

HARMON CO. ECONOMIC
DEVELOPMENT AUTHORITY
Audit Report
For the Year Ending June 30, 2013 and 2012

Prepared by:
Scott Northrip, CPA
Hobart, Oklahoma

SCOTT NORTHRIP, CPA

P.O. Box 642, Hobart, Oklahoma 73651

Independent Auditor's Report

To The Board of Trustees of
Harmon Co. Economic Development Authority

I have audited the basic financial statements of Harmon Co. Economic Development Authority (Authority), as of and for the years ended June 30, 2013 and 2012. These financial statements are the responsibility of Harmon Co. Economic Development Authority's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted the 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 I plan and perform the audit to obtain reasonable assurance about 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 statement presentation. I believe that the audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Harmon Co. Economic Development Authority, as of June 30, 2013 and 2012, and the results of its activities and its cash flows and its changes in fund balance for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated August 27, 2013, on my consideration of the Authority's internal control and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grants. This 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 the audit.

Scott Northrip

Certified Public Accountant
August 27, 2013

HARMON CO. ECONOMIC DEVELOPMENT AUTHORITY

Statement of Net Assets As of June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
<u>ASSETS</u>		
Current Assets:		
Cash - Operating	\$ 63,148	\$ 91,473
Receivables	<u>-0-</u>	<u>-0-</u>
Total Current Assets	<u>\$ 63,148</u>	<u>\$ 91,473</u>
Fixed Assets: (Note 1)		
Building & Parking Lot	\$ 728,266	\$ 728,266
Less: Accumulated Depreciation	<u>(382,340)</u>	<u>(345,926)</u>
Net Fixed Assets	<u>\$ 345,926</u>	<u>\$ 382,340</u>
TOTAL ASSETS	<u>\$409,074</u>	<u>\$473,813</u>

LIABILITIES AND NET ASSETS

Current Liabilities:		
Accounts Payable - Operations	\$ -0-	\$ -0-
Accrued Interest Payable	76	66
Current Portion of Long-Term Debt	<u>108,551</u>	<u>77,173</u>
Total Current Liabilities	<u>\$ 108,627</u>	<u>\$ 77,239</u>
Long-Term Debt: (Note 2)		
Revenue Note- Series 1999	\$ 108,551	\$ 214,995
Less: Current Portion	<u>(108,551)</u>	<u>(77,173)</u>
Total Long Term Debt	<u>\$ 0</u>	<u>\$ 137,822</u>
Net Assets:		
Restricted Fund Balance	\$ 300,447	\$ 258,752
Total Net Assets	<u>\$ 300,447</u>	<u>\$ 258,752</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$409,074</u>	<u>\$473,813</u>

The accompanying notes are an integral part of this statement.

HARMON CO. ECONOMIC DEVELOPMENT AUTHORITY

Statement of Activities and Fund Balance For the Years Ended June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
REVENUES:		
Building Lease Payments	\$ 80,000	\$ 80,000
Interest Income	<u>385</u>	<u>540</u>
TOTAL REVENUES	\$ <u>80,385</u>	\$ <u>80,540</u>
EXPENDITURES:		
Interest Expense	\$ 2,277	\$ 3,910
Depreciation Expense	36,413	36,413
Appraisal Fees	0	0
Bank Charges	<u>0</u>	<u>0</u>
TOTAL EXPENDITURES	\$ <u>38,690</u>	\$ <u>40,323</u>
EXCESS REVENUES	\$ 41,695	\$ 40,217
FUND BALANCE:		
Beginning Balance	258,752	218,535
Other Adjustments	<u>-0-</u>	<u>-0-</u>
ENDING BALANCE	<u>\$300,447</u>	<u>\$258,752</u>

The accompanying notes are an integral part of this statement.

HARMON CO. ECONOMIC DEVELOPMENT AUTHORITY

Statement of Cash Flows

For the Years Ended June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Cash Flows from Operating Activities:		
Cash Receipts from Lease	\$ 80,000	\$ 80,000
Cash Receipts from Interest	385	540
Cash Payments for Goods & Services	<u>(0)</u>	<u>(0)</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>\$ 80,385</u>	<u>\$ 80,540</u>
Cash Flows from Investing Activities:		
Construction of Building & Parking Lot	\$ <u>-0-</u>	\$ <u>-0-</u>
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	<u>\$ -0-</u>	<u>\$ -0-</u>
Cash Flows from Financing Activities:		
Proceeds from Revenue Notes	\$ -0-	\$ -0-
Interest Payments	(2,266)	(4,025)
Principal Long-Term Debt Payments	<u>(106,444)</u>	<u>(49,536)</u>
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	<u>\$(108,710)</u>	<u>\$(53,561)</u>
NET INCREASE (DECREASE) IN CASH	<u>\$(28,325)</u>	<u>\$ 26,979</u>
Cash & Equivalents - Beginning	<u>91,473</u>	<u>64,494</u>
Cash & Equivalents - Ending	<u><u>\$ 63,148</u></u>	<u><u>\$ 91,473</u></u>

