

**FILED**

**FEB 22 2012**

**State Auditor & Inspector**

**MIDWESTERN OKLAHOMA DEVELOPMENT  
AUTHORITY  
Burns Flat, Oklahoma**

**Annual Financial Statements and  
Accompanying Independent Auditor's Report**

**YEAR ENDED  
September 30, 2011**

MIDWESTERN OKLAHOMA DEVELOPMENT AUTHORITY  
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FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011

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**MIDWESTERN OKLAHOMA DEVELOPMENT AUTHORITY**

**LIST OF PRINCIPAL OFFICIALS**

**BOARD MEMBERS**

Don Greteman, Chairman

Wayne Walters, Vice-chairman

Alex Damon, Secretary

Kevin Brittain

Wilt Brown

Bob Maine

**EXECUTIVE DIRECTOR**

Kathy Carlisle

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**INDEPENDENT AUDITOR'S REPORT**

# RSMeacham CPAs & Advisors

801 Frisco, Clinton, OK 73601

580-323-1766 | 580-323-1768 fax

Members of American  
Institute of Certified  
Public Accountants

Members of Oklahoma  
Society of Certified  
Public Accountants

## INDEPENDENT AUDITOR'S REPORT

Board of Trustees  
Midwestern Oklahoma Development Authority  
Clinton-Sherman Industrial Airpark  
Burns Flat, Oklahoma

We have audited the accompanying financial statements of the business-type activities of Midwestern Oklahoma Development Authority (a public trust) (the "Authority"), Burns Flat, Oklahoma, as of and for the year ended September 30, 2011, 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 an opinion 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 opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of Midwestern Oklahoma Development Authority, Burns Flat, Oklahoma, as of September 30, 2011, and the respective changes in financial position and cash flows 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 December 7, 2011, on our consideration of Midwestern Oklahoma Development Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, and contracts 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 7 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



RSMeacham CPAs & Advisors  
Clinton, Oklahoma

December 7, 2011

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**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**MIDWESTERN OKLAHOMA DEVELOPMENT AUTHORITY**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011**

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Our discussion and analysis of Midwestern Oklahoma Development Authority's (the "Authority") financial performance provides an overview of the Authority's financial activities for the fiscal year ended September 30, 2011. Please read it in conjunction with the Authority's financial statements, which follow this section.

**FINANCIAL HIGHLIGHTS**

- For the fiscal year ended September 30, 2011, the Authority's total net assets increased by \$71,693 or 1.21% from the prior year.
- During the year, Authority's expenses for business-type activities amounted to \$666,776 and were funded by operating revenues of \$709,420 and further funded with other general revenues (investment income) that totaled \$29,049.
- In the Authority's business-type activities, program revenues exceeded expenses by \$42,644.
- At September 30, 2011, the proprietary fund reported unrestricted net assets of \$2,057,049.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

The financial statements presented herein include all of the activities of the Midwestern Oklahoma Development Authority using the integrated approach as prescribed by GASB Statement No. 34. Included in this report are government-wide statements for its business-type activities. The government-wide financial statements present the complete financial picture of the Authority from the economic resources measurement focus using the accrual basis of accounting. These statements include all assets of the Authority (including infrastructure capital assets) as well as all liabilities (including all long-term debt).

**REPORTING THE AUTHORITY AS A WHOLE**

**The Statement of Net Assets and the Statement of Activities**

One of the most frequently asked questions about the Authority's finances is, "Has the Authority's overall financial condition improved, declined or remained steady over the past year?" The Statement of Net Assets and the Statement of Activities report information about the Authority as a whole and about its activities in a way that helps answer this question. These statements include all 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 government-wide statements report the Authority's net assets and changes in them from the prior year. You can think of the Authority's net assets, the difference between assets and liabilities, as one way to measure the Authority's financial condition, or position. Over time, increases or decreases in the Authority's net assets are one indicator of whether its financial health is improving, deteriorating, or remaining steady.

However, you must consider other nonfinancial factors, such as changes in the Authority's economic base to assess the overall health and performance of the Authority.

The Statement of Net Assets and the Statement of Activities are normally divided into two kinds of activities:

- Governmental activities- Basic services are reported here. However, all of the Authority's activities are reported as business-type activities (see below).
- Business-type activities- The Authority charges a fee to customers to help cover all or most of the cost of certain services it provides. The Authority's rentals, housing sales, economic development, and administrative activities are reported here.

**MIDWESTERN OKLAHOMA DEVELOPMENT AUTHORITY  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011**

**Reporting the Authority's Most Significant Funds**

**Fund Financial Statements**

The fund financial statements provide detailed information about the most significant funds- not the Authority as a whole. Some funds are required to be established by State law and by bond covenants. However, management may establish other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants and other money.

*Proprietary funds-* When the Authority charges customers for the services it provides, whether to outside customers or to other units of the Authority, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Revenues, Expenses, and Changes in Fund Net Assets. In fact, the Authority's enterprise funds are essentially the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows.

