

COMANCHE COUNTY
INDUSTRIAL DEVELOPMENT AUTHORITY
A Component-unit of
Comanche County

Financial Statements
June 30, 2014

Table of Contents

	<u>Page</u>
Management's Discussion and Analysis	1
Independent Auditors' Report	5
Basic Financial Statements	
Statement of Net Position	7
Statement of Revenues, Expenses, and Changes In Fund Net Position	8
Statement of Cash Flows	9
Notes to Financial Statements	11
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>	16

COMANCHE COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY

A Component-unit of Comanche County
(an Oklahoma Public Trust)

Management's Discussion and Analysis For the Year Ended June 30, 2014

The following discussion and analysis of the Comanche County Industrial Development Authority's (the Authority's) financial performance presents management's overview of the Authority's financial activities for the year ended June 30, 2014. Please read it in conjunction with the Authority's basic financial statements, which begin immediately following this analysis. This annual financial report consists of two parts – Management's Discussion and Analysis (this section) and the Basic Financial Statements.

They are presented in accordance with the Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as amended by GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. These GASB statements established financial reporting standards for state and local governments, including cities, villages and special purpose governments such as the Comanche County Industrial Development Authority.

Overview of the Basic Financial Statements

The Authority, a component-unit of Comanche County, operates as a public trust under the Oklahoma Statutes to promote economic growth within Comanche County. The basic financial statements are presented using the economic resources measurement focus and the full accrual basis of accounting. As an enterprise fund, the Authority's basic financial statements include four components:

- *Statement of Net Position*
- *Statement of Revenues, Expenses and Changes in Fund Net Position*
- *Statement of Cash Flows*
- *Notes to the Financial Statements*

The *Statement of Net Position* presents information on all of the Authority's assets and liabilities, with the difference between the two reported as net position. The *Statement of Net Position* provides the basis for evaluating the capital structure of the authority and assessing its liquidity and financial flexibility. The net position section is displayed in three categories:

- Invested in Capital Assets, Net of Related Debt
- Restricted
- Unrestricted

The *Statement of Revenues, Expenses, and Changes in Fund Net Position* presents information which shows how the Authority's net position changed during the most recent fiscal year. All of the current year's revenues and expenses are recorded when the underlying transaction occurs, regardless of the timing of the related cash flows. This statement measures the success of the Authority's operations over the past year and determines whether the Authority has recovered its costs through various revenues.

COMANCHE COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY

A Component-unit of Comanche County
(an Oklahoma Public Trust)

Management's Discussion and Analysis (Continued)
For the Year Ended June 30, 2014

The *Statement of Cash Flows* provides information regarding the Authority's cash receipts and cash disbursements during the year. This statement reports cash activity in four categories:

- Operating
- Noncapital financing
- Capital financing
- Investing

This statement differs from the *Statement of Revenues, Expenses and Changes in Fund Net Position* in that it accounts only for transactions that result in cash receipts and cash disbursements.

The *Notes to the Financial Statements* provide a description of the accounting policies used to prepare the financial statements and present material disclosures required by generally accepted accounting principles that are not otherwise present in the financial statements.

Financial Analysis of the Authority

Net Position - The Authority's net position increased between fiscal years 2013 and 2014 – increasing from \$11,625,432 to \$12,254,201.

**Comanche County Industrial Development Authority
Statement of Net Position**

	<u>2014</u>	<u>2013</u>	<u>% Change</u>
Current Assets	\$ 3,207,699	\$ 4,437,688	(27.72%)
Noncurrent Assets	7,683,000	5,824,167	31.92%
Capital Assets	<u>1,363,927</u>	<u>1,363,927</u>	-
Total Assets	<u><u>\$ 12,254,626</u></u>	<u><u>\$ 11,625,782</u></u>	5.41%
Current Liabilities	\$ 425	\$ 350	21.43%
Noncurrent Liabilities	<u>-</u>	<u>-</u>	-
Total Liabilities	<u><u>\$ 425</u></u>	<u><u>\$ 350</u></u>	21.43%
Invested in Capital Assets, Net of Related Debt	\$ 1,363,927	\$ 1,363,927	-
Unrestricted	<u>10,890,274</u>	<u>10,261,505</u>	6.13%
Total Net Position	<u><u>\$ 12,254,201</u></u>	<u><u>\$ 11,625,432</u></u>	5.41%

COMANCHE COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY

A Component-unit of Comanche County
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Management's Discussion and Analysis (Continued)
For the Year Ended June 30, 2014

Change in Fund Net Position - During the year ending June 30, 2014, the Authority's operating revenues were \$1,059,058, an increase of \$40,205 (3.95%) over the prior fiscal year, and operating expenses were \$444,375, a decrease of \$706,791 (61.40%), resulting in \$614,683 income from operations. The decrease in operating expenses for this year was primarily a result of a decrease in grants. In the fiscal year 2014, grants comprised 94.16% of the Authority's total expenses.

