

# **CADDO COUNTY INDUSTRIAL AUTHORITY**

**(A COMPONENT UNIT of CADDO COUNTY, OKLAHOMA)**

## **ANNUAL FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORTS**

**FOR THE YEAR ENDED JUNE 30, 2021**

**MICHAEL W. GREEN**  
**Certified Public Accountant**  
827 W Locust  
Stilwell, Ok. 74960  
(918) 696-6298

CADDO COUNTY INDUSTRIAL AUTHORITY  
(A Component Unit of Caddo County, Oklahoma)  
TABLE OF CONTENTS  
June 30, 2021

TABLE OF CONTENTS

Independent Auditor's Report	1
Financial Statements	
Statement of Net Position - Modified Cash Basis	3
Statement of Revenue, Expenses and Change in Net Position - Modified Cash Basis	4
Statement of Cash Flows - Modified Cash Basis	5
Notes to the Financial Statements	6
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financials Statements Performed in Accordance with Government Auditing Standards	10
Schedule of Findings & Responses	12

**MICHAEL W. GREEN**  
***Certified Public Accountant***

827 W. Locust St.  
Stilwell, Ok. 74960  
(918) 696-6298

**INDEPENDENT AUDITOR'S REPORT**

Board of Trustees  
Caddo County Industrial Authority

**Report on the Audit of the Financial Statements**

I have audited the accompanying modified cash basis financial statements of the Caddo County Industrial Authority (the Authority), a component unit of Caddo County, Oklahoma, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In my opinion, the financial statements referred to above present fairly, in all material respects, the modified cash basis financial position of the Authority as of June 30, 2021, and the changes in its modified cash basis financial position, and, where applicable, cash flows thereof, for the year then ended in accordance with the basis of accounting described in Note 1.

***Basis for Opinions***

I conducted my audit in accordance with the 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. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of the Authority and to meet my other ethical responsibilities, in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinions.

***Emphasis of Matter***

As discussed in Note 1, the financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles general accepted in the United States of America. My opinion is not modified with respect to this matter.

***Responsibility of Management 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 as described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### ***Auditor's Responsibility for the Audit of the Financial Statements***

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, I:

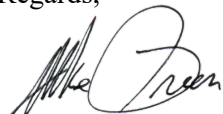
- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in my judgment, there are conditions or events considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

I am required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that I identified during the audit.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, I have also issued my report dated September 19, 2024, 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 solely 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 effectiveness of the Authority's 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.

Regards,



Michael Green, CPA  
Stilwell, OK  
September 19, 2024

CADDO COUNTY INDUSTRIAL AUTHORITY  
(A Component Unit of Caddo County, Oklahoma)  
Statement of Net Position - Modified Cash Basis  
June 30, 2021

**Assets**

Current Assets:

Cash and Cash Equivalents	\$ 57,472
Certificate of Deposits	645,061
Total Current Assets	<u>702,533</u>

Other-Current Assets:

Mortgage Receivables	85,230
Total Other-Current Assets	<u>85,230</u>

Total Assets	<u><u>\$ 787,763</u></u>
--------------	--------------------------

**Liabilities**

Current Liabilities

Total Liabilities	\$ -
-------------------	------

**Net Position**

Unrestricted	787,763
Total Net Position	<u><u>\$ 787,763</u></u>

The accompanying notes and auditor's reports are an integral part of these financial statements.

CADDO COUNTY INDUSTRIAL AUTHORITY  
(A Component Unit of Caddo County, Oklahoma)  
Statement of Revenues, Expenses and Change in Net Position - Modified Cash Basis  
June 30, 2021

Operating Revenues:	
Mortgage Interest Income	\$       -
Total Operating Revenues	<u>          -</u>
Operating Expenses:	
Accounting Services	395
Rent	12
Insurance	100
Total Operating Expenses	<u>507</u>
Operating Income (Loss)	(507)
Non-Operating Revenues (Expenses)	
Interest Income	6,771
Total Non-Operating Revenue (Expenses)	<u>6,771</u>
Change in Net Position (Loss)	6,264
Beginning Net Position	<u>781,499</u>
Ending Net Position	<u><u>\$ 787,763</u></u>

The accompanying notes and auditor's reports are an integral part of these financial statements.