**A FINANCIAL ANALYSIS OF THE AUTHORITY AS A WHOLE**

**Net Assets**

The Authority's combined net assets increased from \$5,917,838 to \$5,989,531 between fiscal years 2010 and 2011.

	<b>Business-Type Activities</b>	
	<b><u>2011</u></b>	<b><u>2010</u></b>
Current assets	\$ 3,159,960	\$ 3,781,344
Capital assets, net	2,984,626	2,246,902
Total assets	<u>6,144,586</u>	<u>6,028,246</u>
Current liabilities	96,483	62,104
Non-current liabilities	58,572	48,304
Total liabilities	<u>155,055</u>	<u>110,408</u>
Net assets		
Invested in capital assets, net of related debt	2,984,626	2,246,903
Restricted	947,856	1,304,199
Unrestricted	2,057,049	2,366,736
Total net assets	<u>\$ 5,989,531</u>	<u>\$ 5,917,838</u>

**MIDWESTERN OKLAHOMA DEVELOPMENT AUTHORITY  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011**

**Changes in Net Assets**

For the year ended September 30, 2011, net assets of the primary government changed as follows:

	<u>Business-type Activities</u>	
	<u>2011</u>	<u>2010</u>
<b>Revenues</b>		
Program revenues	\$ 709,420	\$ 654,933
Other general revenues	29,049	123,105
<b>Total revenues</b>	<u>738,469</u>	<u>778,038</u>
<b>Expenses</b>		
Administrative	125,335	114,921
Housing sales	29,251	27,932
Rentals	452,969	375,461
Economic development	59,221	24,669
<b>Total expenses</b>	<u>666,776</u>	<u>542,983</u>
<b>Increase (decrease) in net assets</b>	<u>\$ 71,693</u>	<u>\$ 235,055</u>

The business-type activities' increase in net assets of \$71,693 represents a 1.21% positive change in net assets. The results indicate that, as a whole, the Authority's financial condition improved over the prior year.

**Business-type Activities**

In reviewing the business-type activities net (expense)/revenue, the following highlights should be noted:

- Total business-type activities reported net operating revenue of \$42,644 for the year ended September 30, 2011.
- Housing sales and rentals activities reported net revenue for the year ended September 30, 2011 in the amounts of \$21,882 and \$171,169 respectively. The administrative and economic development activities reported net expenses of \$91,186 and \$59,221 respectively.

**Net Revenue (Expense) of Business-Type Activities**

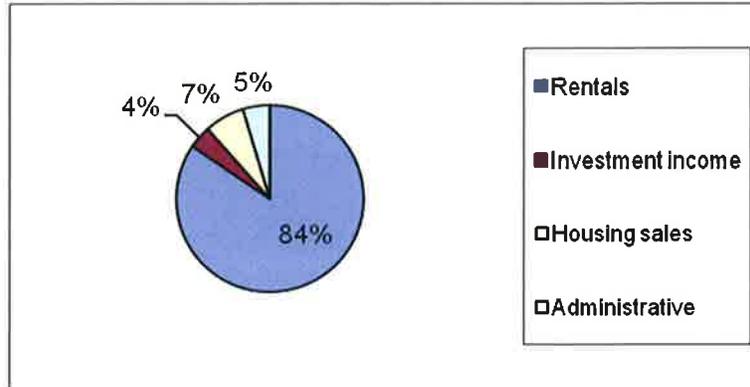
	<u>Total Expense of Services</u>	<u>Net Revenue (Expense) of Services</u>
Administrative	\$ 125,335	\$ (91,186)
Housing sales	29,251	21,882
Rentals	452,969	171,169
Economic development	59,221	(59,221)
<b>Total</b>	<u>\$ 666,776</u>	<u>\$ 42,644</u>

**MIDWESTERN OKLAHOMA DEVELOPMENT AUTHORITY  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011**

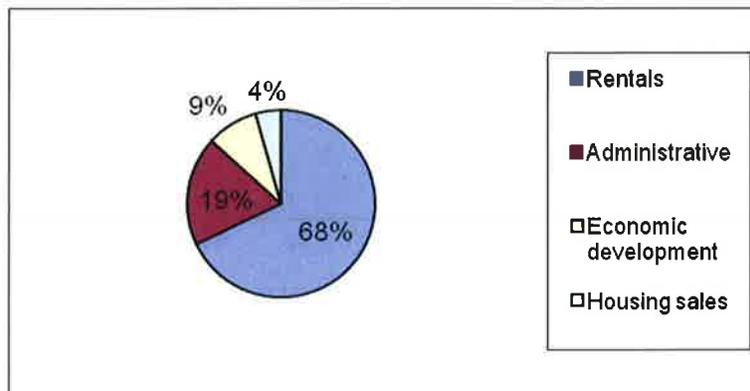
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For the year ended September 30, 2011, the Authority's business-type activities were funded as follows:

**Business-type Activity Sources**



**Business-type Activity Uses**



**A FINANCIAL ANALYSIS OF THE AUTHORITY'S FUNDS**

As the Authority completed its 2011 fiscal year, the enterprise fund reported net assets of \$5,989,531 or a 1.21% increase over 2010.

