

BLAINE COUNTY INDUSTRIAL AUTHORITY

AUDIT REPORT
FOR THE YEAR ENDED JUNE 30, 2010

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July 26, 2011

Blaine County Industrial Authority
Board of Directors
Watonga, OK 73772

INDEPENDENT AUDITOR'S REPORT

I have audited the accompanying financial statements of the Blaine County Industrial Authority, Oklahoma, (Authority) as of and for the year ended June 30, 2010, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Authority's management. 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 of America and the standards applicable to the financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I 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 significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position Blaine County Industrial Authority, Oklahoma, as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, I have also issued my report dated July 26, 2011, on my consideration of the 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of my audit.

The Blaine County Industrial Authority has not presented a Management's Discussion and Analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although, not required to be part of, the basic financial statements.

Linda S. Woodruff, CPA, P.C.

Linda S. Woodruff CPA, P.C.

BLAINE COUNTY INDUSTRIAL AUTHORITY
BALANCE SHEET
JUNE 30, 2010

CURRENT ASSETS:

Cash – First National Bank	\$.00
Cash – Cornerstone Bank		.00
Cash – Community State Bank		.00
Cash – First State Bank		3,383.77
Cash – Operating		7,860.48
Total Current Assets		11,244.25

TOTAL ASSETS **\$ 11,244.25**

LIABILITIES AND FUND BALANCE

CURRENT LIABILITIES:

Bonds Payable (Note 3)	\$	140,000.00
Sinking Fund (Note 6)		.00
Total Current Liabilities		140,000.00

LONG-TERM LIABILITIES:

Bonds Payable (Note 3)		610,000.00
Less: Current Portion		(140,000.00)
Negative Arbitrage Liability (Note 5)		.00
Total Long-term Liabilities		470,000.00

TOTAL LIABILITIES **610,000.00**

FUND BALANCE:

Fund Balance – Negative Arbitrage		.00
Unrestricted Fund Balance		(598,755.75)
Restricted Fund Balance		.00
Total Fund Balance		(598,755.75)

TOTAL LIABILITIES AND FUND BALANCE **\$ 11,244.25**

SEE AUDITOR'S REPORT
THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THIS STATEMENT

**BLAINE COUNTY INDUSTRIAL AUTHORITY
STATEMENT OF REVENUE AND EXPENSE
FOR THE YEAR ENDED JUNE 30, 2010**

REVENUE	
Ad valorem Tax Collected Note	\$.00
Administration Fee	1,300.00
Total Revenue	1,300.00
EXPENSES	
Legal	130.00
Accounting	1,090.00
Total Expenses	1,220.00
NET INCOME (LOSS) FROM OPERATIONS	\$ 80.00
OTHER REVENUE (EXPENSES)	
Interest Income	26,129.37
Interest Expense	(90,300.00)
Total Other Revenue (Expenses)	(64,170.63)
NET INCOME (LOSS)	\$ (64,090.63)

SEE AUDITOR'S REPORT
THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THIS STATEMENT

**BLAINE COUNTY INDUSTRIAL AUTHORITY
STATEMENT OF CASH FLOW
FOR THE YEAR ENDED JUNE 30, 2010**

CASH FLOW FROM OPERATING ACTIVITIES:	
Administrative fees collected	\$ 1,300.00
Cash Payments for Services	<u>(1,220.00)</u>
Net Cash Provided by Operating Activities	80.00
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Bond Interest Payments	(90,300.00)
Bond Principal Payments	<u>(895,000.00)</u>
Net Cash Used in Capital and Financial Activities	(985,300.00)
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest Income	<u>26,129.37</u>
Net Cash Provided by Investing Activities	
NET INCREASE (DECREASE) IN CASH	\$ (959,090.63)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>970,334.88</u>
CASH AND EQUIVALENTS AT END OF YEAR	<u>\$ 11,244.25</u>
RECONCILIATION OF OPERATION INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating Income (Loss)	\$ 80.00
ADJUSTMENTS TO RECONCILE NET INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Total Adjustments	<u>.00</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ <u>80.00</u>

SEE AUDITOR'S REPORT
THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THIS STATEMENT

**BLAINE COUNTY INDUSTRIAL AUTHORITY
STATEMENT OF CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2010**

	Fund Balance (Unrestricted)	Fund Balance (Restricted)	Fund Balance (Arbitrage)	Total Fund Balance
Balance – Beginning of Year	\$ (534,665.12)	\$.00	\$ (542,437.60)	\$ (1,077,102.72)
Change in Fund Balance	(64,090.63)	.00	542,437.60	478,346.97
Balance – End of Year	\$ (598,755.75)	\$.00	\$.00	\$ (598,755.75)

SEE AUDITOR'S REPORT
THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THIS STATEMENT

BLAINE COUNTY INDUSTRIAL AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010

NOTE 1 – ORGANIZATION

Blaine County Industrial Authority was organized as a Trust under provisions of Title 60, Oklahoma Statutes on July 5, 1967. The purpose of the Trust is to hold property, proceeds, rents, and profits for the use and benefit of Blaine County in order to promote development of industry within the County. The Trust operates independently of Blaine County except to issue bonds.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements have been prepared on the basis of accounting in accordance with Generally Accepted Accounting Principles (GAAP) promulgated in the United States of America. The accounting and financial reporting treatment is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operation are included on the balance sheet. The operating statements present increases (e.g., revenue) and (e.g., expenses) in net total assets.

CASH AND INVESTMENTS

Cash and investments are stated at cost. At June 30, 2010, the cash accounts of Blaine County Industrial Authority totaled \$11,244.25 all of which is covered by FDIC insurance or pledged collateral.

