

AUDIT REPORT

for the

OSAGE COUNTY INDUSTRIAL AUTHORITY

FOR THE YEAR ENDED JUNE 30, 2012

AUDITED BY

ALAN CHAPMAN

CERTIFIED PUBLIC ACCOUNTANT

401 South Water Street

TAHLEQUAH, OKLAHOMA

**OSAGE COUNTY INDUSTRIAL AUTHORITY
AUDIT REPORT
FOR THE YEAR ENDED JUNE 30, 2012**

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INDEPENDENT AUDITOR'S REPORT

The Board of Trustees
Osage County Industrial Authority
Pawhuska, Oklahoma

I have audited the accompanying financial statements of the governmental activities of the Osage County Industrial Authority, a component unit Osage County, State of Oklahoma, as of and for the year ended June 30, 2012, as listed in the Table of Contents. These basic financial statements are the responsibility of the Osage County Industrial Authority's management. My responsibility is to express an opinion on these basic financial statements based on my audit.

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. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the combined financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall combined financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

The Osage County Industrial Authority's policy is to prepare its financial statements on a modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position-modified cash basis of the Osage County Industrial Authority as of June 30, 2012, and the changes in financial position-modified cash basis thereof for the year then ended in conformity with the modified cash basis of accounting.

In accordance with *Government Auditing Standards*, I have also issued my report dated September 26, 2012, on my consideration of the Osage County Industrial Authority, Pawhuska, Osage County, Oklahoma's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*, and should be considered in assessing the results of my audit.

Independent Auditor's Report (continued)

The Osage County Industrial Authority has not presented the Management's Discussion and Analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be a part of, the basic financial statements.

My audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The supplemental information as listed in the accompanying table of contents is presented for the purpose of additional analysis and are not a required part of the financial statements of the Osage County Industrial Authority. The accompanying schedule of expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is also not a required part of the combined financial statements. Such information has been subjected to the auditing procedures applied in the audit of the fund type and account group within the combined financial statements and, in my opinion, is fairly stated in all material respects in relation to the combined financial statements taken as a whole on the modified basis of accounting described in Note 1.

September 26, 2012



Alan Chapman, CPA

OSAGE COUNTY INDUSTRIAL AUTHORITY

STATEMENT OF NET ASSETS - MODIFIED CASH BASIS

JUNE 30, 2012

ASSETS

CURRENT ASSETS

Cash	\$ 27,848
Total Current Assets	<u>27,848</u>

PROPERTY AND EQUIPMENT

Land	8,430
Buildings	<u>1,349,083</u>
Total Fixed Assets	1,357,513
Less: Accumulated depreciation	<u>(-)</u>
Net property and equipment	<u>1,357,513</u>

Total Assets	<u>1,385,361</u>
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LIABILITIES AND NET ASSETS

NET ASSETS

Invested In Capital Assets, Net of Related Debt	1,357,513
Unrestricted	<u>27,848</u>
Net Assets	<u>\$1,385,361</u>

The accompanying report and notes are an integral part of these statements.

OSAGE COUNTY INDUSTRIAL AUTHORITY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

<u>Functions/Program</u>	<u>Expenses</u>	<u>Program Revenues</u>	<u>Net (Expense) Revenue</u>
Governmental			
Economic Development	\$ 62,910	725,000	662,090
Total Governmental	<u>\$ 62,910</u>	<u>725,000</u>	<u>662,090</u>
General Revenues			
Interest Income			1,607
Total General Revenue			<u>1,607</u>
Change in Net Assets			663,697
Net Assets - Beginning			<u>721,664</u>
Net Assets - Ending			<u>\$ 1,385,361</u>

The accompanying report and notes are an integral part of these statements.

OSAGE COUNTY INDUSTRIAL AUTHORITY

BALANCE SHEET - MODIFIED CASH BASIS
GOVERNMENTAL FUND

JUNE 30, 2012

ASSETS

Current Assets	
Cash and Cash Equivalents	\$ 27,848
Total Current Assets	36,278
Property and Equipment	
Land Held for Resale	8,430
Buildings	1,349,083
Total Fixed Assets	1,357,513
Total Assets	<u>1,385,361</u>

LIABILITIES AND FUND BALANCE

Fund Balance	1,385,361
Total Liabilities and Fund Balance	<u>1,385,361</u>

Reconciliation to Statement of Net Assets:

Amounts reported for governmental activities in the
statement of net assets are different because:

No Reconciling Items	<u>-</u>
Net Assets of Governmental Activities	<u>\$ 1,385,361</u>

The accompanying report and notes are an integral part of these statements.

