

WOODS COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY

ANNUAL FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2011

WOODS COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY
TABLE OF CONTENTS
YEAR ENDED AUGUST 31, 2011

| | Page |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------|
| INTRODUCTORY SECTION: | |
| Table of Contents | i |
| FINANCIAL SECTION: | |
| Independent Auditor's Report | 1 |
| Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> | 2-4 |
| Financial Statements: | 5 |
| Statement of Net Assets | 6 |
| Statement of Revenues and Expenses and Changes in Net Assets | 7 |
| Statement of Cash Flows | 8 |
| Notes to Financial statements | 9-13 |

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Independent Auditor's Report

Board of Directors
Woods County Industrial Development Authority

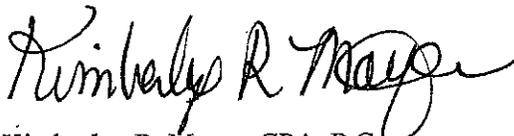
We have audited the accompanying financial statements of the of Woods County Industrial Development Authority as of August 31, 2011. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards for 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 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 statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Woods County Industrial Development Authority, as of August 31, 2011, and the changes in net assets and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated January 12, 2012 on our consideration of Woods County Industrial Development Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grants 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 read in conjunction with this report in considering the results of our audit.

Woods County Industrial Development Authority has not presented the Management's Discussion and Analysis that the Governmental Accounting Standards Board requires to supplement, although, not be a part of the basic financial statements.



Kimberlye R. Mayer, CPA, P.C.
Blackwell, Oklahoma
January 12, 2012

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
Woods County Industrial Development Authority

We have audited the financial statements of Woods County Industrial Development Authority as of and for the year ended August 31, 2011 and have issued our report thereon dated January 12, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and in *Government Auditing Standards*, issued by the Comptroller General of the United States. Woods County Industrial Development Authority has not presented the Management's Discussion and Analysis that the Governmental Accounting Standards Board requires to supplement, although, not be a part of the basic financial statements.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Woods County Industrial Development Authority's internal control over financial reporting as a basis for designing our auditing procedures 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 Woods County Industrial Development Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Woods County Industrial Development Authority's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and responses, we identified a certain deficiency in internal control over financial reporting that we consider to be material weakness.

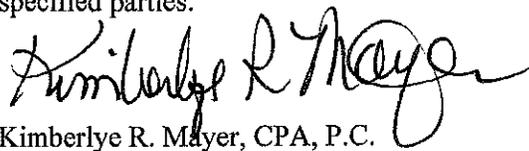
A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of control deficiencies, in internal control such that there is a reasonable possibility that a misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and responses to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Woods County Industrial Development Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 audits 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*.

Woods County Industrial Development 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 management, the board of directors, and others within the Authority and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Kimberlye R. Mayer". The signature is fluid and cursive, with a large, stylized initial "K" and "M".

Kimberlye R. Mayer, CPA, P.C.

Blackwell, Oklahoma

January 12, 2012

WOODS COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED AUGUST 31, 2011

Material Weakness Communicated In Prior Year:

Material Weakness in Internal Control Over Financial Reporting: Inadequate Segregation of Duties:

Criteria:

The segregation of duties and responsibilities between different individuals and the reconciliation of those asset accounts is an important control activity needed to adequately protect the entity's assets and ensure accurate financial reporting.

Condition:

Presently, the same individual is responsible for receiving all revenues; making and recording deposits; and maintaining notes receivable schedules. Only limited oversight is provided over this individual in the conduct of their daily functions.

Cause:

The entity's limited size has made it difficult for management to fully segregate the duties.

Effect or Potential Effect:

Without sufficient segregation of duties, the risk significantly increases that errors and/or fraud related to the water billing and collection activities, including misappropriation of assets, could occur and not be detected within a timely basis.

Recommendation:

The board should evaluate the risks associated with the lack of segregation of duties and consider implementing controls that could mitigate these risks.

Board's Response:

The board has concluded that due to the limited number of personnel, an adequate segregation of duties is not achievable and that the cost of correcting the weakness would exceed the benefits that would be derived from it.