Comanche County Industrial Development Authority
Changes in Fund Net Position

	<u>2014</u>	<u>2013</u>	<u>% Change</u>
Operating Revenues	\$ 1,059,058	\$ 1,018,853	3.95%
Operating Expenses	<u>444,375</u>	<u>1,151,166</u>	(61.40%)
Income(Loss) from Operations	614,683	(132,313)	564.57%
Nonoperating Revenues	<u>14,086</u>	<u>384</u>	3,568.23%
Change in Fund Net Position	<u><u>\$ 628,769</u></u>	<u><u>\$ (131,929)</u></u>	576.60%

The Authority's interest revenue on investments increased by \$13,702 (3,568.23%). This increase was due to an increase in the Authority's investment. Interest on notes receivable increased by \$34,659 (19.96%).

2013-14 Revenue for Comanche County Industrial Development Authority

Sales tax proceeds	\$ 843,978	78.65%
Lease payments	6,450	0.60%
Interest on notes receivable	208,345	19.41%
Interest on investments	14,086	1.31%
Other income	<u>285</u>	0.03%
Total Revenues	<u><u>\$ 1,073,144</u></u>	100.00%

2013-14 Expense for Comanche County Industrial Development Authority

Grants		
Goodyear	\$ 418,411	94.16%
Operations & administration	<u>25,964</u>	5.84%
Total Expenses	<u><u>\$ 444,375</u></u>	100.00%



INDEPENDENT AUDITORS' REPORT

Board of Trustees
Comanche County Industrial Development Authority
Lawton, Oklahoma

Report on the Financial Statements

We have audited the accompanying financial statements of Comanche County Industrial Development Authority (an Oklahoma Public Trust), a component-unit of Comanche County, as of and for the year ended June 30, 2014, 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 of America; 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

Our responsibility is to express an opinion on these financial statements based on our audit. 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 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, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Comanche County Industrial Development Authority, as of June 30, 2014, 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 of America.

Other Matters

Accounting principles generally accepted in the United State of America require that the management's discussion and analysis on pages 1 - 4 be presented to supplement the basic financial statements. Such 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 26, 2014, on our consideration of Comanche County Industrial Development 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* in considering Comanche County Industrial Development Authority's internal control over financial reporting and compliance.

Hatch, Croke & Associates, P.C.

Hatch, Croke & Associates, P.C.
September 26, 2014

COMANCHE COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY

A Component-unit of Comanche County
(an Oklahoma Public Trust)

Statement of Net Position
June 30, 2014

ASSETS

Current assets

Cash and cash equivalents, unrestricted	\$ 1,880,526
Sales tax receivable	141,151
Interest receivable	561,855
Current portion of notes receivable (NOTE 3)	<u>624,167</u>

Total current assets 3,207,699

Noncurrent assets

Certificates of deposits (NOTE 2)	2,483,000
Notes receivable (NOTE 3)	<u>5,200,000</u>

Total noncurrent assets 7,683,000

Capital assets

Land & improvements	<u>1,363,927</u>
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TOTAL ASSETS 12,254,626

LIABILITIES

Current liabilities

Accounts payable	<u>425</u>
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TOTAL LIABILITIES 425

NET POSITION

Invested in capital assets, net of related debt	1,363,927
Unrestricted	<u>10,890,274</u>

TOTAL NET POSITION \$ 12,254,201

The accompanying notes are an integral part of these financial statements

COMANCHE COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY

A Component-unit of Comanche County
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Statements of Revenues, Expenses, and Changes in Fund Net Position
For the Year Ended June 30, 2014

OPERATING REVENUES

Sales tax revenue	\$ 843,978
Interest on notes receivable	208,345
Lease payments	6,450
Other income	<u>285</u>

