

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

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

**YEAR ENDED
September 30, 2012**

MIDWESTERN OKLAHOMA DEVELOPMENT AUTHORITY
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MIDWESTERN OKLAHOMA DEVELOPMENT AUTHORITY

LIST OF PRINCIPAL OFFICIALS

BOARD MEMBERS

Don Greteman, Chairman

Alex Damon, Vice-chairman

Guy Hylton, Secretary

Chuck Dougherty

Scott Grubitz

Phyllis Smith

EXECUTIVE DIRECTOR

Kathy Carlisle

INDEPENDENT AUDITOR'S REPORT

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David O. Tate

Certified Public Accountant
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To the governing body of
Midwestern Oklahoma Development Authority

Independent Auditor's Report

I have audited the accompanying financial statements of the business-type activities, of Midwestern Oklahoma Development Authority as of and for the year ended September 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 Midwestern Oklahoma Development Authority's management. My responsibility is to express an opinion on the financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit 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. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of Midwestern Oklahoma Development Authority as of September 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.

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. I 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 I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.



Certified Public Accountant
December 5, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

**MIDWESTERN OKLAHOMA DEVELOPMENT AUTHORITY
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012**

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, 2012. Please read it in conjunction with the Authority's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- For the fiscal year ended September 30, 2012, the Authority's total net assets increased by \$205,332 or 3.43% from the prior year.
- During the year, Authority's expenses for business-type activities amounted to \$757,033 and were funded by operating revenues of \$761,846 and further funded with other general revenues (investment income) that totaled \$200,519.
- In the Authority's business-type activities, program revenues exceeded expenses by \$4,813.
- At September 30, 2012, the proprietary fund reported unrestricted net assets of \$2,054,744.

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, 2012**

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 \$5,989,531 to \$6,194,863 between fiscal years 2011 and 2012.

	Business-Type Activities	
	<u>2012</u>	<u>2011</u>
Current assets	\$ 3,297,527	\$ 3,159,960
Capital assets, net	3,069,763	2,984,626
Total assets	<u>6,367,290</u>	<u>6,144,586</u>
Current liabilities	106,566	96,483
Non-current liabilities	65,861	58,572
Total liabilities	<u>172,427</u>	<u>155,055</u>
Net assets		
Invested in capital assets, net of related debt	3,069,763	2,984,626
Restricted	1,070,356	947,856
Unrestricted	2,054,744	2,057,049
Total net assets	<u>\$ 6,194,863</u>	<u>\$ 5,989,531</u>

**MIDWESTERN OKLAHOMA DEVELOPMENT AUTHORITY
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012**

Changes in Net Assets

For the year ended September 30, 2012, net assets of the primary government changed as follows:

	Business-type Activities	
	<u>2012</u>	<u>2011</u>
Revenues		
Program revenues	\$ 761,846	\$ 709,420
Other general revenues	200,519	29,049
Total revenues	<u>962,365</u>	<u>738,469</u>
Expenses		
Administrative	191,880	125,335
Housing sales	-	29,251
Rentals	506,465	452,969
Economic development	58,688	59,221
Total expenses	<u>757,033</u>	<u>666,776</u>
Increase (decrease) in net assets	<u>\$ 205,332</u>	<u>\$ 71,693</u>

The business-type activities' increase in net assets of \$205,332 represents a 3.43% 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 \$4,813 for the year ended September 30, 2012.
- Housing sales and rentals activities reported net revenue for the year ended September 30, 2012 in the amounts of \$8,613 and \$217,330 respectively. The administrative and economic development activities reported net expenses of \$162,442 and \$58,688 respectively.