Other fund highlights include:

- For the year ended September 30, 2011, the Authority opened up seven units for rental. The total number of units available for rental remains at 185.
- For the year ended September 30, 2011, the Authority sold three units and purchased ten units from a local bank.

**MIDWESTERN OKLAHOMA DEVELOPMENT AUTHORITY  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011**

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

At the end of September 30, 2011, the Authority had \$2,984,626 invested in capital assets, net of depreciation, including duplexes held for resale, office building and equipment, vehicles and housing maintenance equipment in business-type activities. (See table below).

**Primary Government Capital Assets (net of accumulated depreciation)**

	<b>Business-type</b>	
	<b>Activities</b>	
	<b><u>2011</u></b>	<b><u>2010</u></b>
Land	\$ 1,627	\$ 627
Buildings	11,940	10,653
Duplexes held for resale	2,944,179	2,197,010
Machinery & equipment	26,880	38,613
<b>Totals</b>	<b><u>\$ 2,984,626</u></b>	<b><u>\$ 2,246,903</u></b>

This year's more significant capital asset additions included:

- In Business-Type Activities, \$239,800 for 10 units from First National Bank of Elk City, \$440,343 for new roofs on the duplexes, \$105,647 for other capitalized improvements to duplexes and \$3,040 for a new heater and air conditioner for the building.

See Note 3 to the financial statements for more detail information on the Authority's capital assets and changes therein.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

Plans continue to develop Clinton Sherman Airpark as a spaceport and there continues to be significant oil and gas exploration in western Oklahoma. The demand for sales and rentals of the Authority owned duplexes will increase and will spur the economy in the area. In order to be prepared to meet this need, the Authority continues to open up additional duplexes for rentals and upgrade existing duplexes. Level projections were budgeted for investment income. Rental rates for residential rentals are to remain at current rates.

**CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide citizens, taxpayers, customers and creditors with a general overview of the Authority's finances and to show the Authority's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Executive Director's Office at 500 North Holcomb, P.O. Box 549, Burns Flat, Oklahoma, 73624 or phone at (580) 562-3111.

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**BASIC FINANCIAL STATEMENTS**

**Midwestern Oklahoma Development Authority**  
**Statement of Net Assets**  
**September 30, 2011**

<b>ASSETS</b>	<b>Business-type Activity</b>
<b>Current Assets:</b>	
Cash and cash equivalents	\$ 425,618
Investments	2,648,559
Interest receivable	1,302
Accounts receivable, net of allowance	2,686
Home mortgage receivables	63,775
Prepaid items	18,020
<b>Capital assets (net)</b>	
Nondepreciable land	1,627
Nondepreciable- duplexes held for resale	2,944,179
Other capital assets (net of accumulated depreciation)	38,820
<b>Total assets</b>	<b>\$ 6,144,586</b>
<b>LIABILITIES</b>	
<b>Current liabilities:</b>	
Accounts payable and accrued liabilities	\$ 54,503
Deferred revenue	38,319
<b>Long-term liabilities:</b>	
Due within one year	3,661
Due in more than one year	58,572
<b>Total liabilities</b>	<b>155,055</b>
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	2,984,626
<b>Restricted for:</b>	
Major catastrophe	422,155
Repair/upkeep of airpark	525,701
Unrestricted	2,057,049
<b>Total net assets</b>	<b>\$ 5,989,531</b>

**Midwestern Oklahoma Development Authority**  
**Statement of Activities**  
**Year Ended September 30, 2011**

Functions/Programs	Expenses	Program Revenues			Net (Expense)/ Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants & Contributions	
<b>Business-type activities:</b>					
Administrative	\$ 125,335	\$ 34,149	\$ -	\$ -	\$ (91,186)
Housing sales	29,251	51,133	-	-	21,882
Rentals	452,969	624,138	-	-	171,169
Economic development	59,221	-	-	-	(59,221)
Total business-type activities	<u>666,776</u>	<u>709,420</u>	<u>-</u>	<u>-</u>	<u>42,644</u>
Total primary government	<u>\$ 666,776</u>	<u>\$ 709,420</u>	<u>\$ -</u>	<u>\$ -</u>	42,644
General revenues:					
Investment income					<u>29,049</u>
Total general revenues					<u>29,049</u>
Change in net assets					71,693
Net assets-beginning					5,917,838
Net assets-ending					<u>\$ 5,989,531</u>

**Midwestern Oklahoma Development Authority**  
**Statement of Fund Net Assets**  
**Proprietary Fund**  
**September 30, 2011**

