cash Flows	4
Notes to Financial Statements	5-8
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>	9

John R. Storm, C.P.A.
Karen L. Hauser, C.P.A.

Storm & Hauser, P.C.
Certified Public Accountants

405.375.4152
FAX 405.375.5023

213 N. Main - P.O. Box 449 - Kingfisher, OK 73750
stormhauser@pdi.net

INDEPENDENT AUDITOR'S REPORT

October 3, 2011

Kingfisher County Industrial Authority
Kingfisher, Oklahoma

We have audited the accompanying financial statements of the net assets of the Kingfisher County Industrial Authority, a component unit of the County of Kingfisher, as of June 30, 2011 and 2010, and the related statements of revenues, expenses, and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Kingfisher County Industrial Authority as of June 30, 2011 and 2010 and the changes in its financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 3, 2011, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Authority has not presented the Management's Discussion and Analysis required by the Governmental Accounting Standards Board (GASB) that the GASB has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Storm & Hauser, P.C.

Storm & Hauser, P.C.

KINGFISHER COUNTY INDUSTRIAL AUTHORITY
STATEMENTS OF NET ASSETS
June 30, 2011 and 2010

	June 30, 2011	June 30, 2010
ASSETS:		
Current assets:		
Cash and cash equivalents	\$ 112,423	\$ 113,420
Current portion Lease receivable	-	240,568
Total current assets	112,423	353,988
Lease Contract receivable	-	240,568
Current portion Lease receivable	-	(240,568)
Total long-term assets	-	-
Total assets	112,423	353,988
LIABILITIES:		
Current portion L-T debt	\$ -	\$ 240,568
Total current liabilities	-	240,568
Long-term debt	-	240,568
Current portion L-T debt	-	(240,568)
Total long-term liabilities	-	-
Total liabilities	-	240,568
NET ASSETS:		
Unrestricted	113,420	113,420
Total net assets	\$ 113,420	\$ 113,420

KINGFISHER COUNTY INDUSTRIAL AUTHORITY
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
For the years ended June 30, 2011 and 2010

	<u>Year Ended June 30, 2010</u>	<u>Year Ended June 30, 2009</u>
OPERATING REVENUES:		
Interest income	\$ 1,672	\$ 427
Lease finance income	6,736	23,731
Total operating revenue	<u>8,408</u>	<u>24,158</u>
OPERATING EXPENSES:		
Contractual services	2,669	2,315
Lease Interest expense	6,736	23,731
Commissions	-	-
Total operating expenses	<u>9,405</u>	<u>26,046</u>
OPERATING INCOME:	(997)	(1,888)
NON-OPERATING REVENUES (EXPENSES)	-	-
CHANGE IN NET ASSETS	<u>(997)</u>	<u>(1,888)</u>
NET ASSETS, BEGINNING OF YEAR	113,420	115,308
NET ASSETS, END OF YEAR	<u>\$ 112,423</u>	<u>\$ 113,420</u>

KINGFISHER COUNTY INDUSTRIAL AUTHORITY
STATEMENTS OF CASH FLOWS
For the years ended June 30, 2011 and 2010

	<u>Year Ended June 30, 2010</u>	<u>Year Ended June 30, 2009</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Interest	\$ 1,672	\$ 427
Cash payments to suppliers of goods and services	<u>(2,669)</u>	<u>(2,315)</u>
Net Cash Provided by (Used in) Operating Activities	(997)	(1,888)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Lease finance income	6,736	23,731
Lease Interest expense	(6,736)	(23,731)
CASH FLOWS FROM INVESTING ACTIVITIES		
	-	-
Net Increase (Decrease) in Cash and Cash Equivalents	(997)	(1,888)
CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR	113,420	115,308
CASH AND CASH EQUIVALENTS, END OF THE YEAR	<u>112,423</u>	<u>113,420</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:		
Operating income (loss)	(997)	(1,888)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	-	-
Change in assets and liabilities:	-	-
Net Cash Provided by (Used in) Operating Activities	<u>(997)</u>	<u>(1,888)</u>
Noncash activities:		
Contributed capital assets	-	-

KINGFISHER COUNTY INDUSTRIAL AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011 and 2010

ORGANIZATION

The primary government for the Kingfisher County Industrial Authority is the County of Kingfisher. The Kingfisher County Industrial Authority was established on February 11, 1969 to finance, operate, construct and administer facilities for the purposes set forth under the statutes of the State of Oklahoma Title 60, and other applicable statutes and laws. On March 11, 1969, the taxpayers of Kingfisher County voted to allow the Authority to incur \$1,600,000 of indebtedness, through the issuance of General Obligation Tax Bonds, for the purpose of securing and developing industry within Kingfisher County. As of June 30, 2011, the Authority has authorized \$850,000 of General Obligation Bonds-'69 Series.

On November 13, 2007, the taxpayers of Kingfisher County voted to allow the Authority to incur \$ 3,000,000 of indebtedness, through the issuance of General Obligation Tax Bonds, for the purpose of securing and developing industry within Kingfisher County. As of June 30, 2011, the Authority has not authorized any of the General Obligation Bonds-'07 Series.

OPERATIONS

The Authority issues two types of tax bonds; revenue notes and general obligation tax bonds.

GENERAL OBLIGATION BONDS

Funds obtained from the issuance of general obligation tax bonds are used for the construction of facilities and the purchase of equipment. Titles to the Facilities and Equipment are retained by the Authority for collateral on its bonds.

These assets are leased under long-term agreements which allow for the purchase of the leased property of the lessee upon termination of the lease for nominal amounts.

