

Healdton Industrial Authority

Financial Statements

June 30, 2013

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Healdton Industrial Authority
Financial Statements
For the Fiscal Year Ended June 30, 2013

TABLE OF CONTENTS

	Page
FINANCIAL SECTION	
Independent Auditor's Report	1
Basic Financial Statements:	
Statement of Net Position – Modified Cash Basis.....	3
Statement of Revenues, Expenses and Changes in Net Position- Modified Cash Basis.....	4
Statement of Cash Flows – Modified Cash Basis	5
Notes to the Financial Statements.....	6
REPORT ON COMPLIANCE AND INTERNAL CONTROL	
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>	11



INDEPENDENT AUDITOR'S REPORT

The Board of Trustees
Healdton Industrial Authority
Healdton, Oklahoma

We have audited the accompanying financial statements of Healdton Industrial Authority (a public trust and agency of the State of 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 2; 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 error or fraud.

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 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 from 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 entity'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 entity'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.

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Basis for Qualified Opinion

Because of inadequacies in the Authority's documentation, we were unable to form an opinion regarding the amount of operating revenues in the accompanying Statement of Revenues, Expenses and Changes in Net Position- Modified Cash Basis (stated at \$141,046).

Qualified Opinion

In our opinion, except for the possible effects of the matter discussed in the "Basis for Qualified Opinion" paragraph, the financial statements referred to above present fairly, in all material respects, the financial position—modified cash basis of the Healdton Industrial Authority, as of June 30, 2013, and the respective changes in financial position—modified cash basis, thereof for the year then ended in accordance with the basis of accounting as described in Note 2.

Basis of Accounting

We draw attention to Note 2 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 May 16, 2017, on our consideration of the Healdton Industrial 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 Healdton Industrial Authority's internal control over financial reporting and compliance.

Rahhal Henderson Johnson, PLLC

Ardmore, Oklahoma
May 16, 2017

Healdton Industrial Authority
Statement of Net Assets– Modified Cash Basis
June 30, 2013

ASSETS

Current Assets

Cash and cash equivalent	\$ 29,188
Notes receivable - current	3,071
Total current assets	<u>32,259</u>

Noncurrent assets

Investments	7,371
Capital assets not being depreciated	35,914
Capital assets being depreciated, net	<u>122,780</u>

Total noncurrent assets	<u>166,065</u>
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Total assets	<u>\$ 198,324</u>
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LIABILITIES

Current maturities of debt	<u>\$ 3,421</u>
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Total current liabilities	<u>3,421</u>
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Noncurrent liabilities

Long term debt less current maturities	<u>3,093</u>
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Total noncurrent liabilities	<u>3,093</u>
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Total liabilities	<u>6,514</u>
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NET ASSETS

Net investment in capital assets	152,180
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Unrestricted	<u>39,630</u>
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Total net assets	<u>\$ 191,810</u>
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The notes to the financial statements are an integral part of this statement

Healdton Industrial Authority
Statement of Revenues, Expenses and Changes in Net Assets – Modified Cash Basis
For the Year Ended June 30, 2013

Operating revenues	
Rental income	\$ 6,775
Lake income	28,855
Pool income	6,201
Firewood Sales	52,698
Chuckwagon income	-
Private property income	36,784
Miscellaneous	<u>9,733</u>
Total Operating Revenue	<u>141,046</u>
Operating expenses	
Personal services	\$ 96,148
Fuel and vehicle	37,371
Repairs and maintenance	33,305
Depreciation	27,614
Firewood expense	6,000
Lake house expense	4,901
Lake expense	10,115
Swimming pool expense	5,028
Insurance	15,670
Private property expense	7,591
Professional fees	7,427
Meals and Inmate expense	14,008
Pesticide expense	5,512
Miscellaneous	453
Office expense	<u>5,899</u>
Total operating expenses	<u>\$ 277,042</u>
Operating (Loss)	<u>\$ (135,996)</u>
Nonoperating revenues (expenses)	
Interest income	107
Interest expense	(309)
Shared revenue from the City of Healdton	<u>122,839</u>
	<u>134,712</u>
Change in Net Assets	(1,284)
Net Assets, Beginning of Year	<u>193,094</u>
Net Assets, End of Year	<u>\$ 191,810</u>