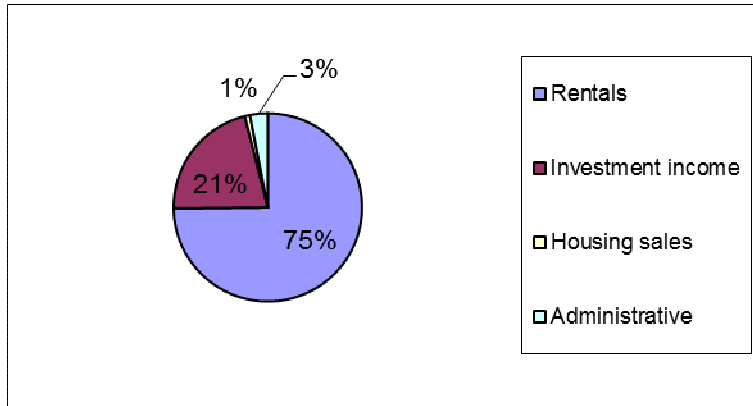
Net Revenue (Expense) of Business-Type Activities

	Total Expense of Services	Net Revenue (Expense) of Services
Administrative	\$ 191,880	\$ (162,442)
Housing sales	-	8,613
Rentals	506,465	217,330
Economic development	58,688	(58,688)
Total	<u>\$ 757,033</u>	<u>\$ 4,813</u>

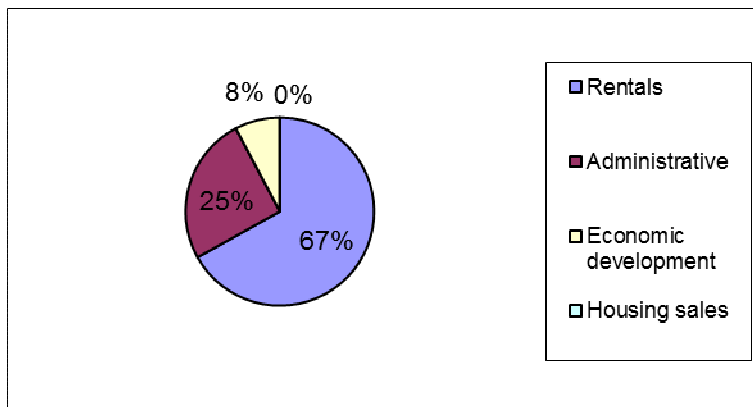
**MIDWESTERN OKLAHOMA DEVELOPMENT AUTHORITY
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012**

For the year ended September 30, 2012, 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 2012 fiscal year, the enterprise fund reported net assets of \$6,194,863 or a 3.43% increase over 2011.

Other fund highlights include:

- For the year ended September 30, 2012, the Authority did not open up any remodeled units for rental. The total number of units available for rental remains at 185.

**MIDWESTERN OKLAHOMA DEVELOPMENT AUTHORITY
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012**

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of September 30, 2012, the Authority had \$3,069,763 invested in capital assets, net of depreciation, including duplexes held for rental, office building and equipment, vehicles and housing maintenance equipment in business-type activities. (See table below).

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

	Business-type Activities	
	<u>2012</u>	<u>2011</u>
Land	\$ 1,627	\$ 1,627
Buildings	10,035	11,940
Duplexes held for resale	3,042,953	2,944,179
Machinery & equipment	15,148	26,880
Totals	<u>\$ 3,069,763</u>	<u>\$ 2,984,626</u>

This year's more significant capital asset additions included:

- In Business-Type Activities, \$198,621 for other capitalized improvements to duplexes.

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

There continues to be significant oil and gas exploration and wind energy production in western Oklahoma. There is a shortage of housing in western Oklahoma and the demand for 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 increase 10% on March 1, 2013.

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.

Midwestern Oklahoma Development Authority
Statement of Net Assets
September 30, 2012

ASSETS	Business-type Activity
Current Assets:	
Cash and cash equivalents	\$ 650,440
Investments	2,589,199
Interest receivable	7,871
Accounts receivable, net of allowance	2,254
Home mortgage receivables	30,519
Prepaid items	17,244
Capital assets (net)	
Nondepreciable land	1,627
Duplexes (net of accumulated depreciation)	3,042,953
Other capital assets (net of accumulated depreciation)	25,183
 Total assets	 <u>\$ 6,367,290</u>
 LIABILITIES	
Current liabilities:	
Accounts payable and accrued liabilities	\$ 81,755
Deferred revenue	20,738
Long-term liabilities:	
Due within one year	4,073
Due in more than one year	65,861
 Total liabilities	 <u>172,427</u>
 NET ASSETS	
Invested in capital assets, net of related debt	3,069,763
Restricted for:	
Major catastrophe	506,155
Repair/upkeep of airpark	525,701
Educational loan fund	38,500
Unrestricted	2,054,744
 Total net assets	 <u>\$ 6,194,863</u>

