LOGAN COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY

ANNUAL FINANCIAL STATEMENTS AND ACCOMPANYING INDEPENDENT AUDITOR'S REPORTS

FOR THE YEARS ENDED JUNE 30, 2014, 2013, 2012 and 2011

C O N T E N T S

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Board of Directors
Logan County Industrial Development Authority
Guthrie, Oklahoma

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of Logan County Industrial Development Authority, which comprise the statement of financial position as of June 30, 2014, 2013, 2012 and 2011, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles 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

Our responsibility is to express opinions 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 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 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.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Logan County Industrial Development Authority, Oklahoma, as of June 30, 2014, 2013, 2012 and 2011, and the changes in its net assets and its cash for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Logan County Industrial Development Authority has not presented the Management's Discussion and Analysis required by the Governmental Accounting Standards Board (GASB) and the GASB has determined it is necessary to supplement, although not required to be a part of the basic financial statements.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards,* we have also issued our report dated September 13, 2014 on our consideration of the Logan County Industrial Development 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 Logan County Industrial Development Authority's internal control over financial reporting and compliance.

Dillon & Associates, P.C.

Midwest City, Oklahoma
September 13, 2014

LOGAN COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY

STATEMENTS OF NET POSITION
JUNE 30, 2014, 2013, 2012 and 2011

ASSETS		2014	2013	2012	2011
Current Assets:					
Cash and cash equivalents	$	19,930	22,879	23,138	22,774
Investments -					
Unrestricted - Certificate of deposits		100,000	100,000	100,000	100,000
TOTAL ASSETS		119,930	122,879	123,138	122,774
NET POSITION					
Unrestricted	$	119,930	122,879	123,138	122,774

See the accompanying independent auditor's report and notes to financial statements.

LOGAN COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2014, 2013, 2012 AND 2011

	2014	2013	2012	2011
REVENUES				
Interest income	$ 794	682	1,268	1,623
Total Revenues	794	682	1,268	1,623
EXPENSES				
Donation - Consumer Credit Counseling	-	-	-	4,000
Economic development - Logan County Economic Development Authority	2,500	-	-	-
Legal and accounting	720	420	385	4,612
Postage	34	32	30	30
Insurance - Fidelity bond	489	489	489	489
Total Expenses	3,743	941	904	9,131
Change in Net Position	(2,949)	(259)	364	(7,508)
Net Position at Beginning of Year	122,879	123,138	122,774	130,282
Net Position at End of Year	$ 119,930	122,879	123,138	122,774

See the accompanying independent auditor's report and notes to financial statements.

LOGAN COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2014, 2013, 2012 AND 2011

		2014	2013	2012	2011
Cash Flows From Operating Activities:					
Interest income	$	794	682	1,268	1,623
Payments of administrative expenses		(1,243)	(941)	(904)	(5,131)
Payment of donations		-	-	-	(4,000)
Payment related to economic development		(2,500)	-	-	-
Net Cash Provided in Operating Activities		(2,949)	(259)	364	(7,508)
Net Increase (Decrease) in Cash and cash equivalents		(2,949)	(259)	364	(7,508)
Cash and cash equivalents - Beginning of Year		22,879	23,138	22,774	30,282
Cash and cash equivalents - End of Year	$	19,930	22,879	23,138	22,774

See the accompanying independent auditor's report and notes to financial statements.

NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDED JUNE 30, 2011, 2012, 2013 AND 2014

(1) Nature of Operations and Summary of Significant Accounting Policies -

Financial Reporting Entity

Logan County Industrial Development Authority (LCIDA) is a public trust established under the provisions of Title 60 of Oklahoma statutes. The Authority was created November 6, 1968 to provide economic development assistance to Logan County. The beneficiary of the Authority is Logan County.

Fund Accounting

The Authority is organized and operated as an enterprise fund. An enterprise fund accounts for activities for which the intent of the governing body is that the cost of providing goods or services to the public on a continuing basis is financed or recovered primarily through user charges, or where the governing body has decided that the determination of net income is appropriate.

Basis of Presentation

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States as prescribed by the Governmental Accounting Standards Board (GASB).

Basis of Accounting

The Authority prepares its financial statements on the accrual basis of accounting. Under this method, revenues are recognized in the accounting period in which they are earned and expenses are recognized when the obligation in incurred.

Cash and Cash Equivalents

For the purpose of the statement of cash flows, the Authority considers all highly liquid investments with a maturity of 3 months or less when purchased to be cash equivalents.

Investments

Investments are limited bank certificate of deposits.