The notes to the financial statements are an integral part of this statement

Healdton Industrial Authority
Statement of Cash Flows – Modified Cash Basis
For the Year Ended June 30,2013

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from customers	\$ 141,046
Payments to employees for services	(96,148)
Payments to vendors for goods and services	(153,280)
Net Cash Used by Operating Activities	<u>(108,382)</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Principal received on notes	5,203
Interest received on notes	89
Subsidy from the City of Healdton	122,839
Net Cash Provided by Noncapital Financing Activities	<u>140,206</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Purchase of capital assets	(7,800)
Principal paid on capital debt	(3,559)
Interest paid on capital debt	(309)
Net Cash Used by Capital Financing Activities	<u>(11,668)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Receipt of interest on investments	18
Purchase of investments	(18)
Net Cash Provided by Investing Activities	<u>-</u>

Net Increase in Cash and Cash Equivalents 20,156

Cash and Cash Equivalents, Beginning of Year 9,032

Cash and Cash Equivalents, End of Year \$ 29,188

**Reconciliation of Operating Income to Net Cash
Provided by Operating Activities**

Operating (Loss)	\$ (135,996)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities	
Depreciation	27,614
Net Cash Used by Operating Activities	<u>\$ (108,382)</u>

Noncash Capital Financing Activities

Capital assets acquired with debt	<u>\$ 10,073</u>
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The notes to the financial statements are an integral part of this statement

Healdton Industrial Authority
Notes to Financial Statements
June 30, 2013

NOTE 1 - NATURE OF OPERATIONS

The Healdton Industrial Authority (the Authority) is a public trust and agency of the State of Oklahoma. It was created by a Trust Indenture dated March 4, 1996, (the "Trust Indenture"). The beneficiary of the Trust is the City of Healdton, Oklahoma. The Authority promoted development of industry, culture, industrial, manufacturing, cultural and educational activities within and without the territorial limits of the City of Healdton.

This Trust shall have duration for the term of duration of the beneficiary and until such time as its purposes shall have been fully fulfilled or until it shall be terminated as provided by the Trust Indenture.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Statement Presentation

The accompanying financial statements include the basic financial statements required for special-purpose governments that have only business-like activities financed by fees charged to external parties.

Measurement Focus

Business-like activities utilize an economic resources measurement focus within the limitations of the modified cash basis of accounting. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), net assets and cash flows. All assets, liabilities associated with their activities are generally reported within the limitations of the modified cash basis of accounting.

Basis of Accounting

The financial statements are presented on a modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States (GAAP) as established by the Governmental Accounting Standards Board (GASB). This basis of accounting involves modifications to the cash basis of accounting to report in the statement of net assets cash transactions or events that provide a benefit or result in an obligation that covers a period greater than the period in which the cash transaction or event occurred. Such reported balances include investments, capital assets and related depreciation arising from cash transactions or events.

Healdton Industrial Authority
Notes to Financial Statements
June 30, 2013

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

This modified cash basis of accounting differs from GAAP primarily because certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected and other accrued revenue and receivables) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not paid and other accrued expenses and liabilities) are not recorded in these financial statements. In addition, other economic assets, deferred outflows, liabilities and deferred inflows that do not arise from a cash transaction or event are not reported, and the measurement of reported assets and liabilities does not involve adjustments to fair value. If GAAP basis was used, the statements would be presented on the accrual basis of accounting.

Use of Estimates

The preparation of financial statements in conformity with the modified cash basis of accounting requires management to make estimates and assumptions that affect the reported amounts and disclosures (such as estimated useful lives in determining depreciation expense). Actual results could differ from those estimates.

Cash and Cash Equivalents

The Authority has defined cash and cash equivalents to include demand deposits, and highly liquid investments with original maturities of three months or less.

Revenues and Expenses

Operating revenues and expenses are distinguished from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the principal ongoing operations. Revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Healdton Industrial Authority
Notes to Financial Statements
June 30, 2013

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Capital Assets

The modified cash basis of accounting reports capital assets resulting from cash transactions or events and reports depreciation, when appropriate. Capital assets are capitalized at cost using a threshold of \$500. Depreciation is computed using the straight-line method over the estimated useful lives of the assets of 5-10 years. Maintenance and repairs are expensed as incurred.

