

*Independent Auditor's Report*

***Caddo County Industrial Authority***

*Year Ending June 30, 2011*

# CADDO COUNTY INDUSTRIAL AUTHORITY

June 30, 2011

## TABLE OF CONTENTS

### Page

Independent Auditor's Report A - 1

### **Basic Financial Statements**

Statement of Net Assets - Modified Cash Basis B - 1

Statement of Revenues, Expenses and Changes in Net Assets - Modified Cash Basis B - 2

Statement of Cash Flows - Modified Cash Basis B - 3

Notes to Basic Financial Statements C - 1

### **Other Supplementary Information**

Independent Auditor's 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 D - 1

Schedule of Findings and Responses E - 1

Disposition of Prior Year Audit Findings F - 1

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Caddo County Industrial Authority  
Anadarko, Oklahoma 73005

We have audited the accompanying financial statements of the business-type activities and major fund of the **Caddo County Industrial Authority** as of and for the year ended June 30, 2011, 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. 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 the 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 significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

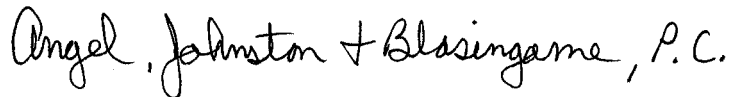
As discussed in Note 1, the Caddo County Industrial Authority prepares its financial statements on the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position-modified cash basis of the business-type activities and major fund of Caddo County Industrial Authority as of June 30, 2011, and the respective changes in financial position-modified cash basis and cash flows, thereof for the year then ended in conformity with the modified cash basis of accounting described in Note 1.

Caddo County Industrial Authority  
March 9, 2012

In accordance with *Government Auditing Standards*, we have also issued a report dated March 9, 2012 on our consideration of the Authority's internal control over financial reporting and 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 Caddo County Industrial Authority has not presented the Management's Discussion and Analysis and budgetary information which the Governmental Accounting Standards Board (GASB) has determined is necessary to supplement, although not required to be a part of the basic financial statements.



Angel, Johnston & Blasingame, P.C.  
Certified Public Accountants

Chickasha, Oklahoma  
March 9, 2012

**Caddo County Industrial Authority**  
**Statement of Net Assets - Modified Cash Basis**  
**June 30, 2011**

	Business-Type Activities
<b><u>ASSETS</u></b>	
Current Assets:	
Cash and Cash Equivalents	\$ 30,937
Certificate of Deposit 10973 First State Bank	60,303
Certificate of Deposit 10974 First State Bank	60,303
Certificate of Deposit 11534 First State Bank	53,759
Certificate of Deposit 20298 Anadarko Bank & Trust	95,000
Certificate of Deposit 20432 Anadarko Bank & Trust	98,627
Certificate of Deposit 20466 Anadarko Bank & Trust	50,000
Certificate of Deposit 19307 Farmer's Bank	75,000
Certificate of Deposit 19413 Farmer's Bank	70,000
Certificate of Deposit 19453 Farmer's Bank	95,000
<i>Total Current Assets</i>	688,929
Other Current Assets:	
Current Portion Mortgage Receivable - Carter	0
<i>Total Other Current Assets</i>	0
Noncurrent Assets:	
Mortgage Receivable - Carter	64,892
Mortgage Receivable - Liebscher	51,000
<i>Total Noncurrent Assets</i>	115,892
<i>Total Assets</i>	804,821
<b><u>LIABILITIES</u></b>	
<i>Total Liabilities</i>	-
<b><u>NET ASSETS</u></b>	
Unrestricted	804,821
<i>Total Net Assets</i>	\$ 804,821

The accompanying notes are an integral part to the financial statements.

**Caddo County Industrial Authority**  
**Statement of Revenues, Expenses, and Changes in Net Assets**  
**Modified Cash Basis**  
**Enterprise Fund**  
**For the Year Ending June 30, 2011**

<b>Operating Revenues</b>	
Other Income	\$ -
<i>Total Operating Revenues</i>	-
 <b>Operating Expenses</b>	
Accounting Services	3,411
Assurance Bond	100
Postage	14
Supplies	10
Travel	143
<i>Total Operating Expenses</i>	3,678
<i>Operating Income (Loss)</i>	(3,678)
 <b>Non-Operating Revenues (Expenses)</b>	
Investment Income	17,753
<i>Total Non-Operating Revenues (Expenses)</i>	17,753
<i>Income (Loss) Before Transfers</i>	14,075
Transfers In (Out)	-
<i>Net Income (Loss)</i>	14,075
<i>Net Assets - Beginning of Year</i>	790,746
 <i>Net Assets - End of Year</i>	\$ 804,821

The accompanying notes are an integral part of the financial statements.