Use of Estimates in Preparing Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles require management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from these estimates.

(1) Nature of Operations and Summary of Significant Accounting Policies - (Cont.)

Income Taxes

The Authority is a governmental agency organized under the laws of the State and is not subject to federal or state income taxes.

Recent Accounting Pronouncements

There were no new accounting pronouncements applicable to the Authority's financial reporting for the year ended June 30, 2014.

(2) Deposits and Investment Risk –

At June 30, 2014 the Authority had the following:

		Carrying Value		
Deposits				
Demand deposits and cash equivalents	$	19,930		
		Fair Value	**Credit Rating**	**Maturity Date**
Investments				
Certificates of deposits		100,000		
Total Deposits and Investments	$	119,930		
Reconciliation to Statement of Net Position				
Cash	$	19,930		
Investments - Unrestricted		100,000		
	$	119,930		

Custodial Credit Risk

Exposure to custodial credit risk related to deposits exists when the Authority holds deposits that are uninsured and uncollateralized; collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the Authority's name: or collateralized without a written or approved collateral agreement. Exposure to custodial credit risk related to investments exists when the Authority holds investments that are uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the Authority's name.

Accounts at each bank are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to $250,000 per institution. The bank balances of the Authority's deposits and investments totaled $119,930 at June 30, 2014. At June 30, 2014, the Authority was not exposed to custodial credit as defined above.

(2) Deposits and Investment Risk - (Cont.)

Investment Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Authority has no formal policy limiting investments based on credit rating, but discloses any such credit risk associated with their investments by reporting the credit quality ratings of investments in debt securities as determined by nationally recognized statistical rating organizations - rating agencies - as of the year end. Unless there is information to the contrary, obligations of the U.S. Government or obligations explicitly guaranteed by the U.S. Government are not considered to have credit risk and do not require disclosure of credit quality.

At June 30, 2014, the Authority was not exposed to investment credit risk as defined above.

Investment Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Authority discloses its exposure to interest rate risk by disclosing the maturity dates of its investments.

Investment Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Authority has no formal policy limiting investments based on credit rating, but discloses any such credit risk associated with their investments by reporting the credit quality ratings of investments in debt securities as determined by nationally recognized statistical rating organizations - rating agencies - as of the year end. Unless there is information to the contrary, obligations of the U.S. Government or obligations explicitly guaranteed by the U.S. Government are not considered to have credit risk and do not require disclosure of credit quality.

Concentration of Investment Credit Risk

Exposure to concentration of credit risk is considered to exist when investments in any one issuer represent a significant percent of total investments of the Authority (any over 5% are disclosed). Investments issued or explicitly guaranteed by the U.S. Government and investments in mutual funds, external investment pools, and other pooled investments are excluded from this concentration. At June 30, 2014, the Authority had no concentration of credit risk as defined above.

(3) Fair Value Measurements –

Fair Value of Financial Instruments

The following methods and assumptions were used by Logan County Industrial Development Authority in estimating the fair value of its financial instruments:

- The carrying amount reported in the statement of financial position for the following approximates fair value because of the short maturities of these instruments: cash, accounts payable, and accrued expenses.

Fair Value Hierarchy

Logan County Industrial Development Authority follows the guidance of ASC Subtopic 820-10 for fair value measurements of financial assets and financial liabilities and for fair value measurements of nonfinancial items that are recognized or disclosed at fair value in the financial statements on a recurring basis. ASC Subtopic 820-10 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that Logan County Industrial Development Authority has the ability to access at the measurement date. Level 1 assets include cash that comprises demand deposits and time deposits with commercial banks.
- Level 2 inputs are observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the asset or liabilities. Logan County Industrial Development Authority had no Level 2 assets as of June 30, 2014.
- Level 3 inputs are unobservable inputs for the assets or liability. Logan County Industrial Development Authority had no Level 3 assets as of June 30, 2014.

The level in the fair value hierarchy within which a fair value measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

At June 30, 2014, Logan County Industrial Development Authority’s assets measured at fair value on a recurring basis included cash in the amount of $19,930 and certificate of deposits in the amount of $100,000.

(4) Related Party Transaction –

The Authority purchased an annual fidelity bond through an insurance agency owned by a member of the Board of Trustees.

(5) Subsequent Events -

Subsequent events have been evaluated through September 13, 2014, which is the date the financial statements were issued.