Net Assets

Net assets is classified and displayed in three components:

Net investment in capital assets. Consists of capital assets, net of accumulated depreciation and reduced by outstanding balances of any debt that are attributable to the acquisition, construction or improvements of those assets.

Restricted. Consists of restricted assets reduced by liabilities related to those assets, with restriction constraints placed on the use either by external groups or laws and regulations of other governments, constitutional provisions or enabling legislation.

Unrestricted. Net amounts of assets and liabilities that are not included in the determination of net investment in capital assets or restricted component of net assets.

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

NOTE 3 - CASH AND INVESTMENTS

Custodial Credit Risk- Deposits

For deposits, 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 policy for custodial credit risk but follows state and local laws. The Authority was not exposed to deposit custodial credit risk as of June 30, 2013.

Healdton Industrial Authority
Notes to Financial Statements
June 30, 2013

NOTE 3 - CASH AND INVESTMENTS (continued)

Custodial Credit Risk- Investments

Investments are limited by State law to the following:

1. Direct obligations of the U.S. Government and its agencies and instrumentalities to which the full faith and credit of the U.S. Government is pledged or obligations to the payment of which the full faith and credit of the State is pledged.
2. Certificates of deposit or savings accounts that are either insured or secured with acceptable collateral with in-state financial institutions and fully insured certificates of deposit or savings accounts in out-of-state financial institutions.
3. With certain limitation, negotiable certificates of deposits, prime bankers' acceptances, prime commercial paper, and repurchase agreements with certain limitations.
4. County, municipal, or school district tax-supported debt obligations; bonds or revenue anticipation notes; money judgments; or bond or revenue anticipation notes of public trusts whose beneficiary is a county, municipality, or school district.
5. Notes or bonds secured by mortgage or trust deed insured by the Federal Housing Administrator and debentures issued by the Federal Housing Administration and in obligations of the National Mortgage Association.
6. Money market funds regulated by the Securities and Exchange Commission and in which investments consist of the investments mentioned in (1) to (5).

NOTE 4 - CAPITAL ASSETS

As of June 30, 2013, capital asset activity resulting from modified cash basis transactions and events consisted of the following:

	Beginning Balance	Increases	Decreases	Ending Balance
<i>Capital assets, not being depreciated</i>				
Land	\$ 35,914	\$ -	\$ -	\$ 35,914
Total capital assets, not being depreciated	<u>35,914</u>	<u>-</u>	<u>-</u>	<u>35,914</u>
<i>Capital assets, being depreciated</i>				
Building	105,683	17,873	-	123,556
Improvements	59,260	-	-	59,260
Equipment	86,608	-	-	86,608
Total capital assets, being depreciated	<u>251,551</u>	<u>17,873</u>	<u>-</u>	<u>269,424</u>
Less Accumulated Depreciation	<u>(119,030)</u>	<u>(27,614)</u>	<u>-</u>	<u>(146,644)</u>
Total capital assets, being depreciated, net	<u>132,521</u>	<u>(9,741)</u>	<u>-</u>	<u>122,780</u>
Capital assets, net	<u>\$ 168,435</u>	<u>\$ (9,741)</u>	<u>\$ -</u>	<u>\$ 158,694</u>

Healdton Industrial Authority
Notes to Financial Statements
June 30, 2013

NOTE 4 – NOTE RECEIVABLE

Notes receivable represent money loaned to businesses to encourage economic development in the Healdton area. The balance due of \$3,071 is from one business with monthly payments of \$441 per month, interest of 1.5% and matures January, 2014.

NOTE 5 – RELATED PARTY

The Authority is a component unit of the City of Healdton Oklahoma (City) because the City Council appoints the Authority's board. The City collects a 1/2 cent sales tax dedicated to industrial and economic development in the Healdton area. This sales tax is shared revenue provided to the Authority. Shared revenue from sales tax received from the City for the year ended June 30, 2013 was \$122,839.