Midwestern Oklahoma Development Authority
Statement of Activities
Year Ended September 30, 2012

Functions/Programs	Expenses	Program Revenues			Net (Expense)/ Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants & Contributions	
Business-type activities:					
Administrative	\$ 191,880	\$ 29,438	\$ -	\$ -	\$ (162,442)
Housing sales	-	8,613	-	-	8,613
Rentals	506,465	723,795	-	-	217,330
Economic development	58,688	-	-	-	(58,688)
Total business-type activities	<u>757,033</u>	<u>761,846</u>	<u>-</u>	<u>-</u>	<u>4,813</u>
Total primary government	<u>\$ 757,033</u>	<u>\$ 761,846</u>	<u>\$ -</u>	<u>\$ -</u>	4,813
General revenues:					
Investment income					200,519
Total general revenues					<u>200,519</u>
Change in net assets					205,332
Net assets-beginning					5,989,531
Net assets-ending					<u>\$ 6,194,863</u>

Midwestern Oklahoma Development Authority
Statement of Fund Net Assets
Proprietary Fund
September 30, 2012

	Enterprise Fund
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 650,440
Investments	2,589,199
Accrued interest receivable	7,871
Receivables:	
Rent receivables	754
Educational loan fund	1,500
Home mortgages- current portion	3,000
Prepays	17,244
Total current assets	3,270,008
Noncurrent assets:	
Capital assets (net)	
Nondepreciable land	1,627
Duplexes, net of accumulated depreciation	3,042,953
Depreciable, net of accumulated depreciation	25,183
Home mortgages, non-current portion	27,519
Total noncurrent assets	3,097,282
Total assets	\$ 6,367,290
LIABILITIES	
Current liabilities:	
Accounts payable and accrued liabilities	\$ 21,180
Economic development grants payable	60,575
Security deposit liability	2,920
Accrued compensated absences	1,153
Total current liabilities	85,828
Noncurrent liabilities:	
Deferred revenue	20,738
Security deposit liability	55,483
Accrued compensated absences	10,378
Total noncurrent liabilities	86,599
Total liabilities	172,427
NET ASSETS	
Invested in capital assets, net of related debt	3,069,763
Restricted for major catastrophe	506,155
Restricted for repair/upkeep of airpark	525,701
Restricted for Educational Loan Fund	38,500
Unrestricted	2,054,744
Total net assets	\$ 6,194,863

Midwestern Oklahoma Development Authority
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Fund
Year Ended September 30, 2012

Operating revenues:

Realized gain on installment housing sales	\$	17,581
Gain (loss) on sale of assets		(8,968)
Housing rentals		718,995
PSO lease		21,627
Office rentals		4,800
Other income		7,811
Total operating revenues		761,846

Operating expenses:

Salaries and wages		202,993
Employee benefits		118,216
Advertising and promotion		4,682
Bad debt expense		7,665
Depreciation expense		113,485
Economic development		40,000
Guest house expenses		118
Insurance		26,565
Office supplies and expense		5,754
Other supplies and expense		6,908
Professional fees		93,419
Rent expenses		2,724
Repairs and maintenance		93,729
Taxes		1,754
Telephone		4,980
Training and meeting expense		2,998
Travel		5,098
Utilities		25,945
Total operating expenses		757,033
Operating income (loss)		4,813

Nonoperating revenue (expense):

Investment income		200,519
Total nonoperating revenue (expense)		200,519

Change in net assets 205,332

Net assets-beginning of year		5,989,531
Net assets-end of year		\$ 6,194,863

Midwestern Oklahoma Development Authority
Statement of Cash Flows
Proprietary Fund
Year Ended September 30, 2012

