

OKFUSKEE COUNTY INDUSTRIAL AUTHORITY
OKEMAH, OKLAHOMA
ANNUAL FINANCIAL REPORT
DECEMBER 31, 2010 AND 2009

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OKFUSKEE COUNTY INDUSTRIAL AUTHORITY
REPORT ON AUDITS OF FINANCIAL STATEMENTS
DECEMBER 31, 2010 and 2009

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INDEPENDENT AUDITORS' REPORT

To the Honorable Members of the Board of Directors
Okfuskee County Industrial Authority
Okemah, Oklahoma

I have audited the accompanying financial statements of the business-type activities of Okfuskee County Industrial Authority as of and for the years ended December 31, 2010 and 2009, which collectively comprise Okfuskee County Industrial Authority's basic financial statements. These financial statements are the responsibility of Okfuskee County Industrial Authority's management. My responsibility is to express an opinion on these financial statements based on my audit.

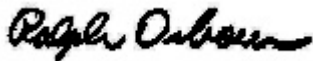
I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the 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.

As discussed in Note II, Okfuskee County Industrial Authority prepares 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 respective financial position-modified cash basis of the business-type activities of Okfuskee County Industrial Authority as of December 31, 2010 and 2009, and the respective changes in financial position-modified cash basis, thereof, in conformity with the basis of accounting described in Note II.

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

In accordance with *Government Auditing Standards*, I have also issued my report dated August 27, 2013, on my consideration of Okfuskee County Industrial Authority's internal control over financial reporting and 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.



Ralph Osborn
Certified Public Accountant
Bristow, Oklahoma
August 27, 2013

OKFUSKEE COUNTY INDUSTRIAL AUTHORITY
 OKEMAH, OKLAHOMA
 STATEMENT OF NET ASSETS - MODIFIED CASH BASIS
 DECEMBER 31, 2010 and 2009

ASSETS	<u>2010</u>	<u>2009</u>
Current assets:		
Cash and cash equivalents	\$ <u>377,163</u>	\$ <u>373,595</u>
Total current assets	<u>377,163</u>	<u>373,595</u>
Non-current assets:		
Due from other governments	<u>400,000</u>	<u>400,000</u>
Total non-current assets	<u>400,000</u>	<u>400,000</u>
Total assets	<u>777,163</u>	<u>773,595</u>
 LIABILITIES		
Liabilities:		
Total liabilities	<u>-</u>	<u>-</u>
 NET ASSETS		
Nonspendable	400,000	400,000
Unassigned	<u>377,163</u>	<u>373,595</u>
Total net assets	<u>\$ 777,163</u>	<u>\$ 773,595</u>

The accompanying notes are an integral part of these financial statements.

OKFUSKEE COUNTY INDUSTRIAL AUTHORITY
 OKEMAH, OKLAHOMA
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
 MODIFIED CASH BASIS
 FOR THE YEAR ENDED DECEMBER 31, 2010 and 2009

<u>OPERATING REVENUES</u>	<u>2010</u>	<u>2009</u>
Rent	\$ -	\$ 10,920
Total revenues	<u>-</u>	<u>10,920</u>
 <u>OPERATING EXPENSES</u>		
Contract payments - Okfuskee County	-	-
Professional fees	-	-
Insurance	-	-
Miscellaneous	<u>-</u>	<u>-</u>
Total expenses	<u>-</u>	<u>-</u>
Operating income (loss)	<u>-</u>	<u>10,920</u>
 <u>NON-OPERATING REVENUE (EXPENSES)</u>		
Interest on loans	-	-
Interest on accounts	<u>3,568</u>	<u>3,489</u>
Total non-operating revenue (expenses)	<u>3,568</u>	<u>3,489</u>
Increase (Decrease) in Net Assets	3,568	14,409
Net assets, beginning	<u>773,595</u>	<u>759,186</u>
Net assets, ending	<u>\$ 777,163</u>	<u>\$ 773,595</u>

The accompanying notes are an integral part of these financial statements.

