

FILED

DEC 16 2011

State Auditor & Inspector

Rec: 20039



Management's Discussion and Analysis
Financial Statements
June 30, 2011 and 2010

Langston Economic Development Authority

Langston Economic Development Authority

Table of Contents

June 30, 2011 and 2010

| | |
|--|----|
| Independent Auditor's Report..... | 1 |
| Management's Discussion and Analysis..... | 3 |
| Financial Statements | |
| Balance Sheets | 6 |
| Revenues, Expenses and Changes in Net Assets | 7 |
| Cash Flows..... | 8 |
| Notes to Financial Statements..... | 9 |
| Report on Internal Control over Financial Reporting and on Compliance and Other Matter Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> | 14 |



CPAs & BUSINESS ADVISORS

Independent Auditor's Report

The Board of Trustees
Langston Economic Development Authority
Langston, Oklahoma

We have audited the accompanying balance sheets of Langston Economic Development Authority, as of June 30, 2011 and 2010, and the related statements of revenues, expenses and changes in net assets and cash flows for the years then ended. 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 audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and 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 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. We believe that our audits provide 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 Langston Economic Development Authority as of June 30, 2011 and 2010, and the results of its operations and changes in net assets and cash flows for the years 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 November 28, 2011 on our consideration of Langston Economic Development Authority's internal control over financial reporting and 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 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 considered in assessing the results of our audit.

The management's discussion and analysis on pages 3 through 5 is not a required part of the basic financial statements but is supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Erskine Bailey LLP

Oklahoma City, Oklahoma

Introduction

Our discussion and analysis of Langston Economic Development Authority's (the "Authority") financial performance provides an overview of the Authority's financial activities for the year ended June 30, 2011 and 2010. It should be read in conjunction with the accompanying financial statements of the Authority.

Financial Highlights

Cash decreased by approximately \$38,900 or 2% in 2011 and \$50,400 or 3% in 2010

The Authority's net assets increased in 2011 by approximately \$281,900 or 99% and \$160,300 or 130% in 2010

Using This Annual Report

The Authority's financial statements consist of three statements - a balance sheet; a statement of revenues, expenses and changes in net assets; and a statement of cash flows. These financial statements and related notes provide information about activities of the Authority, including resources held by the Authority but restricted for specific purposes by contributors, grantors, or enabling legislation. The Authority is accounted for as a business-type activity and presents its financial statements using the economic resources measurement focus and the accrual basis of accounting.

The Balance Sheet and Statement of Revenues, Expenses and Changes in Net Assets

One of the most important questions asked about the Authority's finances is "Is the Authority as a whole better or worse off as a result of the year's activities?" The Balance Sheet and the Statement of Revenues, Expenses and Changes in Net Assets report information about the Authority's resources and its activities in a way that help answers this question. These statements include all restricted and unrestricted assets and liabilities using the accrual basis of accounting. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Authority's net assets and changes in them. You can think of the Authority's net assets - the difference between assets and liabilities - as one way to measure the Authority's financial health, or financial position. Over time, increases or decreases in the Authority's net assets are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in local economic factors to assess the overall health of the Authority.

The Statement of Cash Flows

The final required statement is the Statement of Cash Flows. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing and financing activities. It provides answers to such questions as where did cash come from, what was cash used for and what was the change in cash balance during the reporting period.

The Authority's Net Assets

The Authority's net assets are the difference between its assets and liabilities reported in the balance sheet. The Authority's net assets increased by approximately \$281,900 or 99% in 2011 over 2010, and \$160,300 or 130% in 2010 over 2009, as shown in Table 1.

Table 1: Assets, Liabilities and Net Assets

| | 2011 | 2010 | 2009 |
|--------------------------------------|---------------------|---------------------|---------------------|
| Assets | | | |
| Cash | \$ 1,613,029 | \$ 1,651,923 | \$ 1,702,279 |
| Total assets | <u>\$ 1,613,029</u> | <u>\$ 1,651,923</u> | <u>\$ 1,702,279</u> |
| Liabilities and Net Assets | | | |
| Pledge payable | \$ 76,000 | \$ - | \$ - |
| Investment liability, swap agreement | 971,556 | 1,368,348 | 1,578,955 |
| Net Assets | | | |
| Unrestricted | <u>565,473</u> | <u>283,575</u> | <u>123,324</u> |
| Total liabilities and net assets | <u>\$ 1,613,029</u> | <u>\$ 1,651,923</u> | <u>\$ 1,702,279</u> |

Operating Results and Changes in Net Assets

In 2011 and 2010, the Authority's net assets increased by approximately \$281,900 or 99% and \$160,300 or 130%, respectively, as shown in Table 2. This change is due primarily to the change in the liability related to the interest rate swap agreement.

Table 2: Operating Results and Changes in Net Assets

| | 2011 | 2010 | 2009 |
|-------------------------------|-------------------|-------------------|-------------------|
| Operating revenues | | | |
| Interest income | \$ 8,257 | \$ 12,488 | \$ 27,993 |
| Operating expenses | <u>123,151</u> | <u>62,843</u> | <u>18,546</u> |
| Total operating (loss) income | (114,894) | (50,355) | 9,447 |
| Impact of derivative | 396,792 | 210,606 | (822,709) |
| Net assets, beginning of year | <u>283,575</u> | <u>123,324</u> | <u>936,586</u> |
| Net assets, end of year | <u>\$ 565,473</u> | <u>\$ 283,575</u> | <u>\$ 123,324</u> |

Operating Income

The first component of the overall change in the Authority's net assets is its operating (loss) income - generally, the difference between other operating revenues and the expenses incurred to perform those services.

