

WOODS COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY

ANNUAL FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2012

WOODS COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY
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YEAR ENDED AUGUST 31, 2012

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Kimberlye R. Mayer, CPA, P.C.

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Independent Auditor's Report

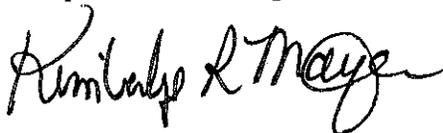
Board of Directors
Woods County Industrial Development Authority

We have audited the accompanying financial statements of the of Woods County Industrial Development Authority as of August 31, 2012. 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, 2012, 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 June 8, 2013 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.



Kimberlye R. Mayer, CPA, P.C.
Blackwell, Oklahoma
June 8, 2013

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, 2012 and have issued our report thereon dated June 8, 2013. 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.

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.

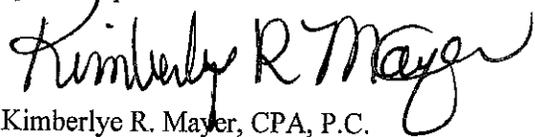
A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination 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 that reads "Kimberly R. Mayer". The signature is written in a cursive style with a large, looping initial "K".

Kimberlye R. Mayer, CPA, P.C.

Blackwell, Oklahoma

June 8, 2013

WOODS COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED AUGUST 31, 2012

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, 2012

ASSETS

Current Assets:

Cash and cash equivalents (Note 2)	\$ 61,075
Certificates of deposit	42,592
Interest receivable	1,721
Prepaid insurance	2,272
Notes receivable, current portion (Note 4)	77,424
Total Current Assets	185,084
Notes receivable (Note 4)	685,504
Trust funds	541,207
Property and equipment (net of accumulated depreciation) (Note 3)	436,889
Total Assets	\$ 1,848,684

LIABILITIES AND NET ASSETS

Current Liabilities:

Accounts payable	\$ 2,475
Notes payable (current portion) (Note 5)	65,424
Total Current Liabilities	67,899

Non-current Liabilities:

Notes payable, long term (Note 5)	643,684
Total Non-current Liabilities	643,684

Total Liabilities	711,583
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Net Assets:

Invested in capital assets, net of related debt	490,709
Restricted for endowment fund	450,000
Unrestricted	196,392
Total Net Assets	1,137,101

Total Liabilities and Net Assets	\$ 1,848,684
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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, 2012

Operating Revenue:	
Donations	\$ 37,010
Program income and grants	46,062
Interest income	26,661
Grant income	200,000
Total Operating Revenue	309,733
Operating Expense:	
Payroll contract	56,324
Development fees	22,261
Office and postage	593
Insurance	2,930
Land lease	778
Professional fees	4,950
Travel expenses	7,607
Telephone	3,249
Tourism center	3,445
Depreciation	15,568
Interest expense	23,772
Other expense	1,349
Total Operating Expense	142,826
Income (Loss) From Operations	166,907
Non-Operating Revenue (Expense):	
Interest on investments	6,989
Loss on sale of land	(5,667)
Distribution to ARPPA	(402,855)
Total Non-Operating Revenue (Expense)	(401,533)
Change in Net Assets	(234,626)
Net Assets, beginning of year	1,371,727
Net Assets, end of year	\$ 1,137,101

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, 2012

Cash Flows From Operating Activities:	
Other operating cash receipts	\$ 385,430
Cash payments to suppliers for goods and services	(111,808)
Net cash provided (used) by operating activities	273,622
Cash flows from non-capital financing activities:	
Cash flows from capital and related financing activities:	
Write off of assets	21,527
Acquisition and construction of capital assets	(12,780)
Sale of assets	15,000
Principal paid on notes	(64,169)
Net cash provided (used) by financing activities	(40,422)
Cash flows from investing activities:	
Interest income	6,989
(Increase) decrease in certificates of deposit	(378)
(Increase) decrease in trust funds	196,417
Distribution to ARRPA	(402,855)
Net cash provided (used) by investing activities	(199,827)
Net increase (decrease) in cash and cash equivalents	33,373
Beginning cash and cash equivalents	27,702
Ending cash and cash equivalents	\$ 61,075
Reconciliation of income (loss) from operations to net cash provided (used) by operating activities:	
Income (Loss) from operations	\$ 166,907
Adjustments to reconcile income (loss) from operations to net cash provided (used) by operating activities:	
Depreciation	15,568
Changes in assets and liabilities:	
(Increase) decrease in receivables	91,147
(Increase) decrease in prepaids	
Increase (decrease) in payables	
Net cash provided (used) by operating activities	\$ 273,622

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, 2012

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, 2012

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, 2012 was \$15,568. The following is a summary by category of changes in property and equipment:

<u>Category</u>	<u>8/31/11</u>	<u>Additions</u>	<u>Deletions</u>	<u>8/31/12</u>
Land and easements	\$ 31,000	\$	\$ (20,667)	\$ 10,333
Buildings and improvements	464,701	12,780		477,481
Equipment	3,118			3,118
Website development	7,025			7,025
Accumulated depreciation	(45,500)	(15,568)		(61,068)
Net	<u>\$ 460,344</u>	<u>\$ (2,788)</u>	<u>\$ (20,667)</u>	<u>\$ 436,889</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 matured December 12, 2009. This line of credit was transferred to a promissory note dated November 16, 2009 and matured December 12, 2010. 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. The balance of this note receivable was \$68,000 at August 31, 2012.

WOODS COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2012

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 \$694,928 at August 31, 2012.

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 4). 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, 2012 were \$63,348. The balance of this note at August 31, 2012 was \$694,928.

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. This note was paid off in October 2011.

On April 10, 2012 the Authority entered into a promissory note in the amount of \$14,180 to purchase a heating system. The interest rate is 2½% and the note is payable in two annual installments due on December 15, 2012 and December 15, 2013.

The following is a summary of future debt payments:

<u>Year Ending</u>	<u>Payments</u>
8/31/13	\$ 94,423
8/31/14	94,423
8/31/15	87,120
8/31/16	87,120
8/31/17	87,120
8/31/18-8/31/22	370,260
Net	<u>\$ 820,466</u>
Less interest	(111,358)
Net	<u><u>\$ 709,108</u></u>

WOODS COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2012

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, 2012, 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.

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.

On February 21, 2012 the Authority entered into four promissory notes for the purchase of land for the Industrial Rail Park. The funds borrowed totaled \$1,040,000. The following is a schedule of these mortgages:

<u>Date</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Payment Start Date</u>	<u>Payment Amount</u>
2/21/12	\$ 526,510	0%	2/21/14	\$ 65,813.75
2/21/12	\$ 153,000	0%	2/21/14	\$ 19,125.00
2/21/12	\$ 213,490	0%	2/21/14	\$ 26,686.25
2/21/12	\$ 147,000	0%	2/21/14	\$ 18,375.00

WOODS COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2012

NOTE 8 – CONTINGENCIES (continued):

On June 11, 2012 the Authority transferred this land by fee simple title to the Avarad Regional Rail Park Authority (ARRPA), and entered into an agreement whereby the ARRPA agrees to make all payments and to comply with all requirements in accordance with the above promissory notes on behalf of the Authority. In this agreement, the ARRPA shall also be responsible for payment of all taxes and assessments and shall maintain the property in good repair and condition.

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.

NOTE 10 – EVALUATION OF SUBSEQUENT EVENTS:

The Authority has evaluated subsequent events through June 8, 2013, the date which the financial statements were available to be issued.