FINANCIAL STATEMENTS

AND

NOTES

WOODS COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY
STATEMENT OF NET ASSETS
AUGUST 31, 2011

ASSETS

| | |
|-------------------------------------------------------------------|--------------|
| Current Assets: | |
| Cash and cash equivalents (Note 2) | \$ 27,702 |
| Certificates of deposit | 42,214 |
| Accounts receivable | 15,450 |
| Interest receivable | 2,069 |
| Prepaid insurance | 2,272 |
| Notes receivable, current portion (Note 4) | 74,340 |
| Total Current Assets | 164,047 |
| Notes receivable (Note 4) | 763,937 |
| Trust funds | 737,624 |
| Property and equipment (net of accumulated depreciation) (Note 3) | 460,344 |
| Construction in progress | 21,527 |
| Total Assets | \$ 2,147,479 |

LIABILITIES AND NET ASSETS

| | |
|-------------------------------------------------|--------------|
| Current Liabilities: | |
| Accounts payable | \$ 2,475 |
| Notes payable (current portion) (Note 5) | 62,340 |
| Total Current Liabilities | 64,815 |
| Non-current Liabilities: | |
| Notes payable, long term (Note 5) | 710,937 |
| Total Non-current Liabilities | 710,937 |
| Total Liabilities | 775,752 |
| Net Assets: | |
| Invested in capital assets, net of related debt | 481,871 |
| Restricted for endowment fund | 450,000 |
| Unrestricted | 439,856 |
| Total Net Assets | 1,371,727 |
| Total Liabilities and Net Assets | \$ 2,147,479 |

The accompanying report and notes are an integral part of these financial statements.

WOODS COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY
STATEMENT OF REVENUES AND EXPENSES AND CHANGES IN NET ASSETS
YEAR ENDED AUGUST 31, 2011

| | |
|----------------------------------|--------------|
| Operating Revenue: | |
| Donations | \$ 34,074 |
| Restricted donations | 56,534 |
| Program income and grants | 38,048 |
| Interest income | 37,390 |
| Grant income | 299,999 |
| Total Operating Revenue | 466,045 |
| | |
| Operating Expense: | |
| Payroll contract | 52,999 |
| Development fees | 785 |
| Office and postage | 1,585 |
| Insurance | 2,930 |
| Land lease | 778 |
| Professional fees | 2,475 |
| Travel expenses | 5,334 |
| Telephone | 2,638 |
| Tourism center | 3,866 |
| Depreciation | 10,717 |
| Interest expense | 34,838 |
| Other expense | 303 |
| Total Operating Expense | 119,248 |
| | |
| Income (Loss) From Operations | 346,797 |
| | |
| Non-operating Revenue (Expense): | |
| Interest on investments | 8,608 |
| | |
| Change in Net Assets | 355,405 |
| | |
| Net Assets, beginning of year | 1,016,322 |
| | |
| Net Assets, end of year | \$ 1,371,727 |

The accompanying report and notes are an integral part of these financial statements.

WOODS COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY
STATEMENT OF CASH FLOWS
YEAR ENDED AUGUST 31, 2011

| | |
|-------------------------------------------------------------------------------------------------------------|--------------------------|
| Cash Flows From Operating Activities: | |
| Other operating cash receipts | \$ 528,814 |
| Cash payments to suppliers for goods and services | <u>(109,543)</u> |
| Net cash provided (used) by operating activities | 419,271 |
| Cash flows from non-capital financing activities: | |
| Cash flows from capital and related financing activities: | |
| Acquisition and construction of capital assets | (182,500) |
| Principal paid on notes | <u>(50,755)</u> |
| Net cash provided (used) by financing activities | (233,255) |
| Cash flows from investing activities: | |
| Interest income | 8,608 |
| (Increase) decrease in Certificates of Deposit | 5,552 |
| (Increase) decrease in restricted accounts | <u>(209,318)</u> |
| Net cash provided (used) by investing activities | <u>(195,158)</u> |
| Net increase (decrease) in cash and cash equivalents | (9,142) |
| Beginning cash and cash equivalents | <u>36,844</u> |
| Ending cash and cash equivalents | <u><u>\$ 27,702</u></u> |
| Reconciliation of income (loss) from operations to net cash provided (used) by operating activities: | |
| Income (Loss) from operations | \$ 346,797 |
| Adjustments to reconcile income (loss) from operations to net cash provided (used) by operating activities: | |
| Depreciation | 10,717 |
| Changes in assets and liabilities: | |
| (Increase) decrease in receivables | 62,769 |
| (Increase) decrease in prepaids | |
| Increase (decrease) in payables | <u>(1,012)</u> |
| Net cash provided (used) by operating activities | <u><u>\$ 419,271</u></u> |

The accompanying report and notes are an integral part of these financial statements.

