

Independent Auditor's Report

Grady County Industrial Authority

Year Ending June 30, 2014

**GRADY COUNTY INDUSTRIAL AUTHORITY
CHICKASHA, OKLAHOMA
June 30, 2014**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Grady County Industrial Authority
Chickasha, Oklahoma

Report on the Financial Statements

We have audited the accompanying modified cash basis financial statements of the business-type activities of Grady County Industrial Authority, Chickasha, Oklahoma, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Authority's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we express no such opinion. An audit also

includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

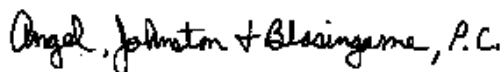
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the business-type activities of the Grady County Industrial Authority, Chickasha, Oklahoma as of June 30, 2014, and the respective changes in modified cash basis financial position and cash flows thereof for the year then ended in accordance with the modified cash basis of accounting described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements that 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, June 25, 2018 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.



Angel, Johnston & Blasingame, P.C.
Chickasha, Oklahoma
June 25, 2018

Basic Financial Statements

GRADY COUNTY INDUSTRIAL AUTHORITY
STATEMENT OF NET POSITION
MODIFIED CASH BASIS
JUNE 30, 2014

ASSETS

Current Assets:

Cash and Cash Equivalents	\$ 456,179
Restricted Cash and Cash Equivalents	<u>4,954</u>

<i>Total Current Assets</i>	<u>461,133</u>
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Capital Assets

Land	<u>35,000</u>
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<i>Total Capital Assets</i>	<u>35,000</u>
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<i>Total Assets</i>	<u><u>496,133</u></u>
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LIABILITIES

Current Liabilities:

Due to Grady County Restricted Funds	<u>4,954</u>
<i>Total Current Liabilities</i>	<u>4,954</u>

<i>Total Liabilities</i>	<u><u>4,954</u></u>
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NET POSITION

Net Investment in Capital Assets	35,000
Restricted	4,954
Unrestricted	<u>456,179</u>

<i>Total Net Position</i>	<u><u>\$ 496,133</u></u>
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The accompanying notes are an integral part of the financial statements.

GRADY COUNTY INDUSTRIAL AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
MODIFIED CASH BASIS
For the Year Ended June 30, 2014

Operating Revenues

Other	\$ -
<i>Total Operating Revenues</i>	<u>-</u>

Operating Expenses

Audit and legal fees	810
Office Expenses	-
<i>Total Operating Expenses</i>	<u>810</u>

<i>Operating Income (Loss)</i>	<u>(810)</u>
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Non Operating Revenues (Expenses)

Rental income	15,000
Interest income	449
<i>Total Non Operating Revenues (Expenses)</i>	<u>15,449</u>

<i>Change in Net Position</i>	14,639
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<i>Net Position - Beginning of Year, restated</i>	<u>481,494</u>
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<i>Net Position - End of Year</i>	<u><u>\$ 496,133</u></u>
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The accompanying notes are an integral part of the financial statements.

GRADY COUNTY INDUSTRIAL AUTHORITY
STATEMENT OF CASH FLOWS
MODIFIED CASH BASIS
For the Year Ended June 30, 2014

Cash flows from operating activities:

Receipts from customers	\$ 0
Payments to employees	
Payments to vendors	(810)
<i>Net cash provided (used) by operating activities</i>	<u>(810)</u>

Cash flows from capital and related financing activities:

Interest expense	
Payments for capital assets	
Principal paid on capital debt	
<i>Net cash provided (used) by capital & related financing activities</i>	<u>0</u>

Cash flows from investing activities:

Investment income received (interest)	
Rental income	15,000
Interest Income	449
<i>Net cash provided (used) by investing activities</i>	<u>15,449</u>

<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	14,639
<i>Beginning Cash and Cash Equivalents</i>	446,494
<i>Ending Cash and Cash Equivalents</i>	<u>\$ 461,133</u>

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

Operating Income (loss)	\$ (810)
Adjustment to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:	
Depreciation Expense	0
Net Cash Provided (used) by Operating Activities	<u>\$ (810)</u>

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

GRADY COUNTY INDUSTRIAL AUTHORITY
Notes to the Basic Financial Statements
For the Year Ended June 30, 2014

Note 1 – Summary of Significant Accounting Policies

1.A. Financial Reporting Entity

Grady County Industrial Authority is a beneficial public trust created for the use and benefit of Grady County, Oklahoma (Beneficiary) under the provisions of Title 60, Oklahoma Statutes 1961, Sections 176 to 180, inclusive, the Oklahoma Trust Act and other applicable statutes of the State of Oklahoma. The purpose is to finance, operate, construct and administer any public works, improvements or facilities and other public purposes such as to further the industrial development of Grady County, Oklahoma. Grady County Industrial Authority has issued bonds and industrial revenue notes and has obtained commercial bank financing to provide a portion of the funds for acquisition and construction of industrial buildings and equipment. These obligations have been assigned to other lenders.

Grady County Industrial Authority generally does not acquire any assets or incur any liability when it issues bonds and notes for eligible entities. It may earn and collect administrative fees and must be informed of the unpaid balances. If Grady County Industrial Authority manages the assets and liabilities and does not assign them, then the assets and liabilities would be recognized. Note 3- Conduit Debt Obligations discloses the outstanding obligations, which the Authority has facilitated.

Related Organizations

Grady County - Grady County is the beneficiary of this public trust. Therefore, the Authority is considered to be a component unit of Grady County.