TOTAL OPERATING REVENUES	1,059,058
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OPERATING EXPENSES

Accounting fees	1,625
Auditing fees	5,800
Bank charges and fiduciary fees	9,299
Grant - Goodyear	418,411
Legal fees	<u>9,240</u>

TOTAL OPERATING EXPENSES	<u>444,375</u>
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OPERATING INCOME	614,683
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NONOPERATING REVENUES (EXPENSES)

Interest on investments	<u>14,086</u>
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TOTAL NONOPERATING REVENUES (EXPENSES)	<u>14,086</u>
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CHANGE IN FUND NET POSITION	628,769
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NET POSITION, Beginning of year	<u>11,625,432</u>
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NET POSITION, End of year	<u><u>\$ 12,254,201</u></u>
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The accompanying notes are an integral part of these financial statements

COMANCHE COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY

A Component-unit of Comanche County
(an Oklahoma Public Trust)

Statement of Cash Flows
For the Year Ended June 30, 2014

CASH FLOWS FROM OPERATING ACTIVITIES

Cash received from sales tax collections	\$ 768,265
Cash received from lease payments	6,450
Cash received from ODOT	285
Cash payments for operations	(25,889)
Cash payment for loans	<u>(400,000)</u>

NET CASH PROVIDED BY OPERATING ACTIVITIES 349,111

CASH FLOWS FROM NONCAPITAL FINANCING

-

NET CASH USED BY NONCAPITAL FINANCING ACTIVITIES

-

CASH FLOWS FROM CAPITAL FINANCING

-

NET CASH USED BY CAPITAL FINANCING ACTIVITIES

-

CASH FLOWS FROM INVESTING ACTIVITIES

Interest received on investments	9,740
Proceeds from sale of investments	747,000
Purchase of investments	<u>(3,230,000)</u>

NET CASH USED BY INVESTING ACTIVITIES (2,473,260)

NET DECREASE IN CASH AND CASH EQUIVALENTS (2,124,149)

BEGINNING CASH AND CASH EQUIVALENTS 4,004,675

ENDING CASH AND CASH EQUIVALENTS \$ 1,880,526

SUPPLEMENTAL INFORMATION

Loan balance forgiven with job incentives \$ 418,411

The accompanying notes are an integral part of these financial statements

COMANCHE COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY

A Component-unit of Comanche County
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Statement of Cash Flows (Continued)
For the Year Ended June 30, 2014

**RECONCILIATION OF OPERATING INCOME TO NET CASH
USED BY OPERATING ACTIVITIES**

Operating Income	\$ 614,683
Adjustments to reconcile operating loss to net cash used by operating activities:	
Changes in assets and liabilities:	
Sales tax receivable	(75,713)
Accrued interest on notes receivable	(189,934)
Accounts payable	<u>75</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u><u>\$ 349,111</u></u>

The accompanying notes are an integral part of these financial statements

COMANCHE COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY

A Component-unit of Comanche County
(an Oklahoma Public Trust)

Notes to Financial Statements
June 30, 2014

NOTE 1 - Nature of Activities and Summary of Significant Accounting Policies

Organization

The Comanche County Industrial Development Authority (CCIDA) was formed in October, 1969, as a public trust under the Oklahoma Statutes. The trust was formed principally to develop industry and culture and related activities within Comanche County, Oklahoma, the beneficiary, and to promote the economic well-being of its citizens. It is considered as a component-unit of Comanche County as defined by Government Accounting Standards.

Originally the principal activity of the trust was to develop Comanche County's industrial base through loans for facilities to businesses. The declaration of trust was amended in December, 1986, to include financial assistance to health care facilities.

The Authority currently provides loans to businesses for the construction of new facilities or the expansion of existing facilities in order to promote economic growth within Comanche County. To further assist its efforts to stimulate economic growth, the Authority offers incentive agreements (grants) which provide businesses the opportunity to reduce their debt to the Authority through the accumulation of "Job Creation Credits," earned by establishing new jobs.

Basis of Accounting

The Authority records revenues when earned and expenses when the obligation is incurred. The Authority is considered a proprietary component-unit of Comanche County, and consequently uses the accrual basis of accounting to record its transactions. The Authority applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

Operating income includes revenues and expenses related to the primary, continuing operations of the Authority. Principal operating revenues are sales tax revenues for industrial development and revenues received in conjunction with economic development loans. Principal operating expenses are the costs of providing grants and loans for industrial development and include administrative expenses. Other revenues and expenses are classified as nonoperating in the financial statements.