**Caddo County Industrial Authority**  
**Statement of Cash Flows - Modified Cash Basis**  
**Enterprise Fund**  
**For the Year Ending June 30, 2011**

**Cash Flows from Operating Activities:**

Payments to Suppliers	\$ (3,678)
<i>Net Cash Provided by (used for) Operating Activities</i>	(3,678)

**Cash Flows from Noncapital Financing Activities:**

Transfers from other funds	-
<i>Net Cash Provided by (used for) Noncapital Financing Activities</i>	-

**Cash Flows from Capital and Related Financing Activities:**

Mortgage Receivable - Carter	7,562
<i>Net Cash Provided by (used for) Capital and Related Financing Activities</i>	7,562

**Cash Flows from Investing Activities:**

Interest Received	17,753
<i>Net Cash Provided by (used for) Investing Activities</i>	17,753

*Net Increase (Decrease) in Cash and Investments* 21,637

*Cash and Investments - Beginning of Year* 667,292

*Cash and Investments - End of Year* \$ 688,929

**Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:**

Operating income (loss)	\$ (3,678)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Other Adjustments	-

*Net Cash Provided by (used for) Operating Activities* \$ (3,678)

The accompanying notes are an integral part of the financial statements.

**CADDO COUNTY INDUSTRIAL AUTHORITY**  
**Anadarko, Oklahoma**  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2011

**Note 1 – Summary of Significant Accounting Policies**

The Caddo County Industrial Authority (The Authority), Anadarko, Oklahoma is a public trust established under the laws of the state of Oklahoma. The Authority complies with accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units with a change for the modified cash basis. Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent that they are applicable, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this note.

**A. Financial Reporting Entity**

In order to further the industrial development of Caddo County, Oklahoma, Caddo County Industrial Authority is established to issue bonds and obtain commercial bank financing to provide a portion of the funds for acquisition and construction of industrial buildings and equipment. These obligations are assigned to other lenders. The security for the bonds is the property financed, supported by an obligation of the county to levy tax annually in an amount not to exceed five (5) mills. The bonds are issued under Article X, Section 35, of the Oklahoma Constitution. The rent payments to be received from the users are intended to be sufficient to avoid an annual tax levy to pay the bonds.

The Authority generally does not acquire any assets or incur any liability when it issues and finances bonds and notes for eligible entities. It may earn and collect administrative fees. However, they must be informed of the unpaid balances.

**Related Organizations**

The Authority is related to Caddo County, Oklahoma, as their primary beneficiary.

**B. Basis of Presentation**

Government Wide Financial Statements

The Statement of Net Assets and Statement of Revenues, Expenses and Changes in Net Assets display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. These type of statements generally distinguish between governmental and business-type activities. However, all the



**CADDO COUNTY INDUSTRIAL AUTHORITY**  
**Anadarko, Oklahoma**  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2011

**Note 1 – Summary of Significant Accounting Policies, (continued)**

**B. Basis of Presentation, (continued)**

activities of the Authority are business-type activities. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

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, are comprised of each fund's assets, liabilities, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements. The funds of the financial reporting entity are described below:

**Proprietary Funds**

- 1. Enterprise Funds** - Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses) of providing goods or services to the general public on a continuing basis are financed or recovered primarily through user charges. The reporting entity has only one enterprise fund.

**C. Measurement Focus and Basis of Accounting**

Measurement focus refers to how transactions are recorded within the various financial statements. Basis of accounting refers to when transactions are recorded regardless of the measurement focus applied.

The accompanying Statement of Net Assets and Combining Statement of Revenue, Expenses, and Changes in Net Assets reflects the modified cash basis of accounting. This basis recognizes assets, liabilities, net assets/fund equity and expenditures/expenses when they result from cash transactions with modifications for notes receivable. This basis is a comprehensive basis of accounting other than generally accepted accounting principles in the United States of America.

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods and services received but not yet paid, and accrued

**CADDO COUNTY INDUSTRIAL AUTHORITY**  
**Anadarko, Oklahoma**  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2011

**Note 1 – Summary of Significant Accounting Policies, (continued)**

**C. Measurement Focus and Basis of Accounting, (continued)**

expenses and liabilities except as noted above) *are not recorded* in these financial statements.