OSAGE COUNTY INDUSTRIAL AUTHORITY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE -MODIFIED CASH BASIS
GOVERNMENTAL FUND

JUNE 30, 2012

Revenues:	
Interest Income	\$ 1,607
Grant Income	<u>725,000</u>
Total Revenue	<u>726,607</u>
Expenditures:	
Maintenance	3,500
Office and Miscellaneous	435
Accounting and Legal	4,525
Economic Development Consulting	51,950
INCOG Planning	2,500
Building Construction	<u>1,349,083</u>
Total Expenditures	<u>1,411,993</u>
Excess (deficiency) of revenues over expenditures -	
Net Change in Fund Balance	(685,386)
Fund Balance - beginning	721,664
Fund Balance - ending	<u>36,278</u>
Reconciliation to the Statement of Activities:	
Net Change in Fund Balance	(685,386)
Amounts reported for Governmental Activities in the Statement of Activities are different because:	
Additions to Fixed Assets Net of Depreciation	<u>1,349,083</u>
Change in Net Assets of Governmental Activities	<u>\$ 663,697</u>

The accompanying report and notes are an integral part of these statements.

OSAGE COUNTY INDUSTRIAL AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012

1. Summary of Significant Accounting Policies

A. Modified Cash Basis

These financial statements are presented on a modified cash basis of accounting. This modified basis of accounting differs from accounting principles generally accepted in the United States of America. Generally accepted accounting principles (GAAP) includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the government-wide financial statements Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied unless those pronouncements, in which case, GASB prevails. The accounting and reporting framework and the more significant accounting principles are discussed in subsequent subsections of this Note.

A. Reporting Entity

The Osage County Industrial Authority (the Authority) is a public trust created under the provisions of Title 60, Oklahoma Statutes 1961, Sections 176 to 180, inclusive as amended, the Oklahoma Trust Act, and other applicable laws and statutes of the state of Oklahoma. The purpose of the Authority is to promote the economic growth and development of Osage County, State of Oklahoma. The Osage County Industrial Authority is a component of the Osage County, State of Oklahoma.

The Osage Industrial Authority, as a public trust created under the provisions of Title 60, Oklahoma Statues 1961, Sections 176 to 180, has the ability to issue tax exempt bonds directly the public, the Authority is being reported on as a governmental organization.

B. Basis of Presentation

Government - Wide Financial Statements:

The statements of Net Assets and Statements of Activities display information about the reporting government as a whole. They include all funds 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 and services.

OSAGE COUNTY INDUSTRIAL AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012

Summary of Significant Accounting Policies (continued)

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 that constitute its assets, liabilities, fund equity, revenues, and expenditure/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. 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 expenditures/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 expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The only fund of the Authority is the Governmental Fund.

C. Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe “how” transactions are recorded within each fund type. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

Measurement Focus

On the government-wide Statement of Net Assets and the Statement of Activities, both governmental and business-like activities are presented using the economic resources measurement focus as defined in item (b) below.

In the fund financial statements, the “current financial resources” measurement focus or the “economic resources” measurement focus is used as appropriate:

- a. All governmental funds utilize a “current financial resources” measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

OSAGE COUNTY INDUSTRIAL AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012

Summary of Significant Accounting Policies (continued)

- b. Proprietary funds utilize an "economic resources" measurement focus. 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) associated with their activities are reported. Proprietary fund equity is classified as net assets.
- c. Agency funds are not involved in the measurement of results of operations, therefore, measurement focus is not applicable to them.

Basis of Accounting

The Authority utilized a modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. This modified cash basis of accounting is based on the recording of cash and cash equivalents and changes therein, modified for the following balances arising from cash transactions:

- Capital assets and the depreciation of those assets in the Enterprise funds
- Long term debt
- Interfund receivables and payable
- Other receivables/payables resulting from cash transactions
- Investments

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected, and accrued revenue and receivables) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statement.

If the Authority utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting, while the fund financial statements for proprietary fund types would use the accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

D. Assets, Liabilities, and Equity

Cash and Cash Equivalents

For the purpose of financial reporting, "cash and cash equivalents" includes all demand and savings accounts, and certificates of deposit or short-term investments with an original maturity of three months or less.

OSAGE COUNTY INDUSTRIAL AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012

Investments

Investments classified in the financial statements consist of certificates of deposit whose original maturity term exceeds three months and are reported at cost.

Accounts Receivable

As a result of the use of the modified cash basis of accounting, accounts receivable and other revenue related receivables are not reported in the financial statements.

Inventories

As a result of the use of the modified cash basis of accounting, consumable materials and supplies are recorded as expenditures/expenses at the time of purchase, and, therefore, no balances for inventory on-hand are reported in the balance sheet.

Capital Assets

The accounting treatment over property, plant, and equipment (capital assets) depends on whether the assets are used in governmental fund type operations or proprietary fund type operations and whether they are reported in the government-wide financial statements.

