

**DELAWARE ECONOMIC DEVELOPMENT AUTHORITY
DELAWARE COUNTY, OKLAHOMA**

**ANNUAL FINANCIAL STATEMENTS
AND ACCOMPANYING
INDEPENDENT AUDITOR'S REPORTS**

**FOR THE FISCAL YEAR ENDED
JUNE 30, 2012**

**Delaware County Economic Development Authority
Board of Trustees**

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Barbara Barnes

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Delaware County Economic Development Authority
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LANGLEY-LITTLEFIELD-OBER

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INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
Delaware Economic Development Authority
Delaware County, Oklahoma

We have audited the accompanying financial statements of the business-type activities of Delaware County Economic Development Authority as of and for the year ended June 30, 2012, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Authority's management. 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 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 audit provides a reasonable basis for our opinions.

As discussed in Note 1, the financial statements present only the Delaware County Economic Development Authority and do not purport to, and do not, present fairly the financial position of Delaware County, Oklahoma, as of June 30, 2012, and the changes in its financial position, or, where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of Delaware County Economic Development Authority as of June 30, 2012, and the respective changes in financial position and cash flows thereof for the year 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 our report dated June 9, 2015 on our consideration of Delaware County Economic 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 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 important for assessing the results of our audit.

Delaware County Economic Development Authority's management has not presented management's discussions and analysis or the budgetary comparison information that governmental accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Government Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.



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CERTIFIED PUBLIC ACCOUNTANTS, PLLC
MIAMI, OKLAHOMA
JUNE 9, 2015

Delaware County Economic Development Authority
Statement of Net Position
June 30, 2012

ASSETS

Deposit with 3rd Party	\$ 19,480.88
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NET POSITION

Restricted	19,480.88
Unrestricted	-
Total Net Position	<u>\$ 19,480.88</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

Delaware County Economic Development Authority
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2012

Operating Revenues	\$ -
Operating Expenses	
Legal & Audit Fees	31,826.87
Advertising	37.50
Total Operating Exepenses	<u>31,864.37</u>
Net Income (Loss) from Operations	(31,864.37)
Non Operating Revenue (Expense)	
Transfers from county - increment tax revenue	18,605.27
Transfers from country - legal fee reimbursements	29,960.45
Total Non Operating Revenue (Expense)	<u>48,565.72</u>
Net Income	16,701.35
Net Position, Beginning of Year	2,779.18
Net Position, End of Year	<u><u>\$ 19,480.53</u></u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

Delaware County Economic Development Authority
Statement of Cash Flows
For the Year Ended June 30, 2012

Cash Flows from Operating Activities

Payments for professional services	\$	(32,053.02)
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Cash Flows from Capital and Related Financing Activities

Transfers from county - increment tax revenue		18,605.27
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Cash Flows from NonCapital and Related Financing Activities

Transfers from county - legal fee reimbursements		29,960.45
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Cash and Cash Equivalents at Beginning of Year		2,968.18
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Cash and Cash Equivalents at End of Year	\$	19,480.88
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Cash and Cash Equivalents, Unrestricted		-
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Cash and Cash Equivalents, Restricted		19,480.88
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Cash and Cash Equivalents at End of Year	\$	19,480.88
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Reconciliation of Operating Income (Loss) to Net Cash

Provided by Operating Activities

Net Operating Income (Loss)	\$	(31,864.37)
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Decrease in Accounts Payable		(188.65)
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Net Cash Provided by Operating Activities	\$	(32,053.02)
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The accompanying Notes to the Financial Statements are an integral part of this statement.

Delaware County Economic Development Authority
Notes to the Financial Statements
For the Year Ended June 30, 2012

I. Summary of Significant Accounting Policies

The following notes to the financial statements are an integral part of Delaware County Economic Development Authority's financial statements.

The Delaware County Economic Development Authority (Authority) was established as a public trust under and pursuant to the laws of the State of Oklahoma (generally, but not exclusively, Sections 176-180.3, inclusive of Title 60, Oklahoma Statutes 2001 Supplement and the Oklahoma Trust Act) on behalf of the County of Delaware, Oklahoma naming the County as the beneficiary. The purpose of the Authority is to acquire and construct a county jail and/or other detention facility within the territorial limits of Delaware County, Oklahoma and for providing and conducting criminal justice intervention and prevention programs.