NOTE 3 – BONDS PAYABLE

Blaine County issued \$2,000,000 in Blaine County General Obligation Limited Tax Bonds of 1999 (Series 1999A) dated August 30, 1999 maturing July 1, 2004 to July 1, 2020. The maturity schedule is as follows:

Maturity Date	Principal Maturing	Outstanding Balance	6% Interest	Total
7-1-00	\$ 0	\$2,000,000	\$ 90,000	\$ 90,000
7-1-01	0	2,000,000	120,000	120,000
7-1-02	0	2,000,000	120,000	120,000
7-1-03	0	2,000,000	120,000	120,000
7-1-04	70,000	1,930,000	120,000	190,000
7-1-05	75,000	1,855,000	115,800	190,800
7-1-06	80,000	1,775,000	111,300	191,300
7-1-07	85,000	1,690,000	106,500	191,500
7-1-08	90,000	1,600,000	101,400	191,400
7-1-09	95,000	1,505,000	96,000	191,000
7-1-10	100,000	1,405,000	90,300	190,300
7-1-11	105,000	1,300,000	84,300	189,300
7-1-12	115,000	1,185,000	78,000	193,000
7-1-13	120,000	1,065,000	71,100	191,100
7-1-14	125,000	940,000	63,900	188,900
7-1-15	135,000	805,000	56,400	191,400
7-1-16	145,000	660,000	48,300	193,300
7-1-17	150,000	510,000	39,600	189,600
7-1-18	160,000	350,000	30,600	190,600
7-1-19	170,000	180,000	21,000	191,000
7-1-20	180,000	0	10,800	190,800
	<u>\$2,000,000</u>	<u>\$ 0</u>	<u>\$1,695,300</u>	<u>\$3,695,300</u>

The Blaine County Industrial Authority had approved the resolution to loan the \$2,000,000 bond proceeds to Hollytex Carpet Mills, Inc. Before the loan agreement dated August 1, 2000 could be finalized, Hollytex Carpet Mills, Inc. was purchased by Beaulieu.

While awaiting the corporate approval of the loan, the Authority deposited \$400,000 in each of the Blaine County financial institutions to earn interest enabling the Authority to recoup expenses incurred by issuing the bonds. Beaulieu closed operations in Watonga without finalizing the loan agreement.

During the current fiscal year, the bonds were retired by utilizing all available cash and issuing \$610,000 in General Obligation Refunding Limited Tax Bonds of 2010. See Note 6 for discussion of the issuance of these bonds.

NOTE 4 – INCOME TAX

No provision for income taxes has been made for the Authority since it is exempt from income taxation under federal and state statutes.

NOTE 5 – NEGATIVE ARBITRAGE

A provision for negative arbitrage has been recorded since FASB 5 requires an accrual of loss contingencies when both of the following conditions are met:

- 1) Information is available indicating that it is probable that a liability has been incurred at the date of the financial statements.
- 2) The amount of the loss can be reasonably estimated.

During the current year, the Board called the bonds payable on July 1, 2010, utilizing available cash and issuing new bonds discussed in Note 6. Since the bonds were retired and cash has been expended, the negative arbitrage accrual is unnecessary. An adjusting entry has been recorded to reverse this accrual as of June 30, 2010.

NOTE 6 – GENERAL OBLIGATION BONDS (2010)

The Authority issued General Obligation Refunding Limited Tax Bonds of 2010 on June 30, 2010, to retire the Blaine County General Obligation Limited Tax Bonds of 1999 dated August 30, 1999. First State Bank, Watonga, Oklahoma, and First National Bank, Okeene, Oklahoma, share equally in the \$610,000 bond issue as denoted in the following repayment schedule.

<u>First State Bank, Watonga, Oklahoma</u>	<u>First National Bank in Okeene, Okeene, Oklahoma</u>
\$70,000 No. 1A at 0.74% due 7/1/2011	\$70,000 No. 1B at 0.74% due 7/1/2011
\$75,000 No. 2A at 1.25% due 7/1/2012	\$75,000 No. 2B at 1.25% due 7/1/2012
\$80,000 No. 3A at 1.75% due 7/1/2013	\$80,000 No. 3B at 1.75% due 7/1/2013
\$80,000 No. 4A at 2.26% due 7/1/2014	\$80,000 No. 4B at 2.26% due 7/1/2014

The maturity schedule for the bonds is as follows:

Maturity Date	Principal Maturing	Interest	Total	Outstanding Balance
7-1-10	\$ -	\$ -	\$ -	\$ 610,000
7-1-11	140,000	4,514	144,514	470,000
7-1-12	150,000	5,875	155,875	320,000
7-1-13	160,000	5,632	165,632	160,000
7-1-14	160,000	3,616	163,616	-

Blaine County has irrevocably pledged the full faith, credit and resources of the County for the payment of these bonds.

July 26, 2011

Blaine County Industrial Authority
Board of Directors
Watonga, OK 73772

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

I have audited the accompanying financial statements of the Blaine County Industrial Authority, Oklahoma, (Authority) as of and for the year ended June 30, 2010, which collectively comprises the Authority's basic financial statements and have issued my report thereon dated July 26, 2011. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in the *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in normal course of performing their assigned function, 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 statement will not be prevented, or detected and corrected on a timely basis.

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses.

A material weakness is a significant deficiency, or combination of significant deficiencies, that result in more than a remote likelihood that a material misstatement of the basic financial statements will not be prevented or detected by the organization's internal control. My consideration of the 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 the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also considered material weakness. My tests disclosed no material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contract 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 *Governmental Auditing Standards*.

This report is intended solely for the information and use of management, all applicable federal and state agencies, and those other Governments from which federal financial assistance was received and is not intended to be and should not be used by anyone other than these specified parties.



Linda S. Woodruff CPA, P.C.