

CADDO COUNTY INDUSTRIAL AUTHORITY

June 30, 2013

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying modified cash basis financial statements of the business-type activities of the Caddo County Industrial Authority, Caddo County, Oklahoma, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Authority's basic 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 the modified cash basis of accounting described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for preparation of the financial statements in the circumstances. Management is also responsible for 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 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 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 Authority'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 Authority'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 respective modified cash basis financial position of the Caddo County Industrial Authority as of June 30, 2013, and the respective changes in modified cash basis financial position and cash flows thereof for the year then ended in accordance with the modified cash basis of accounting described in Note 1.

Other Matters

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The combining financial statements are presented for the purposes of additional analysis and are not a required part of the basic financial statements.

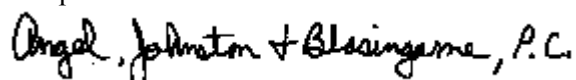
The combining financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole on the basis of accounting described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 14, 2015, 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 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 the Authority's internal control over financial reporting and compliance.



Angel, Johnston & Blasingame, P.C.

January 14, 2015

Caddo County Industrial Authority
Statement of Net Position - Modified Cash Basis
June 30, 2013

Assets

Current Assets:

Cash and Cash Equivalents	\$	38,063
Certificate of Deposit 10973 First State Bank		62,139
Certificate of Deposit 10974 First State Bank		62,139
Certificate of Deposit 11534 First State Bank		54,957
Certificate of Deposit 20298 Anadarko Bank & Trust		95,000
Certificate of Deposit 20432 Anadarko Bank & Trust		101,427
Certificate of Deposit 20466 Anadarko Bank & Trust		50,000
Certificate of Deposit 28170 Washita Valley Bank		75,000
Certificate of Deposit 28171 Washita Valley Bank		95,000
Certificate of Deposit 19800 Farmer's Bank		70,000
<i>Total Current Assets</i>		<u>703,725</u>

Other Current Assets:

Current Portion Mortgage Receivable - Carter	16,244
Current Portion Mortgage Receivable - Liebscher	9,748
<i>Total Other Current Assets</i>	<u>25,992</u>

Noncurrent Assets:

Mortgage Receivable - Carter	37,362
Mortgage Receivable - Liebscher	30,555
<i>Total Noncurrent Assets</i>	<u>67,917</u>

Total Assets 797,634

Liabilities

Total Liabilities -

Net Position

Invested in Capital Assets Net of Related Debt	-
Restricted	-
Unrestricted	797,634
<i>Total Net Position</i>	<u>\$ 797,634</u>

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

Caddo County Industrial Authority
Statement of Revenues, Expenses, and Changes in Net Position
Modified Cash Basis
Enterprise Fund
For the Year Ending June 30, 2013

Operating Revenues	
Other Income	\$ -
<i>Total Operating Revenues</i>	<u>-</u>
 Operating Expenses	
Accounting Services	890
Assurance Bond	100
Caddo/Kiowa Tech Ctr	25,000
Legal & Professional Fees	3,125
Office Expense	43
Rent	10
Supplies	44
<i>Total Operating Expenses</i>	<u>29,212</u>
<i>Operating Income (Loss)</i>	<u>(29,212)</u>
 Non-Operating Revenues (Expenses)	
Investment Income	12,310
<i>Total Non-Operating Revenues (Expenses)</i>	<u>12,310</u>
<i>Income (Loss) Before Transfers</i>	(16,902)
Transfers In (Out)	<u>-</u>
<i>Change in Net Position</i>	(16,902)
<i>Net Position - Beginning of Year</i>	<u>814,536</u>
 <i>Net Position - End of Year</i>	 <u>\$ <u>797,634</u></u>

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, 2013

Cash Flows from Operating Activities:

Payments to Suppliers	\$ (29,212)
<i>Net Cash Provided by (used for) Operating Activities</i>	<u>(29,212)</u>

Cash Flows from Noncapital Financing Activities:

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

Cash Flows from Capital and Related Financing Activities:

Mortgage Receivable - Carter	4,864
Mortgage Receivable - Liebscher	7,159
<i>Net Cash Provided by (used for) Capital and Related Financing Activities</i>	<u>12,023</u>