CADDO COUNTY INDUSTRIAL AUTHORITY  
(A Component Unit of Caddo County, Oklahoma)  
Statement of Cash Flows - Modified Cash Basis  
June 30, 2021

**Operating Activities**

Net cash provided by operations:

Receipts from Customers	\$ -
Payment to Suppliers	(507)
<i>Net Cash Provided by Operating Activities</i>	<u>(507)</u>

**Cash Flows from Investing Activities**

Increase (Decrease) in Mortgage Receivable	-
Increase (Decrease) in CD's	(4,632)
Interest Received	6,771
<i>Net Cash Provided by (used for) Investing Activities</i>	<u>2,139</u>

**Net Increase (Decrease) in Cash** 1,632

**Cash at Beginning of Year** 55,840

**Cash at End of Year** \$ 57,472

**Reconciliation of Operating Income to Net Cash**

Operating Income (Loss)	\$ (507)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	

Other Adjustments

**Net Cash Provided by Operating Activities** \$ (507)

The accompanying notes and auditor's reports are an integral part of these financial statements.

CADDO COUNTY INDUSTRIAL AUTHORITY  
(A Component Unit of Caddo County, Oklahoma)  
Notes to the Financial Statements  
For the Year Ended June 30, 2021

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

As discussed further in Note 1.C., these financials 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 (the 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.

**Related Organization**

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](http://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. These activities are financed primarily by user charges and the measurement of financial activity focused on net income measurement similar to the private sector.

**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 Change 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 assets 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 deposit accounts, interest bearing checking accounts, time deposit accounts, and highly liquid investments, including certificates of deposit with maturities of three months or less to be cash and cash equivalents.

#### **Certificate of Deposit**

Certificate of deposit with maturities greater than three (3) 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.

#### **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 attributable to the acquisition, construction or improvement 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 or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. *Unrestricted Net Position* – All other 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 non-capital related financing or investing activities.

### **NOTE 2 - CASH, CERTIFICATE of DEPOSIT, and COLLATERAL**

Certificates of deposit of savings and loan associations, banks, trust companies when the certificates of deposit are secured by acceptable collateral as in the deposit of other public monies.

Public Trusts (Authorities) and Pension Trust Funds may invest in the above noted securities in addition to marketable equity securities.

Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. The Authority does not have a written policy for custodial risk. However, the Authority's balances did not exceed the \$250,000 FDIC level during the year.

Acct. Name	Balance 6/30/2021
<b>First State Bank</b>	
Bank Operating Acct.	\$ 57,472
Certificate of Deposit (*73)	68,421
Certificate of Deposit (*74)	68,421
	<u>194,314</u>
<b>Bank of Commerce</b>	
Certificate of Deposit (*98)	95,000
Certificate of Deposit (*32)	108,855
Certificate of Deposit (*66)	50,000
	<u>253,855</u>
<b>Washita Valley Bank</b>	
Certificate of Deposit (*70)	81,615
Certificate of Deposit (*71)	103,379
	<u>184,994</u>
<b>Farmer's Bank</b>	
Certificate of Deposit (*00)	69,370
	<u>69,370</u>
<b>Totals</b>	<u><u>\$ 702,533</u></u>

### **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, 2021, the Authority does not own any capital assets.

### **NOTE 4 - MORTGAGE RECEIVABLE**

#### **Carter**

In May 2004, the Authority entered into a mortgage agreement with Carter Machine Works. The note is secured by real property held by the mortgage 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 first (1<sup>st</sup>) payment due in November 2005 and the final payment of \$1,302.07 due April, 2011. Nine (9) equal payments were received prior to the start of the current amortization schedule of \$1,172.26 for a total of \$10,550 of which \$4,865 was applied to principal and \$5,685 was applied to interest. An additional payment of \$1,172 and two (2) payments of \$1,032 were

received after the start of the current amortization schedule. Of this, \$790 was applied to interest and \$2,986 was applied to principal leaving a mortgage receivable balance of \$79,148.95 as of June 30, 2006. Two (2) 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 (4) 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 \$82,149 with an allowance of \$5,640 in interest for a total principal amount of \$87,789. 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 \$954. The first (1<sup>st</sup>) payment was due June 14, 2008. The balance of the mortgage receivable at June 30, 2021, was \$49,864.