OKFUSKEE COUNTY INDUSTRIAL AUTHORITY
 OKEMAH, OKLAHOMA
 STATEMENT OF CASH FLOWS
 PROPRIETARY FUND TYPE
 FOR THE YEAR ENDED DECEMBER 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from lessee	\$ -	\$ 10,920
Cash paid on behalf of lessee	-	-
Cash paid to vendors	-	-
	<u>-</u>	<u>-</u>
Net cash provided (used) by operating activities	<u>-</u>	<u>10,920</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Net cash used for capital and related financing activities	<u>-</u>	<u>-</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Net cash provided(used)by noncapital financing activities	<u>-</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Loans to businesses	-	-
Interest received	3,568	3,489
Payments received from loans to businesses	-	-
	<u>-</u>	<u>-</u>
Net cash provided(used)by investing activities	<u>3,568</u>	<u>3,489</u>
Net increase(decrease) in cash and cash equivalents	3,568	14,409
Cash and cash equivalents, beginning	<u>373,595</u>	<u>359,186</u>
Cash and cash equivalents, ending	<u>\$ 377,163</u>	<u>\$ 373,595</u>
Reconciliation of operating income to net cash provided(used) by operating activities:		
Operating income(loss)	\$ -	\$ 10,920
Adjustments to reconcile net income(loss) to net cash(used) by operating activities	<u>-</u>	<u>-</u>
Net cash provided(used) by operating activities	<u>\$ -</u>	<u>\$ 10,920</u>

The accompanying notes are an integral part of these financial statements.

OKFUSKEE COUNTY INDUSTRIAL AUTHORITY
OKEMAH, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010 and 2009

I. Organization

Okfuskee County Industrial Authority (the Authority) was organized in January 1968 as a public trust under provisions of Title 60, *Oklahoma Statutes* 1961, Sections 176 to 180, inclusive, as amended and supplemented, the *Oklahoma Trust Act*, and other applicable statutes and laws of the State of Oklahoma. The purposes of Okfuskee County Industrial Authority are to promote the development of industry within and without Okfuskee County and to provide additional employment that will benefit and strengthen the economy of Okfuskee County and the State of Oklahoma.

II. Summary of Significant Accounting Policies

As discussed further in Note II B, these financial statements are presented on a modified cash basis of accounting. This modified cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements. Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989 have been applied to the extent they are applicable, unless they conflict with or contradict GASB pronouncements, in which case GASB prevails.

A. Reporting Entity

The accompanying financial statements present the Authority's financial position and results of operations and cash flows. There are no other entities for which the Authority is considered to be financially accountable, and, as such, no other entities are presented herein.

B. Measurement focus, basis of accounting, and financial statement presentation

The accompanying financial statements are reported using the economic resources measurement focus within limitations of the modified cash basis of accounting. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets, financial position, and cash flows. Revenues are recorded when received and expenses when paid, with the exception of proceeds from long term debt which is recorded as a liability, and capital assets acquired, which are capitalized, with a provision for depreciation.

The accompanying financial statements are presented using a modified cash basis of accounting. The basis recognizes assets, liabilities, net assets, revenues, and expenses when they result from cash transactions with a provision for depreciation. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

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

OKFUSKEE COUNTY INDUSTRIAL AUTHORITY
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If the Authority utilized the basis of accounting recognized as generally accepted, the financial statements would be presented on the accrual basis of accounting.

The Okfuskee County Industrial Authority has elected to report its financial statements as a single purpose government, in accordance with GASB Statement No. 34 using a business-type activities presentation. As such, fund financial statements are not presented or required.

C. Assets, Liabilities, and Net Assets

1. Deposits and Investments

The Authority's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of less than ninety (90) days from the date of acquisition.

State statutes authorize the Authority to invest in obligations of the U.S. Treasury; time deposits with financial institutions, if such deposits are fully insured by federal depository insurance or pledged collateral; and debt securities issued by the State of Oklahoma, an Oklahoma County, school district, or municipality.

