

BLAINE COUNTY INDUSTRIAL AUTHORITY

AUDIT REPORT
FOR THE YEAR ENDED JUNE 30, 2009

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Blaine County Industrial Authority
Board of Directors
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INDEPENDENT AUDITOR'S REPORT

I have audited the accompanying financial statements of Blaine County Industrial Authority as of and for the one year period ended June 30, 2009, which collectively comprise the Blaine County Industrial 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 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 of the Blaine County Industrial Authority as of June 30, 2009 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 June 29, 2010, on my consideration of the Blaine County Industrial 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.

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.

A handwritten signature in black ink that reads "Linda S. Woodruff, CPA, P.C." The signature is written in a cursive style.

Linda S. Woodruff, CPA, P.C.

Watonga, OK 73772
June 29, 2010

BLAINE COUNTY INDUSTRIAL AUTHORITY
BALANCE SHEET
JUNE 30, 2009

CURRENT ASSETS:

Cash – First National Bank	\$	275,723.70
Cash – Cornerstone Bank		342,936.36
Cash – Community State Bank		.00
Cash – First State Bank		343,902.34
Cash – Operating		7,772.48
Total Current Assets		970,334.88

TOTAL ASSETS **\$ 970,334.88**

LIABILITIES AND FUND BALANCE

CURRENT LIABILITIES:

Bonds Payable (Note 3)	\$	100,000.00
Sinking Fund (Note 6)		.00
Total Current Liabilities		100,000.00

LONG-TERM LIABILITIES:

Bonds Payable (Note 3)		1,505,000.00
Less: Current Portion		(100,000.00)
Negative Arbitrage Liability (Note 5)		542,437.60
Total Long-term Liabilities		1,947,437.60

TOTAL LIABILITIES **2,047,437.60**

FUND BALANCE:

Fund Balance – Negative Arbitrage		(542,437.60)
Unrestricted Fund Balance		(534,665.12)
Restricted Fund Balance		.00
Total Fund Balance		(1,077,102.72)

TOTAL LIABILITIES AND FUND BALANCE **\$ 970,334.88**

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, 2009**

REVENUE		
Ad valorem Tax Collected Note	\$.00
Administration Fee		<u>1,300.00</u>
Total Revenue		1,300.00
EXPENSES		
Legal		1,114.59
Accounting		<u>1,040.00</u>
Total Expenses		2,154.59
NET INCOME (LOSS) FROM OPERATIONS	\$	(854.59)
OTHER REVENUE (EXPENSES)		
Interest Income		27,788.18
Interest Expense		<u>(96,000.00)</u>
Total Other Revenue (Expenses)		(68,211.82)
NET INCOME (LOSS)	\$	(69,066.41)

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, 2009**

CASH FLOW FROM OPERATING ACTIVITIES:	
Administrative fees collected	\$ 1,300.00
Cash Payments for Services	<u>(2,154.59)</u>
Net Cash Provided by Operating Activities	(854.59)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Bond Interest Payments	(96,000.00)
Bond Principal Payments	<u>(95,000.00)</u>
Net Cash Used in Capital and Financial Activities	(191,000.00)
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest Income	<u>27,788.18</u>
Net Cash Provided by Investing Activities	27,788.18
NET INCREASE (DECREASE) IN CASH	\$ (164,066.41)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>1,134,401.29</u>
CASH AND EQUIVALENTS AT END OF YEAR	<u><u>\$ 970,334.88</u></u>
RECONCILIATION OF OPERATION INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating Income (Loss)	\$ (854.59)
ADJUSTMENTS TO RECONCILE NET INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Total Adjustments	<u>.00</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u><u>\$ 854.59</u></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, 2009**

	Fund Balance (Unrestricted)	Fund Balance (Restricted)	Fund Balance (Arbitrage)	Total Fund Balance
Balance – Beginning of Year	\$ (459,774.24)	\$ (5,824.47)	\$ (474,213.74)	\$ (939,812.45)
Reclassify Balance	(5,824.47)	5,824.47	.00	.00
Change in Fund Balance	(69,066.41)	.00	(68,223.86)	(137,290.27)
Balance – End of Year	\$ (534,665.12)	\$.00	\$ (542,437.60)	\$ (1,077,102.72)

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, 2009**

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, 2009, the cash accounts of Blaine County Industrial Authority totaled \$970,334.88 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
	\$2,000,000	\$ 0	\$1,695,300	\$3,695,300

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, discussions and plans were being made to call the bonds at the earliest opportunity, which will be July 1, 2010.

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 fiscal year, the Trust has met with the bond attorney to determine a plan of action to call in the Holleytex Bonds (see Note 5). Negative arbitrage (difference between the bond payable and cash available to pay off bonds) has been incurred in prior years without accrual, but the Board will be able to call bonds on July 1, 2010, therefore, the liability has become probable. The estimate has been calculated as follows:

Cash in Bank 6/30/09 (from Bond proceeds)	\$	962,562.40
Bond Payable 6/30/09	\$	<u>(1,505,000.00)</u>
Negative Arbitrage	\$	(542,437.60)

NOTE 6 – SINKING FUND

The Prestige Cedar note was completely paid off on July 1, 2009, and all advalorem taxes have been collected by the County Treasurer. All proceeds from the sinking fund have been closed to the general fund; therefore, no restriction on fund balance applies to the Authority.



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

I have audited the basic financial statements of Blaine County Industrial Authority, a public trust as of and for the year ended June 30, 2009, and have issued my report thereon dated June 29, 2010. However, the Authority did not present the Management's Discussion and Analysis required by generally accepted accounting principles. I conducted my 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 my audit, I considered Blaine County Industrial Authority's internal control over financial reporting as a basis for designing my auditing procedures 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 Blaine County Industrial Authority's control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Blaine County Industrial Authority's internal control over financial reporting.

A deficiency in internal control exists when the design or operations 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 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 financial statements of the entity will not be prevented or detected on a timely basis.

My consideration of the 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. I did not identify any deficiencies that I consider to be material weakness, as defined above. However, I identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that I consider to be significant deficiencies in internal control over financial reporting (2009-01). A significant deficiency is a deficiency, or 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.

Blaine County Industrial Authority's response to the findings identified in my audit is described in the accompanying schedule of findings and questions costs. I did not audit Blaine County Industrial Authority's response and, accordingly, I express no opinion on it.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether Blaine County Industrial Authority's financial statements are free of 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*.

This report is intended solely for the information and use of the Board of Directors and management, and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.


Linda S. Woodruff, CPA, P.C.

Watonga, OK 73772
June 29, 2010