Government-Wide Statements

As the Authority acquires fixed assets such as land, buildings, and equipment, the related costs are charged as capital outlay expenditures of the respective fund.

Fund Financial Statements

In the fund financial statements, capital assets acquired for use in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

Land Held for Resale

The Authority owns land which is being held for resale to prospective businesses.

Government-Wide 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 improvements of those assets.

OSAGE COUNTY INDUSTRIAL AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012

Summary of Significant Accounting Policies (continued)

- b. Restricted net assets - Consists of net assets with constraints placed on the use either by external groups such as creditors, grantors, contributors or law and regulations of other governments, or 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".

It is the Authority's policy to first use restricted net assets prior to the use of unrestricted net assets when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

Fund Financial Statements:

Governmental fund equity is classified as fund balance.

E. Use of Estimates

The preparation of financial statements in conformity with the other comprehensive basis of accounting used by the Authority requires management to make estimates and assumptions that affect certain reported amounts and to make estimates and assumptions that affect certain reported amounts and disclosures (such as estimated useful lives in determining depreciation expenses); accordingly, actual amounts could differ from those estimates.

2. Budgetary Requirements

In accordance with Title 60 of the Oklahoma State Statutes, the Authority is required to prepare an annual budget and submit a copy to the County as beneficiary. However, there are no further requirements such as form of budget, approval of the budget or definition of a legal level of control.

CITIZENS
BANK OF
OKLAHOMA

OSAGE COUNTY INDUSTRIAL AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012

2. Budgetary Requirements (continued)

Budgetary Comparison Schedule - Modified Cash Basis - Unaudited for the year ended June 30, 2012:

	<u>Budget</u>	<u>Actual</u>	Variance with Budget (Negative)
Income:			
Interest Income	\$ 4,000	\$ 1,607	\$ (2,393)
Grant Income	<u>572,877</u>	<u>725,000</u>	<u>152,123</u>
Total Revenues	\$ 576,877	\$ 726,607	\$ 149,730
Expense:			
Professional/Administrative	\$ 41,600	\$ 58,975	\$ (17,375)
Building Expense	572,877	1,349,083	(776,206)
Other Services and Charges	<u>10,800</u>	<u>3,935</u>	<u>6,865</u>
Total Expenditures	<u>626,277</u>	<u>1,411,993</u>	<u>(785,716)</u>
Excess Revenues Over Expenditures	\$ 49,400	\$ 685,386	(635,986)

Notes To Required Supplementary Information - Budgetary Comparison Schedule - The Authority prepares its budget on the modified cash basis of accounting. This basis is consistent with the basis of accounting used in the basic financial statements. All unexpended appropriations lapse at year-end.

3. Cash and Cash Equivalents

Deposits - The Authority's cash deposits at June 30, 2012, are categorized to give an indication of the level of risk assumed by the Authority at year end as follows:

Deposit Categories of Credit Risk

(A) Insured or collateralized with securities held by the Authority or by its agent in the Authority's name.

(B) Collateralized with securities held by the pledging financial institution's trust department or agent in the Authority's name.

(C) Uncollateralized.

	<u>Category</u>			<u>Bank Balance</u>	<u>Carrying Amount</u>	<u>Market Value</u>
	<u>(A)</u>	<u>(B)</u>	<u>(C)</u>			
Bank of Cherokee County	\$ 27,848	\$ 0.00	\$ 0.00	\$ 27,848	\$ 27,848	\$ 27,848
TOTAL	<u>\$ 27,848</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 27,848</u>	<u>\$ 27,848</u>	<u>\$ 27,848</u>

**OSAGE COUNTY INDUSTRIAL AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012**

4. Fixed Assets

Schedule of Changes in Fixed Asset Accounts

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>
Land	\$ 8,430	0	0	\$ 8,430
Buildings	<u>\$ 0</u>	<u>\$1,349,083</u>	<u>\$ 0</u>	<u>\$1,349,083</u>
Total	<u>\$ 8,430</u>	<u>\$1,349,083</u>	<u>\$ 0</u>	<u>\$1,357,513</u>
Accumulated Depreciation	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

The building is being depreciated over a 30 year life span, starting July 1, 2012.

5. Osage Nation Grant

On September 30, 2009 the Authority entered into an Memorandum of Understanding with the Osage Nation. The Osage Nation has contributed \$500,000 for the construction of a Business Development Center. Expenditures during the fiscal year ended June 30, 2012 from these funds were \$438,116.