Payments of the General Obligation Bonds are guaranteed by the taxpayers of Kingfisher County.

REVENUE NOTES

Revenue Notes are issued through the Authority, but the revenue note holder's repayment is solely guaranteed by the respective lessee.

These leases are financing transactions and have been accounted for under the lease financing method. Using this method, the gross amount of the outstanding rental payments are shown as lease contracts receivable and the interest portion is shown as deferred income. The payment and lease financing income is recognized for the interest portion of the payments received.

FUND BALANCES

Fund balances represent a combination of bond amortization receipts over bond expenditure requirements and investment earnings.

KINGFISHER COUNTY INDUSTRIAL AUTHORITY
 NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2011 and 2010

NOTE 1 - CASH AND CERTIFICATES OF DEPOSIT AND MARKETABLE SECURITIES

The monthly lease payments are made directly to either local banks or the Kingfisher County Treasurer, who holds these funds as trustee for the Authority, in various time deposit accounts of qualifying investments.

The following is a table of deposits for the Kingfisher County Industrial Authority at June 30, 2011 by risk category.

	Risk Category	
	(1)	(2)
Cash, including time deposits	\$113,420	\$ 0

Risk categories:

Category 1 - Investments that are insured or registered, or securities held by the Authority or its agent in the Authority's name. Deposits that are insured or collateralized with securities are held by the Authority or its agent in the Authority's name.

Category 2 - Investments that are uninsured or unregistered with securities held by the counter party's trust department or agent in the Authority's name. Deposits that are collateralized with securities are held by the pledging financial institution's trust department or agent in the Authority's name.

Category 3 - Investments that are uninsured or unregistered with securities held by the counter party or by its trust department but not in the Authority's name. Deposits that are uncollateralized or collateralized with securities held by the pledging financial institution or by its trust department or agent but not in the Authority's name.

NOTE 2 - STATUS OF GENERAL OBLIGATION BONDS AND REVENUE NOTES

1975 REVENUE NOTES - KINGFISHER CO-OP

These Notes were called on September 1, 1992.

1975 GENERAL OBLIGATION - REDWINE

Final maturity of these Bonds was January 1, 2005.

KINGFISHER COUNTY INDUSTRIAL AUTHORITY
 NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2011 and 2010

NOTE 2 - STATUS OF GENERAL OBLIGATION BONDS AND REVENUE NOTES - CONTINUED

1976 GENERAL OBLIGATION - TEMTROL

In December 1986, Temtrol, Inc. exercised their right to prepay the indebtedness on their 1976 General Obligation Bonds. An amount sufficient to pay all outstanding bonds and coupons was transferred to the Authority in exchange for the release of the mortgage lien. Final maturity on these Bonds was October 1, 1996.

1976 REVENUE NOTES - TEMTROL

On May 30, 1989, Temtrol exercised their right to pay-off the indebtedness on their 1976 Revenue Notes. Payment was made to the respective owners of the Notes, whereby they released their mortgage.

1980 GENERAL OBLIGATION - OKLAHOMA TRAILER

Final maturity of these Bonds was July 1, 1990.

1983 GENERAL OBLIGATION - OKLAHOMA TRAILER

Final maturity of these Bonds was September 1, 1993.

1985 REVENUE NOTES - CIMARRON NURSING

These Notes were called on October 1, 1992.

1992 REVENUE NOTES - KINGFISHER COUNTY FAIRGROUNDS PROJECT

The notes were issued to provide financing for the expansion of the Kingfisher County Fairgrounds. The Bonds were paid off May 6, 1997.

2007 REVENUE NOTES - KINGFISHER COUNTY FAIRGROUNDS PROJECT

The notes were issued to provide financing for the expansion of the Kingfisher County Fairgrounds. The Bonds have a balance at June 30, 2011 of \$0.

General Long-Term Debt

The annual debt service requirements for retirement of bond principal and payment of interest are as follows:

Year Ending June 30,	Principal	Interest
2011	0	0
2012	0	0
Total	\$ 0	0

Interest expense on general long-term debt incurred during the current year totaled \$ 6,736.

KINGFISHER COUNTY INDUSTRIAL AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011 and 2010

NOTE 2 - STATUS OF GENERAL OBLIGATION BONDS AND REVENUE NOTES - CONTINUED

As of June 30, 2011, the Authority has authorized \$850,000 of General Obligation Bonds-'69 Series.

On November 13, 2007, the taxpayers of Kingfisher County voted to allow the Authority to incur \$ 3,000,000 of indebtedness, through the issuance of General Obligation Tax Bonds, for the purpose of securing and developing industry within Kingfisher County. As of June 30, 2011 the Authority has not authorized any of the General Obligation Bonds-'07 Series.

John R. Storm, C.P.A.
Karen L. Hauser, C.P.A.

Storm & Hauser, P.C.

Certified Public Accountants

405.375.4152
FAX 405.375.5023

213 N. Main - P.O. Box 449 - Kingfisher, OK 73750
stormhauser@pdi.net

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

October 3, 2011

Kingfisher County Industrial Authority
Kingfisher, Oklahoma

We have audited the financial statements of the Kingfisher County Industrial Authority, a component unit of the County of Kingfisher, as of and for the year ended June 30, 2011 and 2010, and have issued our report thereon dated October 3, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

A *control deficiency* 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 misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the Authority's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Authority's financial statements that is more than inconsequential will not be prevented or detected by the Authority's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Authority's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

This report is intended solely for the information and use of management, board members, administrative personnel, and applicable regulatory agencies, and is not intended to be and should not be used by anyone other than these specified parties.

Storm & Hauser, P.C.

Storm & Hauser, P.C.