Cash flows from operating activities:	
Receipts from tenants	\$ 716,562
Receipts on installment sales	24,288
Receipts of other income	29,438
Payments to suppliers	(393,877)
Payments to employees	(202,437)
Receipts of additional security deposits	7,145
Payments to economic development recipients	(10,985)
Net cash provided (used) by operating activities	<u>170,134</u>
Cash flows from capital and related financing activities:	
Receipts on cash sale of unit	
Payments for cost and closing cost on sale of units	
Purchases of capital assets and improvements to duplexes	(198,622)
Net cash provided (used) by capital and related financing activities	<u>(198,622)</u>
Cash flows from investing activities:	
Investment income	193,950
Sale of investments	59,360
Net cash provided (used) by investing activities	<u>253,310</u>
Net increase (decrease) in cash and cash equivalents	224,822
Cash and cash equivalents, October 1, 2011	<u>425,618</u>
Cash & cash equivalents, September 30, 2012	<u>\$ 650,440</u>
Cash and cash equivalents	\$ 650,440
Total cash and cash equivalents, end of year	<u>\$ 650,440</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities	
Operating income (loss)	\$ 4,813
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	113,485
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	432
(Increase) decrease in mortgages receivable	33,256
(Increase) decrease in prepaids	776
Increase (decrease) in accounts payable	(1,763)
Increase (decrease) in compensated absences	556
Increase (decrease) in security deposits	7,145
Increase (decrease) in grants payable	29,015
Increase (decrease) in deferred revenue	(17,581)
Total adjustments	<u>165,321</u>
Net cash provided (used) by operating activities	<u>\$ 170,134</u>

NOTES TO BASIC FINANCIAL STATEMENTS

MIDWESTERN OKLAHOMA DEVELOPMENT AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

(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.

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, 2012

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 are not currently for resale, so they are being depreciated over 27 ½ years. The range of estimated useful lives by type of asset is as follows:

Buildings	10-15 years
Machinery and equipment	3-10 years
Duplexes held for rental	27.5 years

Housing Sales Financing

MODA is financing up to ninety percent of the sales price of the housing units they sold to qualified buyers. Ten percent of the sales price was required as a down payment. MODA carried 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
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012**

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:

**MIDWESTERN OKLAHOMA DEVELOPMENT AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012**

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, 2012 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, 2012 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	\$ 769,765	\$ 769,765	N/A	182
Federal agency notes	528,848	496,304	Aaa	495
Residential mortgage backed securities	33,515	31,310	Aaa	787
Mutual funds	1,257,071	1,197,019		
Grand total investments	<u>\$ 2,589,199</u>	<u>\$ 2,494,398</u>		

MIDWESTERN OKLAHOMA DEVELOPMENT AUTHORITY
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Capital Assets

Capital asset activity for the fiscal year ended September 30, 2012, was as follows:

	<u>Balance at October 1, 2011</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance at September 30, 2012</u>
Business-type activities				
Non depreciable				
Land	\$ 1,627	\$ -	\$ -	\$ 1,627
Total non-depreciable assets at historical cost	<u>1,627</u>	<u>-</u>	<u>-</u>	<u>1,627</u>
Depreciable				
Duplexes held for rental	2,944,179	198,622	-	3,142,801
Building	399,479	-	-	399,479
Machinery and equipment	155,484	-	-	155,484
Total depreciable assets at historical cost	<u>3,499,142</u>	<u>198,622</u>	<u>-</u>	<u>3,697,764</u>
Less accumulated depreciation				
Duplexes held for rental	-	(99,848)	-	(99,848)
Building	(387,539)	(1,905)	-	(389,444)
Machinery and equipment	(128,604)	(11,732)	-	(140,336)
Total accumulated depreciation	<u>(516,143)</u>	<u>(113,485)</u>	<u>-</u>	<u>(629,628)</u>
Net depreciable assets	<u>2,982,999</u>	<u>85,137</u>	<u>-</u>	<u>3,068,136</u>
Business-type capital assets, net	<u>\$ 2,984,626</u>	<u>\$ 85,137</u>	<u>\$ -</u>	<u>\$ 3,069,763</u>

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

Administrative	\$ 1,905
Housing sales	-
Rentals	111,580
Economic development	-
Total business-type activities depreciation expense	<u>\$ 113,485</u>

Housing units consist of the following as of September 30, 2012:

	<u>Single Family</u>	<u>Units</u>	<u>Total</u>
Total units owned at 9-30-11	2	199	201
Units sold during FYE 9-30-12	-	-	-
Units purchased during FYE 9-30-12	-	-	-
Total units owned at 9-30-12	<u>2</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.