Investments for the Authority are reported at fair value.

D. Income Tax Status

The Authority was organized as a public trust under the laws of the State of Oklahoma and is exempt from income taxes under Section 115(a) of the *Internal Revenue Code*.

E. Notes Receivable

Notes receivable are from entities to which loans have been made.

F. Property

The Authority does not own property.

OKFUSKEE COUNTY INDUSTRIAL AUTHORITY
OKEMAH, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010 and 2009

III. Detailed Notes on All Funds

A. Deposits and Investments

Deposits

The Authority's carrying amount of deposits as of December 31, 2010 and 2009 was \$377,163 and \$373,595, respectively, and the bank balances as of December 31, 2010 and 2009 totaled \$377,163 and \$373,595, respectively. Deposits are carried at a cost.

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. The Authority does not have a deposit policy for custodial credit risk. As of December 31, 2010 and 2009, all of the Authority's bank balances were FDIC insured or collateralized.

Investments

As of December 31, 2010 and 2009, the Authority does not have any investments.

Interest Rate Risk. The Authority does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk. State statutes limit investments to the following: a) direct obligations of the U.S. Government, its agencies or instrumentalities; b) collateralized or insured certificates of deposit within the state, and insured certificates only if out of state; c) savings accounts or savings certificates; d) fully collateralized prime banker acceptances, prime commercial paper, repurchase agreements, or SEC regulated money market funds; e) obligations to the payment of which the full faith and credit of the state is pledged; f) county, municipal, or school district and valorem tax funded debt; g) bonds, notes, or money judgements of a county, municipality, or school district; h) revenue anticipation notes of a public trust of which the municipality is beneficiary; or; I) any bond, note, or other debt of public trust of which the municipality is sole beneficiary, or other entities whose governing boards were appointed by the municipality. The Authority has no investment policy that would further limit its investment choices.

Concentration of Credit Risk. The Authority places no limit on the amount it may invest in any one issuer.

An Authority cash account is maintained with the Okfuskee County Treasurer's Office, which acts as a custodian of this account. The balance of this account as of December 31, 2010 and 2009, was \$350,939 and \$347,404, respectively. The purpose of this account is to provide sources funding for loans made by the Authority to qualified borrowers. As repayment on these loans is received by the Authority, the receipts are deposited into this account.

OKFUSKEE COUNTY INDUSTRIAL AUTHORITY
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C. Due From Other Governments

During the year ended December 31, 2001, Okfuskee County Industrial Authority entered into a participation agreement with the Okemah Economic Development Authority to construct an industrial building in the Okemah Industrial Park. Upon completion, the building was to be leased by Quantum Construction Technologies, Inc. for 20 years. Okfuskee County Industrial Authority's participation portion was \$400,000, with interest of 3.5% per annum, amortized over a 17-year term from the date three(3) years after the completion of the industrial building. Construction of the building was completed July 1, 2001.

The building is not occupied. The property is available for sale. The quit-claim deed issued by Okemah Economic Development Authority dated April 2, 2004 placed an undivided fourteen (14) percent interest in the property in the name of County of Okfuskee, State of Oklahoma. Since the Authority does not have title to the property, the money advanced for the construction of the building is reported as a due from other governments.

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

To the Board of Directors
Okfuskee County Industrial Authority
Okemah, Oklahoma

I have audited the financial statements of the business-type activities of Okfuskee County Industrial Authority as of and for the years ended December 31, 2010 and 2009 and have issued my report thereon dated August 27, 2013 which did not include Management's Discussion and Analysis. 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 Okfuskee County Industrial Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Okfuskee County Industrial Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Okfuskee County Industrial Authority's internal control over financial reporting.

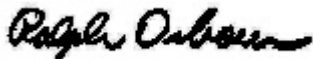
A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement 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. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether Okfuskee County Industrial Authority's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 of management, the Board of Directors, others within the organization, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Ralph Osborn
Certified Public Accountant
Okemah, Oklahoma
August 27, 2013