WOODS COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Nature of Organization

Woods County Industrial Development Authority was created under the provisions of Title 60 of the Oklahoma Statutes, 1981, the Oklahoma Trust Act, and the laws of the State of Oklahoma. The purpose of this trust is to promote the development of industrial, manufacturing, cultural, and educational activities within and without the territorial limits of Woods County, Oklahoma, and to provide industrial and cultural facilities and additional employment and activities which will benefit and strengthen the culture and economy of Woods County, Oklahoma.

The Authority is governed by an elected Board of Trustees that acts as the authoritative and legislative body of the entity.

Basis of Accounting

The accounting policies of Woods County Industrial Development Authority conform to the basic principles of governmental accounting and financial reporting set forth by the Governmental Accounting Standards Board.

The Authority is classified as an Enterprise Fund. The costs of providing services to the public are financed mainly through user charges. The financial statements of the Authority have been prepared using the accrual basis of accounting. Their revenues are recognized when they are earned and their expenses are recognized when they are incurred.

Cash and Deposits

Cash is maintained in financial institutions, which provide coverage to depositors through the Federal Deposit Insurance Corporation.

The State of Oklahoma allows government entities to invest in the following: direct obligations of the United States Government, its agencies or instrumentalities; collateralized or insured certificates of deposit; insured savings accounts or savings certificates; or county, municipal or school district direct debt.

Income Taxes

As provided in Title 60, Oklahoma Statutes, Woods County Industrial Development Authority is a tax-exempt public trust; consequently, no provision as been made for income taxes.

Restricted Assets

Restricted funds are monies, whose use is limited by legal requirements, or restricted by grantor.

WOODS COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY
 NOTES TO FINANCIAL STATEMENTS
 YEAR ENDED AUGUST 31, 2011

Net Assets

Net assets present the difference between assets and liabilities in the statement of net assets. Net assets invested in capital assets are reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are legal limitations imposed on their use by Authority legislation or external restrictions by creditors, grantors, laws or regulations of other governments.

NOTE 2 – CASH AND CASH EQUIVALENTS:

The Authority considers all checking and certificates of deposit with a maturity of three months or less to be cash equivalents.

NOTE 3 – PROPERTY AND EQUIPMENT:

Depreciable assets are recorded at cost when purchased or constructed. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not. Depreciation is calculated on a straight-line basis over the estimated useful lives of the depreciable assets. Total depreciation for the year ended August 31, 2011 was \$10,717. The following is a summary by category of changes in property and equipment:

| <u>Category</u> | <u>8/31/10</u> | <u>Additions</u> | <u>Deletions</u> | <u>8/31/11</u> |
|----------------------------|-------------------|-------------------|------------------|-------------------|
| Land and easements | \$ 31,000 | \$ | \$ | \$ 31,000 |
| Buildings and improvements | 272,968 | 191,733 | | 464,701 |
| Equipment | 3,118 | | | 3,118 |
| Website development | 7,025 | | | 7,025 |
| Accumulated depreciation | (34,783) | (10,717) | | (45,500) |
| Net | <u>\$ 279,328</u> | <u>\$ 181,016</u> | <u>\$</u> | <u>\$ 460,344</u> |

NOTE 4 – NOTES RECEIVABLE:

The Authority has extended a line of credit to Barton Investment Group Manufacturing, LLC for \$100,000. This line of credit carries an interest rate of 3 ½% and matures December 12, 2009. This line of credit was transferred to a promissory note dated November 16, 2009 and maturing December 12, 2010. The balance of this note receivable was \$80,000 at August 31, 2011. The promissory note was amended on March 2, 2012, to allow the borrower to make monthly principal payments of \$1,000 and annual interest payments until the note is paid off.