Reconciliation of Net Profit (Loss) to Net Cash Provided by (Used in) Operating Activities:

Excess Revenues	\$ 41,695	\$ 40,217
Depreciation Expense	36,413	36,413
Interest Expense	2,277	3,910
Changes in Accounts Payable	<u>(0)</u>	<u>(0)</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>\$ 80,385</u>	<u>\$ 80,540</u>

The accompanying notes are an integral part of this statement

HARMON CO. ECONOMIC DEVELOPMENT AUTHORITY

Notes to the Financial Statements For the Year Ended June 30, 2013 and 2012

Note 1 - Organization and Presentation

Harmon County Economic Development Authority was formed on February 7, 1985 under the Oklahoma Trust Act, Section 176 to 180, Title 60 of Oklahoma Statutes of 1961 to provide economic development within Harmon County, Oklahoma. Harmon County, Oklahoma is the beneficiary of the trust agreement of the authority.

Accounting Method

The financial records of the Authority are presented using the accrual method of accounting.

Depreciation Method

The Authority used the straight-line method of depreciation on all of its depreciable assets. The buildings are depreciated over an estimated life of 20 years.

Income Taxes

The Authority is exempt from federal and state income taxes as an agency of the State of Oklahoma under IRS Code Section 115 (a).

Note 2 – Long Term Debt – Revenue Note Series 2001

The Authority issued a Revenue Note Series 2001 on August 17, 2001 for the construction of a building that will be leased and occupied by the Harmon County Health Department. The Revenue Note was issued and is administered through Stockmans Bank in Gould, Oklahoma. The note is repaid in monthly payments of \$2,720.03 beginning on October 15, 2002 until paid in full. Interest accrues at a variable rate which is adjusted annually on August 15th. The interest rate is calculated at a rate equal to 1.5 basis points over the one year average Treasury Bill rate. The interest rate at August 15, 2011 and 2012 were 1.60% and 1.60%, respectively. The Authority made additional principal payments during the year ending June 30, 2012 of \$90,000. Annual principal payment schedule is as follows with the assumption that additional principal payments will continue:

Year ending June 30, 2014	108,552
Year ending June 30, 2015	0
Year ending June 30, 2016	0
Year ending June 30, 2017	0

HARMON CO. ECONOMIC DEVELOPMENT AUTHORITY

Notes to the Financial Statements For the Year Ended June 30, 2013 and 2012

Note 3 – Lease Purchase Agreement

The Authority signed a lease purchase agreement with the Board of County Commissioners of Harmon County, Oklahoma on August 1, 2001 wherein the Authority will construct a building with proceeds of its issuance of \$691,762 of Revenue Note, Series 2001. The terms of the lease are monthly payments of \$6,666.67 beginning October 15, 2002. The County is granted and vested with the exclusive right, privilege, and option to renew this lease for successive annual terms. The Authority gave the County the right to purchase the leased facility at any time by giving a thirty day notice of such option in writing at a purchase price to be paid to the Stockmans Bank of Gould, Oklahoma for the account of the Authority, which shall be an amount required to pay all outstanding principal on the Note and any thereafter issued indebtedness and interest to the date fixed for prepayment, plus expenses.

Note 4 – Contingencies

The Authority didn't have any contingencies as of the date of the audit report.

Note 5 – Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that effect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Note 6 – Debt Service Fund

The lease agreement with Harmon County has a provision to set aside a Debt Service Fund equal to an amount of 6 months of debt service payments on the 2001 Series Note. Six months of debt service payments amounts to \$28,145.

SCOTT NORTHRIP, CPA

P.O. Box 642, Hobart, Oklahoma 73651

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND INTERNAL CONTROL OF THE FINANCIAL STATEMENTS IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Trustees of
Harmon Co. Economic Development Authority
Hollis, Oklahoma

I have audited the basic financial statements of Harmon Co. Economic Development Authority (Authority), as of and for the year ending June 30, 2013 and 2012, and have issued my report thereon dated August 27, 2013. I conducted the 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.

Compliance

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, I performed test of the Authority's compliance with certain laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, my objective was not to provide an opinion on overall compliance with such provisions. Accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that require to be reported under *Government Auditing Standards*.

Internal Control

In planning and performing the audit, I considered Harmon Co. Economic Development Authority's internal control over financial reporting in order to determine the auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be a material weakness. A material weakness is a condition in which the design of operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned function.

Report on Compliance and Internal Controls-Continued

I noted no matters involving internal control over financial reporting and its operation that I consider to be reportable conditions. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of internal controls that, in my judgment, could adversely Harmon Co. Economic Development Authority's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements or its ability to administer its programs in accordance with applicable laws and regulations.

This report is intended for the information of the board of trustees, Harmon County, and the State of Oklahoma. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

Scott Northrip

Certified Public Accountant

August 27, 2013