Operating income decreased approximately \$64,500 or 128% for fiscal year 2011 compared to the same period of 2010. Operating income decreased \$59,800 or 633% for fiscal year 2010 from fiscal year 2009. The primary components of the change in operating income are:

A decrease in interest expense of approximately \$10,600 or 41% in 2011, and an increase in interest expense of \$25,800 or 100% in 2010

A decrease in interest income of approximately \$4,200 or 34% in 2011 and a decrease in interest income of \$15,000 or 55% in 2010

An increase in contribution expense of approximately \$49,200 or 169% in 2011 and an increase in contribution expense of \$18,000 or 164% in 2010

The Authority's Cash Flows

Changes in the Authority's cash flows are consistent with changes in operating income and expenses, discussed earlier.

Contacting the Authority's Financial Management

This financial report is designed to provide our suppliers and creditors with a general overview of the Authority's finances and to show the Authority's accountability for the money it receives. Questions about this report and requests for additional financial information should be directed to the Authority administration by calling (405) 466-3259.

Langston Economic Development Authority

Balance Sheets

Years Ended June 30, 2011 and 2010

| | <u>2011</u> | <u>2010</u> |
|--------------------------------------|---------------------|---------------------|
| Assets | | |
| Current Assets | | |
| Cash | \$ 1,613,029 | \$ 1,651,923 |
| Total assets | <u>\$ 1,613,029</u> | <u>\$ 1,651,923</u> |
| Liabilities and Net Assets | | |
| Current Liabilities | | |
| Pledges payable | \$ 76,000 | \$ - |
| Investment liability, swap agreement | 971,556 | 1,368,348 |
| Net Assets, Unrestricted | <u>565,473</u> | <u>283,575</u> |
| Total liabilities and net assets | <u>\$ 1,613,029</u> | <u>\$ 1,651,923</u> |

Langston Economic Development Authority
 Statements of Revenues, Expenses and Changes in Net Assets
 Years Ended June 30, 2011 and 2010

| | <u>2011</u> | <u>2010</u> |
|---|-------------------|-------------------|
| Operating Revenues | | |
| Interest income from investments | \$ 8,257 | \$ 12,488 |
| Operating Expenses | | |
| Interest expense from swap agreement, net | 15,210 | 25,825 |
| Bank charges | 40 | 20 |
| Contributions | 78,259 | 29,042 |
| Miscellaneous fees | 100 | 100 |
| Professional fees | 29,542 | 7,856 |
| Total operating expenses | <u>123,151</u> | <u>62,843</u> |
| Operating Loss Before Impact of Derivative | (114,894) | (50,355) |
| Impact of Derivative | <u>396,792</u> | <u>210,606</u> |
| Increase in Net Assets | 281,898 | 160,251 |
| Net Assets, Beginning of Year | <u>283,575</u> | <u>123,324</u> |
| Net Assets, End of Year | <u>\$ 565,473</u> | <u>\$ 283,575</u> |

Langston Economic Development Authority
 Statements of Cash Flows
 Years Ended June 30, 2011 and 2010

| | 2011 | 2010 |
|---|--------------|--------------|
| Operating Activities | | |
| Interest received | \$ 8,257 | \$ 12,488 |
| Interest paid | (15,210) | (25,825) |
| Payments to related party, suppliers and bank | (31,941) | (37,019) |
| Net Cash used in Operating Activities and Net Decrease in Cash | (38,894) | (50,356) |
| Cash, Beginning of Year | 1,651,923 | 1,702,279 |
| Cash, End of Year | \$ 1,613,029 | \$ 1,651,923 |

Income Taxes

The Authority is classified as a political subdivision and is exempt under Section 115 of the Internal Revenue Code and is not required to file federal income tax returns.

Fair Value Measurements

The Authority has determined the fair value of certain assets and liabilities in accordance with the provisions of ASC 820-10, which provides a framework for measuring fair value under generally accepted accounting principles

ASC 820-10 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. ASC 820-10 requires that valuation techniques maximize the use of observable inputs and minimize the use of unobservable inputs. ASC 820-10 also establishes a fair value hierarchy, which prioritizes the valuation inputs into three broad levels.

Level 1 inputs consist of quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the related asset or liability. Level 3 inputs are unobservable inputs related to the asset or liability.

Note 2 - Deposits and Investments

State statutes require public trusts to invest monies in financial institutions only in collateralized or insured certificates of deposit and other evidences of deposit. It is the Authority's practice to mainly invest in demand and time deposit accounts and certificates of deposit. The following is a summary of deposits at June 30, 2011 and 2010:

| | 2011 | 2010 |
|--|--------------|--------------|
| Total Bank Balance | | |
| Insured | \$ 250,000 | \$ 250,000 |
| Collateralized with securities held by the Authority's agent in the Authority's name | 1,411,794 | 1,462,149 |
| | \$ 1,661,794 | \$ 1,712,149 |
| Total Carrying Value | | |
| Cash | \$ 1,613,029 | \$ 1,651,923 |

Compliance and Other Matters

As part of obtaining reasonable assurance about whether **Langston Economic Development Authority's** financial statements are free of 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 no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of Trustees and management and is not intended to be and should not be used by anyone other than these specified parties.

Eide Bailly LLP

Oklahoma City, Oklahoma
November 28, 2011