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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*

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Logan County Industrial Development Authority
Guthrie, 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 Logan County Industrial Development Authority, as of and for the years ended June 30, 2014, 2013, 2012 and 2011, and the related notes to the financial statements and have issued our report thereon dated September 13, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Logan County Industrial Development 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 financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Logan County Industrial Development Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Logan County Industrial Development 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 combination of deficiencies, in internal control, such that there is a reasonable possibility that 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 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 over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over financial reporting 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. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of reportable findings and responses that we consider to be significant deficiencies, referred to as Findings 2014-01 and 2014-02.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Logan County Industrial 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 or other matters that are required to be reported under *Government Auditing Standards*.

Logan County Industrial Development Authority's Response to Findings

The Logan County Industrial Development Authority's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. The Logan County Industrial Development 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 intended solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or 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.

Dillon & Associates, P.C.

Midwest City, Oklahoma
September 13, 2014

LOGAN COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY

SCHEDULE OF REPORTABLE FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2014

Finding 2014-01 – Internal Control – Financial Statements

Criteria – The Authority's management is responsible for internal controls over financial reporting. This includes controls over the fair and complete presentation of the Authority's annual financial statements in accordance with GAAP. The presentation of financial statements in accordance with GAAP requires internal controls over both (1) recording, processing and summarizing accounting data (i.e., maintaining internal books and records) and (2) reporting financial statements, including the related footnotes (i.e., external financial reporting). Professional standards clearly indicate that the external financial statement auditor cannot perform any part of management's control activities or be a component of the internal controls over financial reporting.

Condition – As is the case with many smaller and medium-sized entities, the Authority has relied on its independent external auditors to provide the needed expertise to assist in the preparation of the financial statements and footnotes as part of its controls over the external financial reporting process. Accordingly, the Authority's ability to prepare financial statements in accordance with generally accepted accounting principles (GAAP) is based, in part, on its external auditors, who cannot by definition be considered a part of the Authority's internal controls. However, as required by professional standards the Authority has provided safeguards by designating a management level individual with suitable skill, knowledge and/or experience to oversee the services performed by our engagement, make all management decisions (e.g., determining or approving account classifications, adjusting journal entries, etc.) evaluate and monitor the performance and adequacy of the services, and take responsibility for the books, records and related financial statements.

Cause – Management has elected to use outside assistance from the external auditors to assist in meeting its responsibilities relative to preparing its annual financial statements. Although the Authority's management may lack certain expertise relative to preparing GAAP financial statements, professional standards do not require that the management or individual possess the expertise to perform or re-perform all such services. The auditor has explained all proposed audit adjustments and their effect on the financial statements and the related note disclosures to management who has affirmed their understanding and agreement as required by professional standards.

Effect or Potential Effect – Although management has reviewed the financial statements drafted by the auditor and accepted full responsibility for them, the auditor could be placed in a questionable position regarding auditor independence as a result of potentially performing part of management's functions if management or its representative is unable to understand the nature of the services, evaluate its adequacy and accept responsibility for its results.

SCHEDULE OF REPORTABLE FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2014

Finding 2014-01 – Internal Control – Financial Statements - Continued

Recommendation – We recommend that the Authority consider designing and implementing further internal controls over financial reporting by obtaining additional expertise to process and summarize accounting data and prepare financial statements in accordance with generally accepted accounting principles without reliance on the external financial statement auditor. This could be achieved through employment of qualified accounting staff or the outsourcing of these control activities to a qualified accounting firm other than the external auditor.

Responsible Official's Response - The Authority concurs with the recommendation, and will strive to process and summarize accounting data and further understand the presentation and disclosure requirements of the financial statements.

Finding 2014-02 – Internal Control - Segregation of Duties

Criteria - The segregation of duties and responsibilities between different individuals for custody of assets, recordkeeping for those assets and reconciliation of those asset accounts is an important control activity needed to adequately protect the Authority's assets and ensure accurate financial reporting.

Condition – Presently the same individual is responsible for posting cash receipts, disbursements and general ledgers.

Cause – The Authority's limited size and staffing resources have made it difficult for management to provide sufficient staffing to fully segregate incompatible duties in a cost-effective manner.

Effect or Potential Effect – Without sufficient segregation of duties, the risk significantly increases that errors and fraud related to purchasing and deposit activities, including misappropriation of assets, could occur and not be detected within a timely basis.

Recommendation – We recommend that management should consider a formal evaluation of their risks associated with these procedures. In response to the identified risks, consideration should be given to identifying and implementing controls that could help mitigate the risks associated with lack of control duties, such as providing increased management oversight and an independent reconciliation of accounts.

Responsible Official's Response - The Authority concurs with the recommendation, although, the cost to correct this condition might exceed the benefit, the Authority will strive to make changes in procedures that will improve the overall lack of segregation of duties.