The accounting policies of the Authority conform to generally accepted accounting principles applicable to governmental units. The Authority complies with generally accepted accounting principles and applies all relevant Government Accounting Standards Board (GASB) pronouncements. In addition, the Authority applies Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. The Authority has elected not to follow FASB pronouncements issued since that date.

A. Financial Reporting Entity

The Authority complies with GASB Statement No. 14, "*The Financial Reporting Entity*", and Statement No. 61, "*The Financial reporting Entity: Omnibus*." This statement establishes standards for defining and reporting on the financial reporting entity. It defines component units as legally separate organizations for which the elected officials of the primary government are financially accountable and other organizations for which the nature and significance of their relationship with a primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The Authority considered all potential component units in determining what organizations should be included in the financial statements. Based on these criteria, there are no component units to include in the Authority's financial statements.

B. Measurement Focus, Basis of Accounting and Basis of Presentation – Fund Accounting

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. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector.

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with Generally Accepted Accounting Principles (GAAP) promulgated in the United States of America. The accounting and financial reporting treatment is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operation are included on the statement of net assets. The operating statements present increases (e.g. revenues) and decreases (e.g. expenses) in net total assets. Depreciation expense is provided for capital assets based upon estimated useful lives.

Delaware County Economic Development Authority
Notes to the Financial Statements
For the Year Ended June 30, 2012

I. Summary of Significant Accounting Policies (continued)

B. Measurement Focus, Basis of Accounting and Basis of Presentation – Fund Accounting (continued)

Financial activity is accounted for on the flow of economic resources measurement focus using the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. In compliance with the Governmental Accounting Standards Board (GASB) Statement No. 29, the Authority as elected to only apply Financial Accounting Standards Board (FASB), Accounting Principles Board (APB) and Accounting Research Board (ARB) materials issued on or before November 30, 1989 that do not conflict with GASB.

C. Assets, Liabilities, Net Position and Revenues

1. Cash and Cash Equivalents

For purposes of the statement of cash flows, the Authority considers all cash on hand, demand deposits, and highly liquid investments, with an original maturity of three months or less when purchased, to be cash and cash equivalents.

2. Equity Classifications

Equity is classified as position and displayed in 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 attributable to the acquisition, construction or improvement 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 or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position --- All other net position that does not meet the definition of “restricted” or “net investment in capital assets.”

3. Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Delaware County Economic Development Authority
Notes to the Financial Statements
For the Year Ended June 30, 2012

I. Summary of Significant Accounting Policies (continued)

C. Assets, Liabilities, Net Position and Revenues (continued)

4. Recent Accounting Pronouncements

In November 2010, GASB issued Statement No. 61, *The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34* (GASB 61). GASB 61 modifies certain requirements for inclusion of component units in the financial reporting entity. For organizations that were previously required to be included as component units by meeting the fiscal dependency criterion, a financial benefit or burden relationship also needs to be present between the primary government and that organization for it to be included in the reporting entity as a component unit. Further, for organizations that do not meet the financial accountability criteria for inclusion as component units but that, nevertheless, should be included because the primary government's management determines that it would be misleading to exclude them, GASB 61 clarifies the matter in which that determination should be made and the types of relationships that generally should be considered in making the determination.

GASB 61 amends the criteria for reporting component units as if they were part of the primary government (that is, blending) in certain circumstances. For component units that currently are blended based on the "substantially the same governing body" criterion, it additionally requires that (1) the primary government and the component unit have a financial benefit or burden relationship or (2) management (below the level of the elected officials) of the primary government have operational responsibility for the activities of the component unit.

The Authority adopted GASB 61 on July 1, 2012, which did not have a significant impact on the Authority's financial statements.

II. Stewardship, Compliance and Accountability

A. Budgetary Information

Stewardship, compliance, and accountability are key concepts in defining the responsibilities of the Delaware County Economic Development Authority. The use of budgets and monitoring of equity status facilitate the Authority's compliance with legal requirements. The Authority is not required to present a budget to actual comparison.

Delaware County Economic Development Authority
Notes to the Financial Statements
For the Year Ended June 30, 2012

III. Detailed Notes Concerning Funds

A. Deposits and Investments

Cash Held by County Treasurer

In accordance with the Delaware County Trust Indenture, the Authority established an account with the Delaware County Treasurer.