	<b>Enterprise Fund</b>
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 425,618
Investments	2,648,559
Accrued interest receivable	1,302
Receivables:	
Rent receivables	2,686
Home mortgages- current portion	33,256
Prepays	18,020
Total current assets	3,129,441
Noncurrent assets:	
Capital assets (net)	
Nondepreciable land	1,627
Nondepreciable- duplexes held for resale	2,944,179
Depreciable, net of accumulated depreciation	38,820
Home mortgages, non-current portion	30,519
Total noncurrent assets	3,015,145
<b>Total assets</b>	<b>\$ 6,144,586</b>
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable and accrued liabilities	\$ 22,943
Economic development grants payable	31,560
Security deposit liability	2,563
Accrued compensated absences	1,098
Total current liabilities	58,164
Noncurrent liabilities:	
Deferred revenue	38,319
Security deposit liability	48,695
Accrued compensated absences	9,877
Total noncurrent liabilities	96,891
<b>Total liabilities</b>	<b>155,055</b>
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	2,984,626
Restricted for major catastrophe	422,155
Restricted for repair/upkeep of airpark	525,701
Unrestricted	2,057,049
<b>Total net assets</b>	<b>\$ 5,989,531</b>

**Midwestern Oklahoma Development Authority**  
**Statement of Revenues, Expenses and Changes in Fund Net Assets**  
**Proprietary Fund**  
**Year Ended September 30, 2011**

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**Operating revenues:**

Realized gain on installment housing sales	\$	4,830
Gain on housing sales- cash		46,303
Housing rentals		621,138
PSO lease		20,349
Office rentals		3,000
Other income		13,800
Total operating revenues		709,420

**Operating expenses:**

Salaries and wages		193,088
Employee benefits		123,352
Advertising and promotion		3,670
Bad debt expense		6,427
Depreciation expense		13,485
Economic development		50,088
Guest house expenses		269
Insurance		30,341
Office supplies and expense		9,033
Other supplies and expense		13,732
Professional fees		30,175
Rent expenses		2,079
Repairs and maintenance		150,920
Telephone		5,995
Training and meeting expense		1,776
Travel		4,736
Utilities		27,610
Total operating expenses		666,776
Operating income (loss)		42,644

**Nonoperating revenue (expense):**

Investment income		29,049
Total nonoperating revenue (expense)		29,049

**Change in net assets** 71,693

Net assets-beginning of year 5,917,838

Net assets-end of year \$ 5,989,531

**Midwestern Oklahoma Development Authority**  
**Statement of Cash Flows**  
**Proprietary Fund**  
**Year Ended September 30, 2011**

<b>Cash flows from operating activities:</b>	
Receipts from tenants	\$ 617,930
Receipts on installment sales	6,328
Receipts of other income	34,149
Payments to suppliers	(401,186)
Payments to employees	(191,530)
Receipts of additional security deposits	9,333
Payments to economic development recipients	(41,528)
<b>Net cash provided (used) by operating activities</b>	<u>33,496</u>
<b>Cash flows from capital and related financing activities:</b>	
Receipts on cash sale of unit	87,690
Payments for cost and closing cost on sale of units	(7,805)
Purchases of capital assets	(784,790)
<b>Net cash provided (used) by capital and related financing activities</b>	<u>(704,905)</u>
<b>Cash flows from investing activities:</b>	
Investment income	93,214
Sale of investments	8,105
<b>Net cash provided (used) by investing activities</b>	<u>101,319</u>
Net increase (decrease) in cash and cash equivalents	(570,090)
Cash and cash equivalents, October 1, 2010	<u>995,708</u>
Cash & cash equivalents, September 30, 2011	<u>\$ 425,618</u>
Cash and cash equivalents	\$ 425,618
Total cash and cash equivalents, end of year	<u>\$ 425,618</u>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities</b>	
Operating income (loss)	\$ 42,644
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	13,485
Realized gain on cash housing sales	(46,303)
Realized gain on installment housing sales	
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	219
(Increase) decrease in mortgages receivable	(27,372)
(Increase) decrease in prepaids	6,176
Increase (decrease) in accounts payable	6,126
Increase (decrease) in compensated absences	1,558
Increase (decrease) in security deposits	9,333
Increase (decrease) in grants payable	8,560
Increase (decrease) in deferred revenue	19,070
Total adjustments	<u>(9,148)</u>
<b>Net cash provided (used) by operating activities</b>	<u>\$ 33,496</u>

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**NOTES TO BASIC FINANCIAL STATEMENTS**

**MIDWESTERN OKLAHOMA DEVELOPMENT AUTHORITY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011**

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**(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Midwestern Oklahoma Development Authority (the "Authority") is a public trust created under the provisions of Title 60, Oklahoma Statutes 1961, Section 176 to 180, inclusive. Exemption from federal income tax was obtained under section 501 c (4) of the Internal Revenue Code.

The Authority's accounting and financial reporting policies conform to accounting principles generally accepted in the United States of America (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. In accordance with GASB Statement Nos. 20 and 34, for its governmental and business-type activities and enterprise funds, the Authority has elected to apply Financial Accounting Standards Board (FASB) pronouncements, Accounting Principles Board (APB) opinions, and Accounting Research Bulletins issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this Note.

