

HARMON CO. ECONOMIC  
DEVELOPMENT AUTHORITY  
*Audit Report*  
For the Year Ending June 30, 2015 and 2014

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, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair representation of these financial statements in accordance accounting principle generally accepted in the United States of America; this includes 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**

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 involves performing procedures to obtain audit evidence supporting 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

## **Auditor's 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, 2015 and 2014, and the respective changes in financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

## **Other Reporting Requirements by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, I have also issued my report dated November 17, 2015, on my consideration of the Authority's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grants. 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. This 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.

***Scott Northrip***

Certified Public Accountant

November 17, 2015

# HARMON CO. ECONOMIC DEVELOPMENT AUTHORITY

## Statement of Net Position As of June 30, 2015 and 2014

|                                | <u>2015</u>              | <u>2014</u>              |
|--------------------------------|--------------------------|--------------------------|
| <u>ASSETS</u>                  |                          |                          |
| <b>Current Assets:</b>         |                          |                          |
| Cash - Operating               | \$ 100,950               | \$ 46,109                |
| Receivables                    | <u>-0-</u>               | <u>-0-</u>               |
| <b>Total Current Assets</b>    | <b><u>\$ 100,950</u></b> | <b><u>\$ 46,109</u></b>  |
| <b>Fixed Assets: (Note 1)</b>  |                          |                          |
| Building & Parking Lot         | \$ 728,266               | \$ 728,266               |
| Less: Accumulated Depreciation | <u>(455,166)</u>         | <u>(418,753)</u>         |
| <b>Net Fixed Assets</b>        | <b><u>\$ 273,100</u></b> | <b><u>\$ 309,513</u></b> |
| <b>TOTAL ASSETS</b>            | <b><u>\$374,050</u></b>  | <b><u>\$355,622</u></b>  |

### LIABILITIES AND NET POSITION

|   |                          |                          |
|---|--------------------------|--------------------------|
| <b>Current Liabilities:</b>               |                          |                          |
| Accounts Payable - Operations             | \$ -0-                   | \$ -0-                   |
| Accrued Interest Payable                  | 0                        | 7                        |
| Current Portion of Long-Term Debt         | <u>0</u>                 | <u>12,175</u>            |
| <b>Total Current Liabilities</b>          | <b><u>\$ 0</u></b>       | <b><u>\$ 12,182</u></b>  |
| <b>Long-Term Debt: (Note 2)</b>           |                          |                          |
| Revenue Note- Series 1999                 | \$ -0-                   | \$ 12,175                |
| Less: Current Portion                     | <u>( 0)</u>              | <u>(12,175)</u>          |
| <b>Total Long Term Debt</b>               | <b><u>\$ 0</u></b>       | <b><u>\$ 0</u></b>       |
| <b>Net Position:</b>                      |                          |                          |
| Restricted Fund Balance                   | \$ 374,050               | \$ 343,440               |
| <b>Total Net Assets</b>                   | <b><u>\$ 374,050</u></b> | <b><u>\$ 343,440</u></b> |
| <b>TOTAL LIABILITIES AND NET POSITION</b> | <b><u>\$374,050</u></b>  | <b><u>\$355,622</u></b>  |

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, 2015 and 2014

|                           | <u>2015</u>             | <u>2014</u>             |
|---------------------------|-------------------------|-------------------------|
| <b>REVENUES:</b>          |                         |                         |
| Building Lease Payments   | \$ 66,667               | \$ 80,000               |
| Interest Income           | <u>429</u>              | <u>283</u>              |
| <b>TOTAL REVENUES</b>     | <b><u>\$ 67,096</u></b> | <b><u>\$ 80,283</u></b> |
| <b>EXPENDITURES:</b>      |                         |                         |
| Interest Expense          | \$ 73                   | \$ 877                  |
| Depreciation Expense      | 36,413                  | 36,413                  |
| Appraisal Fees            | 0                       | 0                       |
| Bank Charges              | <u>0</u>                | <u>0</u>                |
| <b>TOTAL EXPENDITURES</b> | <b><u>\$ 36,486</u></b> | <b><u>\$ 37,290</u></b> |
| <b>EXCESS REVENUES</b>    | <b>\$ 30,610</b>        | <b>\$ 42,993</b>        |
| <b>FUND BALANCE:</b>      |                         |                         |
| Beginning Balance         | 343,440                 | 300,447                 |
| Other Adjustments         | <u>-0-</u>              | <u>-0-</u>              |
| <b>ENDING BALANCE</b>     | <b><u>\$374,050</u></b> | <b><u>\$343,440</u></b> |