The Delaware County Economic Development Authority was established and maintained with excess Ad Valorem Tax, Sales Taxes, and Legal fee reimbursements, transferred by the Delaware County Treasurer to the Trust account held by the County Treasurer. The funds may be used for payment of all operation and maintenance expenses for the current year. The cash balance of the Delaware County Economic Authority account at June 30, 2012, was \$19,480.88. This balance was secured by federal depository insurance or collateral held by the pledging bank in the County's name.

B. Sales Tax Collections

Sales tax collections are deposited monthly with the Treasurer and are then entered into the Authority's account as Monthly Apportionments along with any interest collected. Sales taxes will be collected only from the 415 acres complex that will be the Shangri-La resort. A special tax-increment financing (TIF) district will be set up on the 415 acres owned by the Shangri-La resort. The Sales tax collections for the year ended June 30, 2012 was \$18,187.27.

C. Legal Fee Reimbursement

These are the Special Apportionments when the Center for Economic Development Law invoices Shangri-La for their legal services. The invoice is sent to the County who then deposits the amount reimbursed by Shangri-La. Legal fee reimbursements were collected for the year ended June 30, 2012 in the amount of \$30,378.45.

D. Conduit Debt Obligations

On July 1, 2012 the Authority issued Tax Apportionment Note – A for \$236,021.00 and Note – B for \$1,439,800 for a total of \$1,675,821. Both notes are for a 38 month amortization period at 5.00% interest payable semi-annually on December 31 and July 1, with principal payments beginning December 31, 2014. These notes are secured by the Shangri-La property and are payable solely from the sales and ad valorem tax received from the tax increment district. Neither the Authority nor its beneficiary is obligated in any manner for repayment of the notes.

Accordingly, the notes payable and related notes receivable are not reported as liabilities or assets in the accompanying financial statements.

Delaware County Economic Development Authority
Notes to the Financial Statements
For the Year Ended June 30, 2012

III. Detailed Notes Concerning Funds (continued)

D. Conduit Debt Obligations- (continued)

On July 1, 2012 the Authority issued Tax Apportionment Note – A for \$236,021.00 and Note – B for \$1,439,800 for a total of \$1,675,821. Both notes are for a 38 month amortization period at 5.00% interest payable semi-annually on December 31 and July 1, with principal payments beginning December 31, 2014. These notes are secured by the Shangri-La property and are payable solely from the sales and ad valorem tax received from the tax increment district. Neither the Authority nor its beneficiary is obligated in any manner for repayment of the notes.

Accordingly, the notes payable and related notes receivable are not reported as liabilities or assets in the accompanying financial statements.

IV. Other Information

A. Risk Management

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. The Authority carries commercial insurance for risks of loss. There were no significant reductions in insurance coverage from the prior year. Settled claims resulting from these risks have not exceeded commercial insurance coverage.

B. Subsequent Events

On January 1, 2013 Revenue Note A2 was issued for \$36,185 and Revenue note B2 was issued for \$379,880 for a total of \$416,065. On July 1, 2013 Revenue Note A3 was issued for \$14,875 and Revenue Note B3 was issued for \$188,650 for a total of \$203,525.

As of December 15, 2014 there has been a total of \$23,602.12 in interest paid for Note A; \$143,980.00 in interest paid for Note B; \$2,713.89 in interest paid for Note A2; \$28,941.00 in interest paid for Note B2; \$743.76 in interest for Note A3; and, \$9,432.50 for Note B3. There have been no principal payments made.

C. Contingent Liabilities

The governing board of the Authority is not aware of any pending or threatened legal actions against it. However, any such actions would probably be covered by insurance.

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INDEPENDENT AUDITORS 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 Commissioners
Delaware County Economic Development Authority
Delaware County, Oklahoma

We have audited the financial statements of the business-type activities of the Delaware County Economic Development Authority as of and for the year ended June 30, 2012, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated June 9, 2015. In our report we included an explanatory paragraph stating that the financial statements present only the Delaware County Economic Development Authority and do not purport to, and do not, present fairly the financial position of Delaware County, Oklahoma. We also included an explanatory paragraph stating that the Authority has not presented the management's discussion and analysis or the budgetary comparison information that governmental accounting principles generally accepted in the United States of America require to supplement the basic financial statements. 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.

Internal Control over Financial Reporting

Management of Delaware County Economic Development Authority, is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Delaware County Economic Development Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Delaware County Economic Development Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Delaware County Economic Development Authority's internal control over financial reporting.

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 a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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



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JUNE 9, 2015