For the year ended September 30, 2004, the Authority implemented Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements- and Management's Discussion and Analysis- for State and Local Governments*, Statement No. 37, *Basic Financial Statements- and Management's Discussion and Analysis- for State and Local Governments: Omnibus*, and Statement No. 38, *Certain Financial Statement Note Disclosures*.

**1.A. Financial Reporting Entity**

Midwestern Oklahoma Development Authority is a public trust organized in November 1969, for the purpose of administration and development of the Clinton-Sherman Airpark. The Authority is a Public Trust established pursuant to Title 60 of Oklahoma State law. Public Trusts (Authorities) have no taxing power. The State of Oklahoma, as beneficiary of this Public Trust, receives title to any residual assets when a Public Trust is dissolved.

In determining the financial reporting entity, the Authority complies with the provisions of Governmental Accounting Standards Board Statement No. 14, *The Financial Reporting Entity*.

**1.B. Basis of Presentation**

***Government-Wide Financial Statements***

The statement of net assets and statement of activities display information about the Authority as a whole. They include all financial activities of the reporting entity. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. All the Authority's business is reported as a business-type activity.

The statement of activities presents a comparison between the expenses and program revenues directly associated with the different business-type activities to arrive at the net revenue or expense of the activity prior to the use of other general revenues. Program revenues include (1) fees, fines, rent, and service charges generated by the activity, (2) operating grants and contributions that are restricted to meeting the operational requirements of the activity, and (3) capital grants and contributions that are restricted to meeting the capital requirements of the program or activity.

**MIDWESTERN OKLAHOMA DEVELOPMENT AUTHORITY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011**

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***Fund Financial Statements***

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts which constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Separate financial statements are presented for its major fund category: proprietary. An emphasis of the fund financial statements is placed on major enterprise funds. A fund is considered major if it is the primary operating fund of the Authority or meets the following criteria:

- a. Total assets, liabilities, revenues or expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type, and
- b. Total assets, liabilities, revenues, or expenses of the individual enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.
- c. A fund not meeting the criteria of (a) and (b), however management has elected to report the fund as a major fund due to its significance to users of the financial statements.

All remaining governmental and enterprise funds not meeting the above criteria are aggregated and reported as a nonmajor fund. The Authority has only one fund in the financial reporting entity and it is described below:

**Proprietary Funds**

Proprietary funds include enterprise funds. Enterprise funds are 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.

**1.C. Measurement Focus and Basis of Accounting**

Measurement focus is a term used to describe **how** transactions are recorded within the financial statements. Basis of accounting refers to **when** transactions are recorded regardless of the measurement focus applied.

**Measurement Focus**

*Government-wide and Proprietary Fund Financial Statements*

In the government-wide Statement of Net Assets and the Statement of Activities, and the proprietary fund statements, the "*economic resources*" measurement focus is applied. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position and cash flows. All assets and liabilities (whether current or noncurrent, financial or nonfinancial) associated with their activities are reported.

**Basis of Accounting**

*Government-wide and Proprietary Fund Financial Statements*

In the government-wide Statement of Net Assets and Statement of Activities, and the proprietary fund financial statements the accrual basis of accounting is applied. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is

**MIDWESTERN OKLAHOMA DEVELOPMENT AUTHORITY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011**

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incurred or economic asset used. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

**1.D. Assets, Liabilities and Net Assets**

**Cash and Investments**

For the purposes of reporting cash flows, cash and cash equivalents include cash on hand, amounts due from banks, and any short-term, highly liquid investments that are readily convertible to cash with a maturity of three months or less. Investments are reported at fair value which is determined using selected bases. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates.

Additional cash and investment disclosure is presented in Note 2.

**Receivables**

Proprietary fund and business-type activities material receivables consist of all revenues earned at year-end and not yet received. Billed residential rental receivables comprise the majority of these receivables. They are reported net of allowances for uncollectible accounts.

**Capital Assets and Depreciation**

In the government-wide financial statements, property, plant, and equipment are accounted for as capital assets. The Authority's capitalization threshold is \$1,000. All capital assets are valued at historical cost or estimated historical cost, if actual is unavailable, except for donated capital assets which are recorded at their estimated fair value at the date of donation.

Depreciation of all exhaustible capital assets is recorded as an operating expense in proprietary fund financial statements and an allocated expense in the Statement of Activities, which accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The housing units held for resale are not depreciated since the cost of the housing units are far below the market price. Although some of these units are being rented, management is actively selling and disposing of the units. The range of estimated useful lives by type of asset is as follows:

Buildings	10-15 years
Machinery and equipment	3-10 years

**Housing Sales Financing**

MODA is financing up to ninety percent of the sales price of the housing units they sell to qualified buyers. Ten percent of the sales price is required as a down payment. MODA will carry the balance at ten percent interest with payments amortized over a ten year payout. **Principal payments due** within one year are shown as notes receivable under current assets with the balance shown as other assets in the statement of net assets.