### **Liebscher**

On May 6, 2010 the Authority entered into a mortgage agreement with Loren L. Liebscher and Kimberly Kay Liebscher, husband and wife. The note is secured by real property held by the mortgage 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, with the first (1<sup>st</sup>) payment due on or before the 1<sup>st</sup> day of November, 2011 and the final payment of \$919 due on or before the 1<sup>st</sup> 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, 2021 was \$35,366.

### **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, 2021, \$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.

### **NOTE 6 – EVALUATION OF SUBSEQUENT EVENTS**

The Authority has evaluated subsequent events through September 19, 2024, the date which the financial statements were available to be issued.

**MICHAEL W. GREEN**  
***Certified Public Accountant***

827 W. Locust St.  
Stilwell, Ok. 74960  
(918) 696-6298

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 Trustees  
Caddo County Industrial Authority

I 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 modified cash basis financial statements of the Caddo County Industrial Authority (the Authority), a component unit of the County of Caddo, Oklahoma, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued my report thereon dated September 19, 2024. My report included an emphasis-of-matter paragraph related to the Authority's use of a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

**Report on Internal Control over Financial Reporting**

In planning and performing my audit of the financial statements, I considered the 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 my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, I 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 a 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.

My 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. I identified certain deficiencies in internal control, described in the accompanying schedule of findings and responses (2021-001 and 2021-002) that I consider to be material weaknesses.

**Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from 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 one instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses item (2021-002).

### **Authority's Response to Findings**

*Government Auditing Standards* requires the auditor to perform limited procedures on the Authority's response to the findings identified in my audit and described in the accompanying schedule of findings and responses. The Authority's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on the response.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority'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 Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Regards,

A handwritten signature in black ink, appearing to read 'Mike Green', with a stylized, cursive script.

Michael Green, CPA  
Stilwell, Oklahoma  
September 19, 2024

**Caddo County Industrial Authority**  
**Schedule of Findings & Responses**  
**June 30, 2021**

**2021-001 - Internal Controls over Financial Reporting**

*Criteria:* The segregation of duties and responsibilities between different individuals for custody of assets, record keeping for those assets, and reconciliation of those asset accounts is an important control activity needed to adequately protect the Authority's assets and ensure accurate financial reporting.

*Condition:* Presently a limited number of individuals have responsibility for all functions of financial statement reporting. These individuals have oversight responsibilities for billing and adjustments, posting of payments to subsidiary ledgers and reconciling the monthly bank statements. In addition, only limited oversight is provided over these individuals in the conduct of their daily functions.

*Cause and Effect:* The limited size and staffing resources have made it difficult for management to provide sufficient staffing to fully segregate incompatible duties in a cost-effective manner. Without sufficient segregation of duties, the risk significantly increases that errors and fraud related to the income and other billing and collection activities, including misappropriation of assets, could occur and not be detected within a timely basis.

*Recommendation:* Management and the board should consider a formal evaluation of their risks associated with this lack of duties segregation over assets. In response to the identified risks, consideration should be given to identifying and implementing compensating duties to act as controls that could help mitigate the risks associated with lack of segregation of duties, such as management performing review procedures for the reconciliation of accounts.

*Responsible Official's Response:* Management concurs with the recommendation and will strive to implement procedures and compensating duties to help mitigate the risks associated with the lack of segregation of duties.

**2021-002 - Timely Financial Statements and Audit**

*Criteria:* Title 11 O.S. § 17-105-113 and Title 60 § 180.1-.3 of the Oklahoma Statutes requires all audits to be filed with the Oklahoma Office of the State Auditor and Inspector within six months of the year end.

*Condition:* The Authority is not in compliance with State Statutes. The financial statements were not available for audit until after this deadline. These violations create potential issues with funding sources and can create a situation where management decisions are not made based on relevant financial information.

*Cause and Effect:* Inadequate control over year end closing and financial statement preparation appear to be the cause of this issue.

*Recommendation:* The year-end closing, and financial statement preparation should be completed by mid-October each year to allow adequate time to complete the audit.

*Responsible Official's Response:* Management of the Authority agree that the financial statements and annual audit should be completed within 6 months of the year end and has taken action to be in compliance.