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

1.B. Basis of Presentation

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

GRADY COUNTY INDUSTRIAL AUTHORITY
Notes to the Basic Financial Statements
For the Year Ended June 30, 2014

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

1.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 recognized and recorded in the financial statements regardless of the measurement focus applied.

The Authority's financial statements use the economic resources measurement focus and are presented on the modified cash basis of accounting. Revenues are recognized when they are received and expenses are recorded when paid.

This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. If the Authority utilized the basis of accounting recognized as generally accepted, the financial statements would use the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred.

1.D. Assets, Liabilities and Net Position

Cash & Cash Equivalents- For the purposes of the statement of cash flows, the Authority considers all cash on hand, demand deposits, interest bearing checking accounts and time deposit accounts including certificates of deposit and U.S. Treasury bills with maturities of three months or less to be cash and cash equivalents.

Net Position – Net Position is divided into three components:

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

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

GRADY COUNTY INDUSTRIAL AUTHORITY

Notes to the Basic Financial Statements

For the Year Ended June 30, 2014

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

1.E. Revenues and Expenses

Operating and Nonoperating Revenues - Operating revenues are considered those whose cash flows are related to operating activities, while revenues related to financing, capital and investing activities are reported as non-operating.

Expenses - The Authority reports expenses relating to the use of economic resources.

Note 2 – Deposits, Investments and Collateral

Deposits and Investments - The Authority does not have a written investment policy that limits its investment choices. Investments are limited by State statute and declaration of trust.

Custodial Credit Risk - 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 written policy for custodial risk, but *Oklahoma Statutes* require collateral for all uninsured deposits of public trust funds in financial institutions. At June 30, 2014 the Authority was not exposed to custodial credit risk.

Note 3- Conduit Debt Obligations

GCIA- Conduit Debt – The Grady County Industrial Authority has the following conduit debt outstanding at June 30, 2014, in the form of Lease Revenue Bonds:

	Original Issue	Outstanding June 30, 2014
GCIA – Ninnekah Public Schools	\$ 3,010,000	\$ -
GCIA – Ninnekah Public Schools	\$ 6,000,000	\$ 6,000,000
TOTAL	\$ 9,010,000	\$ 6,000,000

This debt is considered non-commitment debt to the Authority since debt payments are made solely by the school. Payments are made directly by Ninnekah Public School to the Trustee bank. In the event of default by the school, the Authority has no obligation, in substance, to make any payments on the debt since the note receivable, financing agreements and mortgages on the property with the school are the only security for the debt. As a result of the non-commitment determination, the Authority's indebtedness and related receivables from the school are not recorded in the accompanying financial statements. Total conduit debt on June 30, 2014 was \$6,000,000.

GRADY COUNTY INDUSTRIAL AUTHORITY

Notes to the Basic Financial Statements

For the Year Ended June 30, 2014

Note 4 – Commitments and Contingencies

The Authority is dependent upon the repayment of the bonds solely from the beneficiary (school) of the bond issues. If the beneficiary (school) defaulted on the bond payments it would not have a significant impact on the Authority's financial condition. Conduit debt is non-recourse debt.

Note 5 – Subsequent Events

Management has evaluated subsequent events through June 25, 2018, which is the date the financial statements were available to be issued, and has determined that no additional information needs to be added to the financial statements.

***REPORT ON INTERNAL CONTROL
AND COMPLIANCE***

**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**

To the Board of Directors
Grady County Industrial Authority
Chickasha, 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 modified cash basis financial statements of the business-type activities of the Grady County Industrial Authority, Chickasha, Oklahoma, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated, June 25, 2018. Our report on the financial statements disclosed, that, as described in Note 1 to the financial statements, the Authority prepares its financial statements on a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Grady County Industrial Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Authority's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs to be significant deficiencies. 14-01, 14-02.

Compliance and Other Matters

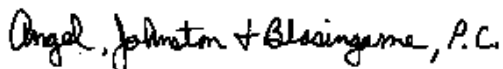
As part of obtaining reasonable assurance about whether Grady County Industrial Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have 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 items 14-01, 14-02.

Grady County Industrial Authority's Response to Findings

Grady County Industrial Authority's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The Authority's response was not subjected to the auditing procedures applied in the audit of the financial statements 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 Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with the *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Angel, Johnston & Blasingame, P.C.
Chickasha, Oklahoma
June 25, 2018

GRADY COUNTY INDUSTRIAL AUTHORITY
Schedule of Findings and Responses
For the Year Ended June 30, 2014

14-01 *Criteria* – The Authority should maintain approved copies of board minutes from its meetings.

Condition- The Authority was unable to locate minutes from previous meetings.

Cause- The board was unaware that copies of minutes needed to be maintained.

Effect or Potential Effect – Without copies of minutes from prior meetings it is difficult to verify approval of any decisions made by the board.

Recommendation – We recommend that the Authority maintain accurate records of minutes from board meetings.

Management response – Management agrees.

14-02 *Criteria* – The Authority should keep documentation supporting any authorized disbursements from the Authorities funds.

Condition- During our testing of expenditures of goods and services the Authority was unable to provide us with any invoices supporting the expenditures.

Cause- The board has not designated any individual with the responsibility to maintain copies of invoices.

Effect or Potential Effect – Without supporting documentation for disbursements it is difficult to verify the authenticity and accuracy of goods or services paid for.

Recommendation – We recommend that the Authority designate an individual the responsibility to maintain copies of invoices so that there is support for any disbursements made.

Management response – Management agrees.