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.

COMANCHE COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY

A Component-unit of Comanche County
(an Oklahoma Public Trust)

Notes to Financial Statements
June 30, 2014

NOTE 1 - Nature of Activities and Summary of Significant Accounting Policies (continued)

Property and Equipment

Fixed assets are recorded at cost and are depreciated using the straight-line method with estimated useful lives varying from two to forty years.

Cash and Investments

Included in the account "Cash and cash equivalents" on the component unit financial statements as well as the Statement of Cash Flows are interest bearing checking accounts and demand deposits with maturities of three months or less at the time they are purchased by the Authority.

Cash and cash equivalents held in the trust accounts at BancFirst are invested in a government money market fund. These funds are not subject to bank creditors in the event of a bank failure. The fund invests only in marketable securities issued or guaranteed by the U.S. government.

The Authority has not adopted a formal deposit and investment policy; therefore, investments are restricted to the requirements of Oklahoma statutes which include investment in any agencies or instrumentalities of the U.S. government.

Cash deposits are reported at carrying amount which reasonably estimates fair value. Investments are reported at fair value. All of the Authority's securities are traded on a national exchange and are valued at the last reported sales price at current exchange rates.

Notes Receivable

Loans receivable are carried at unpaid principal balances, less an allowance for loan losses. The allowance for loan losses is increased by charges to income and decreased by charge-offs (net of recoveries). Management's periodic evaluation of the adequacy of the allowance is based on the Authority's past loan loss experience, specific impaired loans, adverse situations that may affect the borrower's ability to repay, estimated value of any payments not anticipated in accordance with the contractual terms. The Authority's practice is to charge off any loan or portion of a loan when the loan is determined by management to be uncollectible due to the borrower's failure to meet repayment terms, the borrower's deteriorating or deteriorated financial condition, the depreciation of the underlying collateral, or for other reasons.

Loans are placed on nonaccrual when management believes, after considering economic conditions, business conditions, and collection efforts that the loans are impaired or collection of interest is doubtful. Uncollected interest previously accrued is charged off. Interest income on nonaccrual loans is recognized only to the extent cash payments are received. Interest on loans is recognized over the term of the loan and is calculated using the simple-interest method on principal amounts outstanding.

COMANCHE COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY

A Component-unit of Comanche County
(an Oklahoma Public Trust)

Notes to Financial Statements
June 30, 2014

NOTE 1 - Nature of Activities and Summary of Significant Accounting Policies (continued)

Subsequent Events

Management has evaluated subsequent events through September 26, 2014, the date the financial statements were available to be issued.

NOTE 2 - Deposits

Custodial credit risk for deposits is the risk that in the event of a bank failure, the Authority's deposits may not be returned or the Authority will not be able to recover collateral securities in the possession of an outside party. Deposits of the Authority are insured or collateralized with securities held by the Authority, its agent, or by the pledging financial institution's trust department or agent in the name of the Authority.

Investments

Investments are recorded at fair value. The historical cost and fair value at June 30, 2014, were as follows:

<u>Investment</u>	<u>Cost</u>	<u>Fair Value</u>
Certificates of deposits	<u>\$ 2,483,000</u>	<u>\$ 2,483,000</u>

NOTE 3 - Notes Receivable

Notes receivable at June 30, 2014, were as follows:

Comanche County Memorial Hospital - \$624,167

On June 7, 2007, the Authority executed a note with Comanche County Memorial Hospital (CCMH) in the original amount of \$624,167 with 6% interest on the unpaid balance until paid. Principal and accrued interest is due on April 15, 2015 and is expected to be paid by job creation credits. In addition, CCMH must continuously maintain an additional 10 critical care beds at its Lawton facility for the period beginning January 1, 2010 through December 31, 2014 and they must also invest \$700,000 in training and educational costs directly related to the newly created jobs identified in the incentive and loan agreement.