If the Authority utilized accrual basis of accounting, which is generally accepted, the revenues would be recognized when earned and expenses would be recorded when the liability was incurred.

**D. Assets, Liabilities and Equity**

Cash and Cash Equivalents

For the purpose of the statement of cash flows, the Authority considers all cash on hand, demand deposits, interest bearing checking accounts, time deposit accounts and highly liquid investments, with an original maturity of three months or less when purchased, to be cash and cash equivalents.

Certificates of Deposit

Certificates of deposit with maturities greater than three months.

Mortgage Receivable

The Carter mortgage receivable consists of a promissory note with a mortgage on real property as described in note 4.

The Liebscher mortgage receivable consists of a promissory note with a mortgage on real property as described in note 4.

Capital Assets

Capital assets acquired are to be capitalized and stated at cost. The Authority currently does not have any capital assets. If any capital assets were to exist, depreciation of exhaustible capital assets would be recorded as an expense against operations and accumulated depreciation reported on the enterprise funds balance sheet. Depreciation would also be provided over the estimated useful lives using the straight-line method of depreciation.

**CADDO COUNTY INDUSTRIAL AUTHORITY**  
**Anadarko, Oklahoma**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2011

**Note 1 – Summary of Significant Accounting Policies, (continued)**

**D. Assets, Liabilities and Equity, (continued)**

Equity Classifications

Equity is classified as net assets and displayed in two components:

Restricted net assets  
Unrestricted net assets

**E. Revenues, Expenditures and Expenses**

Operating revenues and expenses of the proprietary fund are those that result from providing services and producing and delivering goods and/or services. Non-operating revenues and expenses are related to capital and noncapital related financing, or investing activities.

Interfund Activity

Transfers are the flow of assets from one fund to another where repayment is not expected and is reported as transfers in and out.

**F. Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Note 2 - Detailed Notes on Transactions, Classes/Accounts**

**A. Investments, Deposits, and Collateral**

Deposits

The Authority's cash deposits at June 30, 2011 are categorized to give an indication of the level of risk assumed by the Authority at year-end as follows:

- (A) Insured or collateralized with securities held by the Authority or by its agent in the Authority's name.
- (B) Uninsured but collateralized with securities held by the pledging financial institution's trust department or agent in the Authority's name.

**CADDO COUNTY INDUSTRIAL AUTHORITY**  
**Anadarko, Oklahoma**  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2011

**Note 2 - Detailed Notes on Transactions, Classes/Accounts, (continued)**

**A. Investments, Deposits, and Collateral, (continued)**

(C) Uninsured and uncollateralized.

	Category (A)	Category (B)	Category (C)
Cash & Investments	688,929	0	0
Total	688,929	0	0

**Note 3 – Industrial Facilities and Capital Assets**

In 1989 the Authority assisted in the financing arrangements for the construction of an industrial facility to be leased and operated by Southwestern Premier Foods, Inc. After 1992 no lease payments were received. After default of financing and lease agreement the Authority retained title to this building.

The Authority does not own the land the building is on, but had a nominal renewable 99-year lease on the property.

On April 18, 2008, the Authority entered into a purchase agreement with Western Farmer’s Electric Cooperative and sold the building for the sum of \$400,000. The termination of the ground lease was approved on March 11, 2008. As of June 30, 2011, the Authority does not own any capital assets.

**Note 4 – Mortgage Receivable**

**Carter** - In May 2004, the Authority entered in to a mortgage agreement with Carter Machine Works. The note is secured by real property held by the mortgagee in Caddo County. The terms of the note are; principal of \$80,000 with an interest rate of 5% per annum, repayment of note to be in 66 equal monthly installments of principal and interest totaling \$1,302.07, with the first payment due in November, 2005 and the final payment of \$1,302.07 due April, 2011. Nine equal payments were received prior to the start of the current amortization schedule of \$1,172.26 for a total of \$10,550.34 of which \$4,864.90 was applied to principal and \$5,685.44 was applied to interest. An additional payment of \$1,172.26 and two payments of \$1,302.07 were received after the start of the current amortization schedule. Of this, \$790.25 was applied to interest and \$2,986.15 was applied to principal leaving a mortgage receivable balance of \$79,148.95 as of June 30, 2006. Two equal payments of \$1,000.00 were received in March and April of 2007; both were applied to interest.