6. U.S. Department of Commerce Grant

On April 14, 2011 the Authority and the City of Pawhuska (as co-recipients) were awarded a \$750,000 U.S. Department of Commerce Grant.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
COMBINED FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

The Board of Trustees
Osage County Industrial Authority
Pawhuska, Oklahoma

I have audited the financial statements of the governmental activities of Osage County Industrial Authority, Pawhuska, Oklahoma, as of and for the year ended June 30, 2012, and have issued my report thereon dated September 26, 2012. The modified cash report was a special report on the Authority's use of a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. 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

In planning and performing my audit, I considered the Authority's internal control over financial reporting as a basis for designing my audit procedures for the purpose of expressing my opinions 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, I do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

My consideration of internal control over compliance 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 compliance that might be deficiencies, significant deficiencies, or material weaknesses. I did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Osage County Industrial Authority's financial statements are free of 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*.

I noted certain matters that I reported to management of the Osage County Industrial Authority in a separate letter dated September 26, 2012.

This report is intended solely for the information and use of the Board of Trustee, management, and all applicable federal and state agencies, and is not intended to be and should not be used by anyone other than these specified parties.

September 26, 2012



Alan Chapman, CPA

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH
MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133**

The Board of Trustees
Osage County Industrial Authority
Pawhuska, Oklahoma

Compliance

I have audited the compliance of the Osage County Industrial Authority with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that is applicable to each of its major federal programs for the year ended June 30, 2012. Osage County Industrial Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Osage County Industrial Authority's management. My responsibility is to express an opinion on Osage County Industrial Authority's compliance based on my audit.

I have conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and *OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Osage County Industrial Authority's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination on Osage County Industrial Authority's compliance with those requirements.

In my opinion, Osage County Industrial Authority complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

The management of Osage County Industrial Authority is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we

considered the Osage County Industrial Authority's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing my opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Osage County Industrial Authority's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

My consideration of internal control over compliance 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 compliance that might be deficiencies, significant deficiencies, or material weaknesses. I did not identify any deficiencies in internal control over compliance that I considered to be material weaknesses, as defined above. However, I noted other matters involving the internal control over financial reporting and its operation that I have reported to the Authority's management in a separate letter dated September 26, 2012.

This report is intended solely for the information of the Board of Trustees, management, and all applicable federal and state agencies, and is not intended to be and should not be used by anyone other than these specified parties.

September 26, 2012



Alan Chapman, CPA

**OSAGE COUNTY INDUSTRIAL AUTHORITY
SCHEDULE OF FEDERAL AWARDS EXPENSED
FOR THE YEAR ENDED JUNE 30, 2012**

Grant, Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	Award Number	Balance at June 30, 2011	Receipts	Expenditures	Balance at June 30, 2012
U.S. DEPARTMENT OF COMMERCE						
Direct Programs:						
Econ. Advs./Disaster Approp. Program *	11.307	08-79-04464	\$ -	\$ 725,000.00	\$ 725,000.00	\$ -
TOTAL FEDERAL ASSISTANCE			\$ -	\$ 725,000.00	\$ 725,000.00	\$ -

Note 1 - Basis of Accounting: is presented on a modified cash basis, a basis of accounting other than accounting principles generally accepted in the United States of America.

* - Major Program

**OSAGE COUNTY INDUSTRIAL AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012**

Section I - Summary of Auditor's Results:

Financial Statements

Type of auditor's report issued: I have audited the financial statements-modified cash basis of Osage County Industrial Authority, Pawhuska, Osage County, Oklahoma, as of and for the year ended June 30, 2012, and have issued my qualified report thereon dated September 26, 2012. In my opinion letter, my report was qualified because the Authority prepares its financial statements on a basis of accounting other than accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting:

Material weaknesses identified?	NONE REPORTED
Reportable conditions identified not considered to be material weaknesses?	NONE REPORTED
Noncompliance material to financial statements noted?	NONE REPORTED

Federal Awards

Internal Control Over Major Programs:

Material weaknesses identified?	NONE REPORTED
Reportable conditions identified not considered to be material weaknesses?	NONE REPORTED

Type of Auditor's Report Issued on Compliance for Major Programs:

In conjunction with the audited combined financial statements-modified cash basis of Osage County Industrial Authority, Pawhuska, Oklahoma, as of and for the year ended June 30, 2012, I have issued my unqualified report thereon dated September 26, 2012, on compliance with requirements applicable to each major program and internal control over compliance in accordance with OMB Circular A-133.

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510 (a)?	NONE REPORTED
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Identification of Major Programs:

EDA Grant (11.307)	\$ 725,000.00
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SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

The dollar threshold used to distinguish between type A and type B programs was \$300,000.00.

	<u>YES</u>	<u>NO</u>
Auditee qualified as low-risk auditee?		X

Section II - Financial Statement Findings:

No matters were reported.

Section III - Federal Award Findings and Questioned Costs:

No matters were reported and no questioned costs were identified.