NOTE 6– LONG TERM LIABILITIES

Long term liability activity for the year ended June 30, 2013 is as follows:

	Interest Rate	Maturity	Beginning Balance	Additions	Reductions	Ending Balance	Amount Due in One Year
Kubota Mower	3.50%	May 2015	-	10,073	3,559	6,514	3,421
			<u>\$ -</u>	<u>\$ 10,073</u>	<u>\$ 3,559</u>	<u>\$ 6,514</u>	<u>\$ 3,421</u>

The debt matures as follows:

	Principal and Interest	less Interest	Principal
2014	\$ 3,600	\$ (179)	\$ 3,421
2015	<u>3,300</u>	<u>(207)</u>	<u>3,093</u>
	<u>\$ 6,900</u>	<u>\$ (386)</u>	<u>\$ 6,514</u>

NOTE 7 – SUBSEQUENT EVENTS

In September, 2013, a skid steer was sold and replaced with purchase of new skid steer for \$48,500, using cash down payment and new \$28,500 note with financial institution to be paid over two years.

During 2014, the Authority received \$52,000 in grants for purposes of pool renovations and snow removal equipment.

In November, 2016, the 1/2 cent sales tax received from the City of Healdton was not renewed by taxpayers.



**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
Healdton Industrial Authority
Norman, 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 financial statements of Healdton Industrial Authority, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Healdton Industrial Authority's basic financial statements, and have issued our report thereon dated May 16, 2017. The report included a qualified opinion because we were unable to form an opinion regarding the amount of operating revenues due to inadequacies in the Authority's documentation.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Healdton 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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Healdton Industrial Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of Healdton Industrial Authority's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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 were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiencies described in the accompanying schedule of findings and responses to be material weaknesses. 2013-01, 2013-02, 2013-03, 2013-06, 2013-7.

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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. We consider the deficiencies described in the accompany schedule of findings and responses to be significant deficiencies. 2013-04,2013-05.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Healdton Industrial Authority's financial statements are free from 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 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 as item 2013-06.

Healdton Industrial Authority's Response to Findings

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

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

Rahhal Henderson Johnson, PLLC

Ardmore, Oklahoma
May 16, 2017

Healdton Industrial Authority
Schedule of Findings and Responses
June 30, 2013

2013-01 Cash Receipts

Condition: Cash receipts are not supported by pre-numbered receipt or other journal/list, prepared by individual receiving funds, documenting customer name, amount and purpose of funds received.

Criteria: Cash receipt controls should insure that cash receipts are deposited intact.

Cause: Lack of receipt documentation maintained for amounts received at the office and swimming pool.

Effect: Risk that all cash receipts that should have been recorded have not been recorded resulting in a scope limitation for the audit opinion.

Recommendation: At the office, pre-numbered individual receipts need to be issued with one copy to the remitter, one copy maintained in a bound book and one copy to the treasurer. For the swimming pool, a cash receipt journal or log needs to be maintained with amounts collected. A copy of the log needs to be balanced with the receipts for the day then sent to the treasurer.

Views of Responsible Officials and Planned Corrective Actions: These procedures have been changed since the 2013 fiscal year. Current procedures in 2016 include 3 part receipts for collections of Firewood and Lake income. Pool income and golf course income are now supported by a Z report from the on-site cash registers.

2013-02 Segregation of Duties

Condition: The treasurer currently has control access of cash in deposits, bookkeeping and reconciliation responsibilities.

Criteria: Proper segregation of duties separates asset access, bookkeeping and reconciliation process..

Cause: Treasurer currently receives deposits, takes to bank, records in accounting records and reconciles the bank account.

Effect: Risk that all cash receipts that should have been recorded have not been recorded.

Recommendation: Deposits should be handled by someone other than the treasurer. The treasurer should still receive supporting pre-numbered receipts and/or logs supporting deposits to record in the general ledger and to reconcile bank statements.

Views of Responsible Officials and Planned Corrective Actions: The procedures will be changed so that the treasurer does not have access to receipts from any areas except the rent at the lake house which are billed by invoice.

2013-03 Debit Card Transactions

Condition: Debit card transactions were not adequately supported as to the purpose of the transaction nor was an approval process defined.