**Compensated Absences**

The Authorities policies regarding vacation, sick and compensatory time permit employees to accumulate varying amounts as determined by management.

**MIDWESTERN OKLAHOMA DEVELOPMENT AUTHORITY**  
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Compensated absences are reported as accrued in the government-wide and proprietary financial statements.

**Equity Classification**

*Government-Wide and Proprietary Fund Financial Statements:*

Equity is classified as net assets and displayed in three components:

- a. Invested in capital assets, net of related debt- 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 areas.
- b. Restricted net assets- 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 assets- All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

**1.E. Revenues and Expenses**

For purposes of display, transactions deemed by management to be ongoing, major, or central to the preservation of and development of housing and industrial facilities at Clinton Sherman Industrial Airpark are reported as revenues and expenses.

Since termination of the Airpark lease with the City of Clinton, September 30, 1989, MODA's primary goal has been to sell or rent the balance of the housing units it owns and use the funds to develop and promote industrial development in Western Oklahoma.

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services. It also includes all revenues and expenses not related to capital and related financing, noncapital financing or investing activities.

In the government-wide statement of activities, expenses, including depreciation of capital assets, are reported by activity. In proprietary fund financial statements, expenses are reported by object or activity.

**1.G. 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 affect certain reported amounts and disclosures; accordingly, actual results could differ from those estimates.

**(2) STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

By its nature as a governmental unit, the Authority is subject to various federal and state laws and contractual regulations. An analysis of the Authority's compliance with significant laws and regulations and demonstration of its stewardship over Authority resources follows:

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**2.A. Fund Accounting Requirements**

The Authority complies, in all material respects, with all state laws and regulations requiring the use of separate funds. The legally required funds used by the Authority include the following:

Midwestern Oklahoma Development Authority- required by trust indenture

**2.B. Deposits and Investments Requirements**

In accordance with state law, all uninsured deposits of funds in financial institutions must be secured with acceptable collateral valued at the lower of market or par. Acceptable collateral includes certain U.S. Government or Government Agency securities, certain State of Oklahoma or political subdivision debt obligations or surety bonds. At September 30, 2011 all deposits were fully insured or collateralized.

**(3) DETAIL NOTES- TRANSACTION CLASSES/ACCOUNTS**

The following notes present detail information to support the amounts reported in the basic financial statements for its various assets, liabilities, equity, revenues and expenses.

**Cash and Investments**

As of September 30, 2011 the Authority's reporting entity had the following investments:

<u>Types of Investments</u>	<u>Fair value/ carrying amount</u>	<u>Cost</u>	<u>Average Credit Quality/ Ratings (1)</u>	<u>Weighted Average Days to Maturity (2)</u>
Certificates of deposit	\$ 768,518	\$ 768,518	N/A	218
Federal agency notes	708,410	698,304	Aaa	459
Residential mortgage backed securities	52,703	49,221	Aaa	829
Mutual funds	1,118,928	1,169,302		
Grand total investments	<u>\$ 2,648,559</u>	<u>\$ 2,685,345</u>		

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**Capital Assets**

Capital asset activity for the fiscal year ended September 30, 2011, was as follows:

	<u>Balance at October 1, 2010</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance at September 30, 2011</u>
<b>Business-type activities</b>				
Non depreciable				
Land	\$ 627	\$ 1,000	\$ -	\$ 1,627
Duplexes held for resale	2,197,010	781,750	(34,581)	2,944,179
Total non-depreciable assets at historical cost	<u>2,197,637</u>	<u>782,750</u>	<u>(34,581)</u>	<u>2,945,806</u>
Depreciable				
Building	396,439	3,040	-	399,479
Machinery and equipment	155,484	-	-	155,484
Total depreciable assets at historical cost	<u>551,923</u>	<u>3,040</u>	<u>-</u>	<u>554,963</u>
Less accumulated depreciation				
Building	(385,786)	(1,753)	-	(387,539)
Machinery and equipment	(116,872)	(11,732)	-	(128,604)
Total accumulated depreciation	<u>(502,658)</u>	<u>(13,485)</u>	<u>-</u>	<u>(516,143)</u>
Net depreciable assets	<u>49,265</u>	<u>(10,445)</u>	<u>-</u>	<u>38,820</u>
Business-type capital assets, net	<u>\$ 2,246,902</u>	<u>\$ 772,305</u>	<u>\$ (34,581)</u>	<u>\$ 2,984,626</u>

Depreciation expense was charged to functions in the statement of activities as follows:

Administrative	\$ 1,753
Housing sales	-
Rentals	11,732
Economic development	-
Total business-type activities depreciation expense	<u>\$ 13,485</u>

Housing units consist of the following as of September 30, 2011:

	<u>Single Family</u>	<u>Rural Single Family</u>	<u>Duplexes</u>	<u>Total</u>
Total units owned at 9-30-10	1	1	192	194
Units sold during FYE 9-30-11	-	-	(3)	(3)
Units purchased during FYE 9-30-11	-	-	10	10
Total units owned at 9-30-11	<u>1</u>	<u>1</u>	<u>199</u>	<u>201</u>

The single family unit is used by the Authority as a guest house. All remaining units are being held for rental and resale.