WOODS COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY
 NOTES TO FINANCIAL STATEMENTS
 YEAR ENDED AUGUST 31, 2011

NOTE 4 – NOTES RECEIVABLE (continued):

The Authority has a promissory note with Value Added Products. This promissory note corresponds with a notes payable to Alva State Bank (see Note 5). The note carried an interest rate of 7½% and matured 11/01/12. The monthly payments were \$9,475. This note was rewritten on November 1, 2009 with an interest rate of 3¼%, monthly payments of \$7,260 and a maturity date of 11/01/21. The balance of this note receivable was \$758,277, at August 31, 2011.

NOTE 5 – NOTES PAYABLE:

The Authority entered into a note agreement with Alva State Bank and used real estate as collateral. Through a promissory note, the Authority loaned this money to Value Added Products (see Note 5). This note carries an interest rate of 7½% and matures 11/01/12. The monthly payments are \$9,475. This note was rewritten on November 1, 2009 with an interest rate of 3¼%, monthly payments of \$7,260 and a maturity date of 11/01/21. Principle payments made during the year ended August 31, 2011 were \$61,389. The balance of this note at August 31, 2011 was \$758,277.

The Authority has a promissory note with a local bank for the purchase of equipment. The note carries an interest rate of 4% and matures on 4/20/11. Monthly payments are \$1,000 for five years with a single payment of \$32,570 due on 4/20/11. Principle payments made during the year ended August 31, 2011 were \$4,367. The balance of this note was \$0 at August 31, 2011. This equipment was leased to the Alva Golf and Country Club (see Note 3).

The Authority entered into a promissory note on April 15, 2011 for the construction of a chapel. This note carries an interest rate of 3.25% and matures on August 1, 2012. The balance of this note at August 31, 2011 was \$15,000. The Share Trust has committed funds to pay off this loan.

The following is a summary of future debt payments:

| <u>Year Ending</u> | <u>Payments</u> |
|--------------------|--------------------------|
| 8/31/12 | \$ 87,120 |
| 8/31/13 | 87,120 |
| 8/31/14 | 87,120 |
| 8/31/15 | 87,120 |
| 8/31/16 | 87,120 |
| 8/31/17-8/31/21 | 435,600 |
| 8/31/22 | 21,780 |
| Net | <u>\$ 892,980</u> |
| Less interest | <u>(119,703)</u> |
| Net | <u><u>\$ 773,277</u></u> |

WOODS COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2011

NOTE 6 – ESTIMATES:

The preparation of financial statements in conformity generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Accordingly, actual results could differ from those estimates.

NOTE 7 – RISK MANAGEMENT:

The Authority is exposed to various risks of losses related to torts; thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. The Authority manages this risk through the purchase of commercial insurance policies. Claims are recognized when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. In determining claims, events that might create claims, but for which none have been reported, are considered. The Authority has had no claims that exceeded its insurance coverage.

NOTE 8 – CONTINGENCIES:

As of August 31, 2011, the Authority did not have any pending litigation or potential non-disclosed liabilities that management believes would have a material effect on the financial statements.

On March 8, 2005, the Authority entered into a five year contract to sell a lot in the Industrial site for \$7,500 to an individual. If the buyer meets certain conditions specified in the contract within the five years, the obligation to pay the \$7,500 is terminated. At the date of this report, the buyer has not met the conditions.

The Authority has adopted a plan for an Industrial Rail Park in Avard, Oklahoma. The total cost of this project is \$6,880,000. To fund this project, the Authority has obtained a loan commitment of \$2,250,000, a grant commitment from a Trust of \$600,000, and an in-kind commitment from the county of \$250,000. The Authority has submitted other federal and state grant applications for additional funds. The Authority entered into an option agreement dated February 16, 2010 to purchase land for this project.

NOTE 9 – NET ASSETS:

Net assets present the difference between assets and liabilities in the statement of net assets. Net assets invested in capital assets are reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are legal limitations imposed on their use by Authority legislation or external restrictions by creditors, grantors, laws or regulations of other governments.

WOODS COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2011

NOTE 10 – EVALUATION OF SUBSEQUENT EVENTS:

The Authority has evaluated subsequent events through January 12, 2012, the date which the financial statements were available to be issued.