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, 2015 and 2014

|  | <u>2015</u>                | <u>2014</u>                |
|--|----------------------------|----------------------------|
| <b>Cash Flows from Operating Activities:</b>               |                            |                            |
| Cash Receipts from Lease                                   | \$ 66,667                  | \$ 80,000                  |
| Cash Receipts from Interest                                | 429                        | 283                        |
| Cash Payments for Goods & Services                         | <u>( 0 )</u>               | <u>( 0 )</u>               |
| <b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b> | <b><u>\$ 67,096</u></b>    | <b><u>\$ 80,283</u></b>    |
| <b>Cash Flows from Investing Activities:</b>               |                            |                            |
| Construction of Building & Parking Lot                     | \$ <u>-0-</u>              | \$ <u>-0-</u>              |
| <b>NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES</b> | <b><u>\$ -0-</u></b>       | <b><u>\$ -0-</u></b>       |
| <b>Cash Flows from Financing Activities:</b>               |                            |                            |
| Proceeds from Revenue Notes                                | \$ -0-                     | \$ -0-                     |
| Interest Payments  | ( 80 )                     | ( 945 )                    |
| Principal Long-Term Debt Payments                          | <u>( 12,175 )</u>          | <u>( 96,377 )</u>          |
| <b>NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES</b> | <b><u>\$( 12,255 )</u></b> | <b><u>\$( 97,322 )</u></b> |
| <b>NET INCREASE (DECREASE) IN CASH</b>                     | <b>\$ 54,840</b>           | <b>\$( 17,039 )</b>        |
| Cash & Equivalents - Beginning                             | <u>46,109</u>              | <u>63,148</u>              |
| Cash & Equivalents - Ending                                | <u>\$ 100,950</u>          | <u>\$ 46,109</u>           |

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

|  |                         |                         |
|--|-------------------------|-------------------------|
| Excess Revenues  | \$ 30,610               | \$ 42,993               |
| Depreciation Expense                                       | 36,413                  | 36,413                  |
| Interest Expense   | 73                      | 877                     |
| Changes in Accounts Payable                                | <u>( 0 )</u>            | <u>( 0 )</u>            |
| <b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b> | <b><u>\$ 67,096</u></b> | <b><u>\$ 80,283</u></b> |

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, 2015 and 2014

## 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 \$1,443.41 beginning on October 15, 2012 until paid in full. Interest accrues at a variable rate which is adjusted annually on August 15<sup>th</sup>. 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, 2013 and 2014 were 1.66% and 1.653%, respectively. Annual principal payment schedule is as follows with the assumption that additional principal payments will continue:

|                           |   |
|---------------------------|---|
| Year ending June 30, 2016 | 0 |
| Year ending June 30, 2017 | 0 |
| Year ending June 30, 2018 | 0 |

# HARMON CO. ECONOMIC DEVELOPMENT AUTHORITY

Notes to the Financial Statements  
For the Year Ended June 30, 2015 and 2014

## **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, 2015 and 2014, and have issued my report thereon dated November 17, 2015. 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 (internal control) to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District'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 entity'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.

## Report on Compliance and Internal Controls-Continued

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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### 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.

*Scott Northrip*

Certified Public Accountant

November 17, 2015