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**(4) HOME MORTGAGES**

Three duplex units were sold during the past fiscal year, two of which were cash sales and one was an installment sale. On units financed by the Authority, ten percent of the sales price of is required as a down payment with a term of ten years or less. Profit on the sale of the units sold on installment is recognized on a percentage of principle payments received each year. The deferred installment contract sales amount of \$38,319 reflected under deferred credits in the liability section of the statement of net assets is the profit that has not been recognized on these sales at September 30, 2011.

Home mortgage activity for the year ended September 30, 2011 is detailed below:

	Balance at October 1, 2010	Mortgages Issued	Mortgages Retired	Balance at September 30, 2011
Year Units Sold:				
2002	5,051	-	2,623	2,428
2008	31,352	-	2,697	28,655
2008	-	33,700	1,008	32,692
	<u>\$ 36,403</u>	<u>\$ 33,700</u>	<u>\$ 6,328</u>	<u>\$ 63,775</u>

The following is a detail of deferred revenue for the year ended September 30, 2011:

	Balance at September 30, 2011
Year Units Sold:	
2002	1,652
2008	14,453
2011	22,214
	<u>\$ 38,319</u>

**(5) ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

The following is a detail of the accounts payable and accrued liability balances as of September 30, 2011:

	Balance at September 30, 2011
Accounts payable - trade	\$ 22,691
Economic development grants	31,560
Payroll liabilities	252
Total accounts payable and accrued liabilities	<u>\$ 54,503</u>

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**(6) LONG TERM LIABILITIES**

The following is a summary of changes in long term liabilities for the year ended September 30, 2011

	Balance at October 1, 2010	Amount Issued	Amount Retired	Balance at September 30, 2011	Due Within One Year
<b>Business-type activities:</b>					
Security deposits payable	\$ 41,925	\$ 27,083	\$ 17,750	\$ 51,258	\$ 2,563
Compensated absences	9,418	1,557	-	10,975	\$ 1,098
Total business-type activities	<u>\$ 51,343</u>	<u>\$ 28,640</u>	<u>\$ 17,750</u>	<u>\$ 62,233</u>	<u>\$ 3,661</u>

**(7) NET ASSETS- RESTRICTIONS**

The Board approved earmarking \$7,000 per month for major catastrophes, a type of "self insurance" for the duplexes, with the condition that the board can vote to use the money elsewhere in case of emergency. In the current fiscal year, the Authority used \$440,343 of these restricted funds to put new roofs on the duplexes due to recent heavy wind damage. The Board also approved setting aside the total net proceeds of the airpark gas system sale to be used only on the repair and upkeep of MODA owned property on the airpark. The amounts of the net asset restrictions are listed below:

	<u>FYE 9/30/11</u>	<u>FYE 9/30/10</u>
Restricted for major catastrophe	\$ 422,155	\$ 778,498
Restricted for repair/upkeep-airpark	525,701	525,701
	<u>\$ 947,856</u>	<u>\$ 1,304,199</u>

**(8) STATEMENT OF REVENUES AND EXPENSES**

MODA's primary sources of revenue are housing unit sales, rentals and interest income. MODA's major expenses are general operational costs, housing sales costs and housing maintenance costs.

**(9) EMPLOYEE PENSION PLAN**

**Plan Description**

MODA participates in a cost sharing, multi-employer defined benefit pension plan adopted by MODA and administered by the Oklahoma Public Employees Retirement System which was established to administer pension plans for public employees. OPERS plan, as a whole, issues a separately issued annual financial report that may be obtained directly from them. Total MODA payroll was \$193,088; covered payroll was \$189,623 employee contributions were \$8,822, and employer contributions were \$27,422.

<u>Provision</u>	<u>Plan</u>
a. Eligible to Participate	Any officer or employee of a participating employer whose employment is not seasonal or temporary and whose employment requires at least 1,000 hours of work per year.
b. Contributions Requirements	
- Authorization	- By Board Approval
- Employer Rate	- 15% of covered payroll, effective 7/1/10
- Employee Rate	- 5% effective 7/1/06

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<u>Provision</u>	<u>Plan</u>
c. Period Required to Vest	8 years of credited service
d. Eligibility for Distribution	- Normal retirement at age 62 with 6 years of service. - Early retirement at age 55 with 10 years of service. - Disability retirement upon disability with 8 years of credited service. - Death benefits for: (1) a member who has not retired (2) survivor benefit for spouses
e. Benefit Determination Base	Average annual salary – for the highest 3 of the last 10 years of participating service.
f. Benefit Determination Methods:	
- Normal Retirement	2.0% of final average compensation up to applicable maximum multiplied by all service.
- Early Retirement	Determined by normal retirement formula based on credited service and Final Average Compensation at termination.
- Disability Retirement	Determined by the normal retirement formula based on service and salary history at date of disability. Benefit is payable immediately without actuarial reduction.
- Death Benefit	Lump sum payment of \$5,000 (post retirement) (2) 50% of employee's accrued benefit (in-service death benefit)
- Prior to 8 Years Service	Return of employee contributions.
g. Form of Benefit Payment	Normal form is single life monthly annuity with a guaranteed refund of the contribution accumulation.