COMANCHE COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY

A Component-unit of Comanche County
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Notes to Financial Statements
June 30, 2014

NOTE 3 - Notes Receivable (continued)

Goodyear - \$400,000

On January 25, 2011, the Authority executed a note with Goodyear in the original amount of \$2,000,000 with 5% interest on the unpaid balance until paid. The loan will be disbursed in five equal annual installments of \$400,000. Principal and accrued interest is expected to be paid by job creation credits with the remaining outstanding principal and interest being payable on December 31, 2016. In addition to the job creation credits, Goodyear must invest \$150,000,000 to purchase equipment and expand its existing facility. Goodyear also agreed to add 50 full time positions over the number of full-time positions as of February 1, 2010.

Medicine Park Economic Development - \$300,000

On August 12, 2011, the Authority executed a note with the Medicine Park Economic Development Authority (MPEDA) in the amount of \$300,000 with 5% interest on the unpaid balance until paid. An amendment to the original agreement was executed on August 6, 2013, which changed the performance requirements. The Museum must make capital investments of \$1,500,000 by May 31, 2014 and they must employ, and maintain, twenty full-time equivalent jobs from July 1, 2014 through June 30, 2024. All outstanding principal and accrued interest is due on June 30, 2024 and is expected to be paid by job creation credits. As of the date of this report, no evidence indicating that the Museum made the required capital outlay was available. It is the intention of the board to extend the due date for the required capital outlay.

Lawton Economic Development Authority - \$1,500,000

On August 24, 2012, the Authority executed a note with the Lawton Economic Development Authority in the amount of \$1,500,000 with 3.14% interest on the unpaid balance until paid. Monthly payments of principal and unpaid interest will commence on the first day after the first full month after the availability of Hotel-Conference Center Increment funds or January 1, 2014, whichever is later. All unpaid principal and interest will be due and payable on the date which is ten years after the date the Hotel/Conference Center is opened.

Lawton Lodging Lender, Inc. - \$3,000,000

On August 24, 2012, the Authority executed a note with the Lawton Lodging Lenders, Inc. in the amount of \$3,000,000 with variable interest on the unpaid balance until paid. The base interest is 3%, but if the average annual occupancy of the Hotel/Conference Center exceeds 80% in any calendar year, the interest rate will increase to 4% for such calendar year. All outstanding interest accrued through the first three years commencing on the opening date of the Hotel/Conference Center will be due on said anniversary date. After the third year anniversary date, all accrued interest will be paid annually with all outstanding principal and interest being due on April 1, 2021.

COMANCHE COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY

A Component-unit of Comanche County
(an Oklahoma Public Trust)

Notes to Financial Statements
June 30, 2014

NOTE 4 - Commitments and Contingencies

Economic Dependency

The Authority receives its resources primarily from sources within Comanche County. Consequently, the Authority's ability to operate as a going concern is dependent on the economic conditions of this area.

Goodyear Tire & Rubber

On September 10, 2010, the Board of Trustees approved a loan in the amount of \$2,000,000 to Goodyear Tire & Rubber Company. Loan proceeds will be disbursed in five equal payments of \$400,000 beginning January 1, 2011. The loan and accrued interest will be repaid with job credits. Goodyear also agreed to spend \$150,000,000 for the purchase of equipment and the expansion of its Comanche County facility. The Authority's obligations to Goodyear are contingent upon its receipt of sales tax revenue to fully fund the loan. The Authority has disbursed \$1,600,000 to Goodyear as of June 30, 2014.

Lawton Fort Sill Regional Airport

On July 9, 2013, the Board approved a contingent grant in the amount of \$25,000 to the Lawton Fort Sill Regional Airport. The grant is contingent on them receiving a \$250,000 grant from the Small community Air Service Development Program operated under the Department of Transportation. No funds have been disbursed as of June 30, 2014.

Great Plains Technology Center

On May 23, 2014, the Board approved a motion to make an investment of \$500,000 in Great Plains Technology Center's business incubator. The Board also approved a motion to match up to \$250,000 of new contributions received by Great Plains Technology Center. No funds have been disbursed as of June 30, 2014.



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

Board of Trustees
Comanche County Industrial Development Authority
Lawton, Oklahoma

We have audited, in accordance with the 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, the financial statements of Comanche County Industrial Development Authority, a component-unit of Comanche County, as of and for the year ended June 30, 2014, and have issued our report thereon dated September 26, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Comanche County Industrial 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 our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Comanche County Industrial Development Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Comanche County Industrial 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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Comanche County Industrial Development 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

Hatch, Croke & Associates, P.C.

Hatch, Croke & Associates, P.C.
September 26, 2014