MIDWESTERN OKLAHOMA DEVELOPMENT AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

(4) HOME MORTGAGES

Profit on the sale of the units sold on installment in prior years is recognized on a percentage of principle payments received each year. The deferred installment contract sales amount of \$20,738 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, 2012.

Home mortgage activity for the year ended September 30, 2012 is detailed below:

	Balance at October 1, 2011	Mortgages Issued	Mortgages Retired	Balance at September 30, 2012
Year Units Sold:				
2002	2,428	-	2,428	-
2008	28,655	-	28,655	-
2011	32,692	-	2,173	30,519
	<u>\$ 63,775</u>	<u>\$ -</u>	<u>\$ 33,256</u>	<u>\$ 30,519</u>

The following is a detail of deferred revenue for the year ended September 30, 2012:

	Balance at September 30, 2012
Year Units Sold:	
2011	20,738
	<u>\$ 20,738</u>

(5) ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

The following is a detail of the accounts payable and accrued liability balances as of September 30, 2012:

	Balance at September 30, 2012
Accounts payable - trade	\$ 20,814
Economic development grants	60,575
Payroll liabilities	366
Total accounts payable and accrued liabilities	<u>\$ 81,755</u>

(6) LONG TERM LIABILITIES

The following is a summary of changes in long term liabilities for the year ended September 30, 2012 :

	Balance at October 1, 2011	Amount Issued	Amount Retired	Balance at September 30, 2012	Due Within One Year
Business-type activities:					
Security deposits payable	\$ 51,258	\$ 22,745	\$ 15,600	\$ 58,403	\$ 2,920
Compensated absences	10,975	556	-	11,531	\$ 1,153
Total business-type activities	<u>\$ 62,233</u>	<u>\$ 23,301</u>	<u>\$ 15,600</u>	<u>\$ 69,934</u>	<u>\$ 4,073</u>

**MIDWESTERN OKLAHOMA DEVELOPMENT AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012**

(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 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:

	FYE 9/30/12	FYE 9/30/11
Restricted for major catastrophe	\$ 506,155	\$ 422,155
Restricted for repair/upkeep-airpark	525,701	525,701
Restricted for Educational loan fund	38,500	-
	\$ 1,070,356	\$ 947,856

(8) STATEMENT OF REVENUES AND EXPENSES

MODA's primary sources of revenue are housing 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 \$202,993; covered payroll was \$197,554 employee contributions were \$9,191, and employer contributions were \$27,570.

Provision	Plan
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	<ul style="list-style-type: none"> - By Board Approval - 15% of covered payroll, effective 7/1/10 - 5% effective 7/1/06
Provision	Plan
c. Period Required to Vest	8 years of credited service
d. Eligibility for Distribution	<ul style="list-style-type: none"> - 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.

**MIDWESTERN OKLAHOMA DEVELOPMENT AUTHORITY
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<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, 2012, 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 in negotiations with Public Service Company of Oklahoma to explore its options in order to maximize profitability off of the electrical distribution system- either a sale, lease/management option, or whether to operate the system inhouse. MODA has requested through the courts a declaratory judgment pertaining to issues with the PSO lease agreement and a settlement conference is scheduled for January, 2013.

OTHER SUPPLEMENTARY INFORMATION

David O. Tate

Certified Public Accountant
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Mangum, Oklahoma 73554

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 governing body of
Midwestern Oklahoma Development Authority

I have audited the financial statements of the business-type activities, of Midwestern Oklahoma Development Authority, as of and for the year ended September 30, 2012, which collectively comprise the Midwestern Oklahoma Development Authority's basic financial statements and have issued my report thereon dated December 5, 2012. I conducted my 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

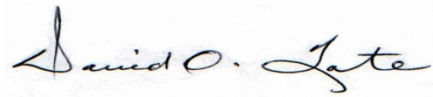
Management of Midwestern Oklahoma Development Authority is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing my audit, I considered Midwestern Oklahoma Development Authority's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Midwestern Oklahoma Development Authority's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Midwestern Oklahoma 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 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. My 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. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Midwestern Oklahoma Development Authority's financial statements are free of material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of management, others within the entity, and awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "David O. Tate". The signature is written in a cursive style with a large initial 'D' and 'T'.

Certified Public Accountant
Mangum, Oklahoma
December 5, 2012