Criteria: The business and entity purpose of all payments should be documented.

Cause: Procedures were not in place to properly report the purpose of the debit card transaction.

Effect: Risk that all transactions did not pertain to the Authority.

Recommendation: A detail ledger of the purpose of each debit card charge should be maintained and specifically approved by the board.

Views of Responsible Officials and Planned Corrective Actions: Procedures will be changed to

Healdton Industrial Authority
Schedule of Findings and Responses
June 30, 2013

provide more documentation for the specific credit card charges.

2013-04 Payroll

Condition: Documentation for hours worked are not being approved or reviewed when checks are signed.

Criteria: Proper segregation of duties provides for separation of payroll preparation and authorization.

Cause: Timesheets are not being approved and no supporting payroll records are being provided to those signing checks.

Effect: Risk that payroll hours will be paid incorrectly or without proper authorization.

Recommendation: Payroll timesheets need to be approved by a supervisor to ensure hours noted were properly worked. Supporting time sheets or payroll register needs to be provided with the payroll checks to check signers.

Views of Responsible Officials and Planned Corrective Actions: Current procedures now include review of time sheets by board members at the meetings. Procedures will be enhanced to provide board acknowledgement of the review through initials or signatures.

2013-05 Vacation

Condition: Manager was paid for vacation time without a specific policy or documented board approval.

Criteria: To allow for uniform application of policies to all employees, policies for paid time off should be in writing and board approved.

Cause: Authority does not have a written paid time off policy.

Effect: Risk that amounts will be paid that are not properly authorized or not consistently applied to all employees.

Recommendation: The Authority should adopt a written paid time off policy covering whom is eligible, how the time is earned, how much is earned, when it can be taken and what happens to unused time.

Views of Responsible Officials and Planned Corrective Actions: Board has approved a vacation policy in July, 2016.

2013-06 Conflict of interest

Condition: The Authority does not have a policy covering conflict of interest for purchasing.

Criteria: Title 60 section 178.8 of Oklahoma Statutes indicates a conflict of interest shall be deemed to exist in any contractual relationship in which a trustee of a public trust, or any for-profit firm or corporation in which such trustee or any member of his or her immediate family is an officer, partner, principal stockholder, shall directly or indirectly buy or sell goods or services to, or otherwise contract with such trust. It shall be the duty of each public trust to compile a list of all conflicts of interest for which its trustees have made disclosure. It shall also be the duty of each trust to compile a list of all dealings between its trustees and the trust which involve the exempted transactions listed in the statute. Such lists shall be compiled semiannually for periods

Healdton Industrial Authority
Schedule of Findings and Responses
June 30, 2013

ending June 30 and December 31 of each year. Such lists shall be compiled on forms prescribed by the Oklahoma Tax Commission and shall be matters of public record. Copies of such lists shall be filed with the Secretary of State by September 1 and March 1 of each year.

Cause: Authority does not have a written conflict of interest policy.

Effect: Possibility of transactions occurring which will be deemed to be unenforceable.

Recommendation: The Authority should adopt a written conflict of interest policy and insure that all trustees make appropriate disclosure of conflicts that exist.

Views of Responsible Officials and Planned Corrective Actions: Board has approved a policy in August, 2016.

2013-07 Material adjustments

Condition – The trial balance provided for the year-end financial reporting did not include all final journal entries necessary to prepare financial statements

Criteria – The development and implementation of a year-end financial reporting control system is the responsibility of management. Management should have a process in place to ensure that the trial balance used in the financial statement preparation process is final and contains all valid journal entries. Auditors can no longer be part of the financial reporting process but can only provide technical assistance in formatting of information provided by management.

Cause – Current procedures do not incorporate all the necessary controls to ensure the trial balance is complete.

Effect – Material adjusting entries were necessary.

Recommendation – We recommend the Authority's treasurer record all necessary year-end adjustments including agreement of beginning net assets with prior year audit, depreciation expense for year, recording of debt principal payments against debt rather than as an expense, note receivable principal payments as reduction of note, asset additions as assets rather than expense and other appropriate entries for modified cash basis reporting.

Management Response – This process will be discussed and procedures reviewed for completing year-end financial information.