Cash Flows from Investing Activities:

Interest Received	<u>12,310</u>
<i>Net Cash Provided by (used for) Investing Activities</i>	<u>12,310</u>

Net Increase (Decrease) in Cash and Investments (4,879)

Cash and Investments - Beginning of Year 708,604

Cash and Investments - End of Year \$ 703,725

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

Operating income (loss)	\$ (29,212)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Other Adjustments	<u>-</u>
<i>Net Cash Provided by (used for) Operating Activities</i>	<u>\$ (29,212)</u>

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

CADDO COUNTY INDUSTRIAL AUTHORITY
Anadarko, Oklahoma
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

Note 1 – Summary of Significant Accounting Policies

As discussed further in Note 1.C., these financial statements are presented on the modified cash basis of accounting. The modified cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Government Accounting Standards Board (GASB) pronouncements. 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.

The accompanying financial statements include all functions and activities over which the Authority exercises financial accountability. Caddo County Industrial Authority is a component unit of the governmental entity of Caddo County, Oklahoma. Caddo County's financial information is not presented in these financial statements. Caddo County financial audits are readily obtainable at, www.sai.ok.gov, the State Auditor's website.

B. Basis of Presentation

The Authority's fund is an enterprise fund. Enterprise funds are proprietary funds used to account for business-like activities provided to the general public. All the activities of the Authority are business type activities. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector.

CADDO COUNTY INDUSTRIAL AUTHORITY
Anadarko, Oklahoma
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

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 Position and Combining Statement of Revenue, Expenses, and Changes in Net Position reflects the modified cash basis of accounting. This basis recognizes assets, liabilities, net position 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 expenses and liabilities except as noted above) *are not recorded* in these financial statements.

If the Authority utilized the basis of accounting recognized as generally accepted, the financial statements would use the accrual basis of accounting. In other words, revenue would be recognized when earned and expenses would be recorded when the liability is incurred or economic asset used.

D. Assets, Liabilities and Net Position

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.

CADDO COUNTY INDUSTRIAL AUTHORITY
Anadarko, Oklahoma
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

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

D. Assets, Liabilities and Net Position, (continued)

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.

Net Position – Net position is divided into three components:

- a. *Net Investment in Capital Assets* – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributed to the acquisition, construction, or improvements of those assets.
- b. *Restricted net position* – Consists of net assets with constraints placed on the use either by 1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or 2) law through constitutional provisions or enabling legislation.
- c. *Unrestricted net position* – All other net assets that do not meet the definition of “restricted” or “net investment in capital assets.”

It is the Authority’s policy to first use restricted net position prior to the use of unrestricted net position when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

E. Revenues 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.

Note 2 - Detailed Notes on Transactions, Classes/Accounts

A. Investments, Deposits, and Collateral

Deposits - The Authority’s cash deposits at June 30, 2013 are categorized to give an indication of the level of risk assumed by the Authority at year-end as follows:

CADDO COUNTY INDUSTRIAL AUTHORITY
Anadarko, Oklahoma
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

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

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

- (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.
- (C) Uninsured and uncollateralized.

	Category (A)	Category (B)	Category (C)
Cash & Investments	703,725	0	0
Total	703,725	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, 2013, the Authority does not own any capital assets.

CADDO COUNTY INDUSTRIAL AUTHORITY

Anadarko, Oklahoma

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

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.

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, 2013 was \$53,606.19.

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 1st day of November, 2011 and the final payment of \$918.64 due on or before the 1st 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, 2013 was \$40,302.98.

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 2013, \$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.

**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**

Board of Directors
Caddo County Industrial Authority
Anadarko, 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 accompanying modified cash basis financial statements of Caddo County Industrial Authority, Anadarko, Oklahoma, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated, January 14, 2015.

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 State of America.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Caddo County Industrial 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 Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 Authority'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.

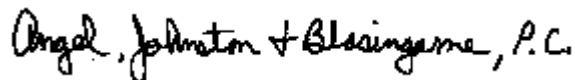
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

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*.

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 the *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Angel, Johnston & Blasingame, P.C.
January 14, 2015