**CADDO COUNTY INDUSTRIAL AUTHORITY**  
**Anadarko, Oklahoma**  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2011

**Note 4 – Mortgage Receivable, (continued)**

From June 30, 2007 to January 30, 2008 four payments were received totaling \$1,875, all of which were applied to interest. Carter Machine Works then entered into bankruptcy proceedings. On May 14, 2008 the Carter Bankruptcy mortgage was reaffirmed at a renewal principal amount of \$82,148.95 with an allowance of \$5,639.65 in interest for a total principal of \$87,788.60. The interest rate remains at 5% per annum. Repayment of the note is to be made over 10 years resulting in 120 equal monthly installments of principal and interest totaling \$953.76. The first payment was due June 14, 2008. The balance of the mortgage receivable at June 30, 2011 was \$64,891.65.

**Liebscher** – On May 6, 2010 the Authority entered in to a mortgage agreement with Loren L. Liebscher and Kimberly Kay Liebscher, husband and wife. The note is secured by real property held by the mortgagee in Caddo County. The terms of the note are; principal of \$51,000 with an interest rate of 3% per annum, repayment of note to be in 61 equal monthly installments of principal and interest totaling \$916.40, with the first payment due on or before the 1<sup>st</sup> day of November, 2011 and the final payment of \$918.64 due on or before the 1<sup>st</sup> day of November, 2016. If default occurs, the unpaid principal balance will have an interest rate of 18% per annum. The balance of the mortgage receivable at June 30, 2011 was \$51,000.00.

**Note 5-Contingencies**

On February 12, 2008, the Authority approved the establishment of a grant fund of up to \$12,000 for the Johnny Bench Baseball Museum of Binger, Oklahoma. As of June 30 2011, \$3,837 had been drawn on the grant leaving a designated contingency of \$8,163. This grant is non-interest bearing and is not required to be repaid to the Authority.

**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 Directors  
Caddo County Industrial Authority  
Anadarko, Oklahoma

We have audited the accompanying modified cash basis financial statements of the business-type activities and major fund of the **Caddo County Industrial Authority** as of and for the year ended June 30, 2011, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated March 9, 2012. The report was a special report on the Authority's use of a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The Management Discussion and Analysis is not presented as required by the Governmental Accounting Standards Board. 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 Caddo County Industrial Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, and 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 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 Authority's financial statements will not be prevented, or detected and corrected on a timely basis.

Caddo County Industrial Authority  
March 9, 2012

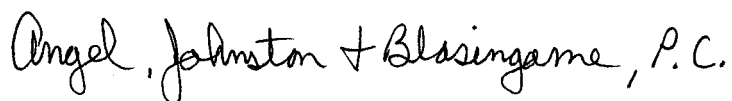
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, we did identify certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies in internal control over financial reporting. 11-01. 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.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Caddo 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*.

The Authority's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the Authority's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the board, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Angel, Johnston & Blasingame, P.C.  
Certified Public Accountants

Chickasha, Oklahoma  
March 9, 2012

**Caddo County Industrial Authority**  
Schedule of Findings and Responses  
June 30, 2011

11 – 01 Criteria – Current and valid account and CD numbers should be reported on the financial statements.

Condition – CD account titles on the balance sheet and general ledger have not been updated to indicate current account numbers. It appears that CD 18872 at Farmer’s Bank matured and rolled over to CD 19162 during the 08-09 year. CD 19162 then matured and rolled over to CD 19453 during the 09-10 year. This information was not updated on the balance sheet or general ledger.

Cause – Lack of appropriately designed reporting procedures.

Effect – There is more than a low risk that error or irregularities may occur and not be detected within a timely period.

Recommendation – We recommend that the District ensure that the financial statements are updated as needed with current and valid account and CD numbers.

Management’s Response – Management agrees.



**Caddo County Industrial Authority**  
Disposition of Prior Year Audit Findings  
June 30, 2011

10 – 01 Finding – Current and valid account and CD numbers should be reported on the financial statements. CD account titles on the balance sheet and general ledger have not been updated to indicate current account numbers. It appears that CD 18872 at Farmer’s Bank matured and rolled over to CD 19162 during the 08-09 year. CD 19162 then matured and rolled over to CD 19453 during the current year. This information was not updated on the balance sheet or general ledger.

Recommendation – We recommend that the District ensure that the financial statements are updated as needed with current and valid account and CD numbers.

Disposition – *\*This continues to be a finding.*