**Funding Progress**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liab. (AAL) (b)	Unfunded AAL(UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll ©	UAAL as a % of Covered Payroll ((b-a)/c)
7/1/09	\$6,208,245,334	\$9,291,457,837	\$3,083,212,503	66.8%	\$1,732,975,532	177.9%
7/1/10	\$6,348,416,407	\$9,622,627,833	\$3,274,211,426	66.0%	\$1,683,697,139	194.5%
7/1/11	\$6,598,627,939	\$8,179,767,661	\$1,581,139,722	80.7%	\$1,570,500,148	100.7%

**Schedule of Employer Contributions**

The GASB Statement No. 25 required and actual contributions are as follows:

<u>Year Ended June 30</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
2009	\$ 323,104,773	75.2%
2010	\$ 389,155,339	66.8%
2011	\$ 402,011,633	62.9%

The above was determined as part of an actuarial valuation as of July 1, 2011, and is based upon all activity through June 30, 2011. The valuation was performed using the actuarial cost method "entry age normal"; assets were valued using a 5 year moving average with the level dollar closed

**MIDWESTERN OKLAHOMA DEVELOPMENT AUTHORITY**  
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amortization method. Significant actuarial assumptions used in the valuation were (a) assumed rate of return on investments, 7.5% per annum, compounded annually; (b) life expectancy of participants based upon published mortality tables (RP-2000 combined active/retiree healthy mortality table project to 2010 using Scale AA); (c) retirement age assumptions consistent with the normal retirement age assumptions under the Plan; and (d) salary increases on a graded scale ranging from 4.85% to 8.75% per year.

**(10) RISK MANAGEMENT**

The Authority is exposed to various risk of loss as follows:

<u>Type of Loss</u>	<u>Method Managed</u>	<u>Risk of Loss Retained</u>
General Liability - Torts - Error and omissions - Officer liability - Vehicle	The Authority carries commercial insurance for these types of risk.	None
Physical Plant - Theft - Damages to assets - Natural disasters	The Authority carries commercial insurance for these types of risk.	None
Workers Compensation - Employees' injuries	The Authority carries Comp Source Oklahoma.	None
Health and Life - Medical - Disability - Dental - Life	The Authority carries commercial insurance for these types of risk.	None

Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

**(11) COMMITMENTS AND CONTINGENCIES**

As of September 30, 2011, the Authority did not have any pending litigation or potential non-disclosed liabilities that management believes would have a material effect on the financial statements.

The Authority entered into a lease agreement with the Public Service Company of Oklahoma ("PSO") dated January 1, 1977, to lease an electricity distribution asset owned by the Authority in exchange for a monthly rental payment in the amount equal to one-twelfth of thirteen percent of the electric distribution system in the complex; the agreement was scheduled to expire in 2002. In 1994, PSO stopped making payments under the Lease. The Authority became aware of the discrepancy and began negotiations with PSO in September 2006. On January 28, 2007, the parties reached a settlement agreement whereby PSO made payment to the Authority in the amount of \$195,786 as consideration for delinquent payments and interest. PSO has continued to make monthly lease payments since that time. The Authority is currently exploring its options in order to maximize profitability off of the electrical distribution system- either a lease/management option, or whether to operate the system inhouse.

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**OTHER SUPPLEMENTARY INFORMATION**

# RSMeacham CPAs & Advisors

801 Frisco, Clinton, OK 73601

580-323-1766 | 580-323-1768 fax

Members of American  
Institute of Certified  
Public Accountants

Members of Oklahoma  
Society of Certified  
Public Accountants

## 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

Board of Trustees  
Midwestern Oklahoma Development Authority  
Clinton-Sherman Industrial Airpark  
Burns Flat, Oklahoma

We have audited the financial statements of the business-type activities of Midwestern Oklahoma Development Authority (the "Authority"), as of and for the year ended September 30, 2011, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated December 7, 2011. 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

In planning and performing our audit, we considered the Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the 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 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.

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, as defined above. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies in internal control over financial reporting. A *significant deficiency* is a deficiency, or a combination of deficiencies, in the internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

**Lack of segregation of duties:** A good system of internal control provides for a proper segregation of the accounting functions. The Authority has a small number of employees that perform the duties that would normally be divided among a large number of employees. This precludes the adequate segregation of duties and could result in more than a low risk that errors or irregularities may occur and not be detected within a timely period. However, it would not be cost effective to hire the additional administrative staff that would be necessary in order to adequately segregate the responsibilities.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, 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 management, the governing body and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

RSMeacham CPA's & Advisors  
Clinton, Oklahoma

December 7, 2011