

OKFUSKEE COUNTY INDUSTRIAL AUTHORITY
OKEMAH, OKLAHOMA
ANNUAL FINANCIAL REPORT
DECEMBER 31, 2014 AND 2013

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OKFUSKEE COUNTY INDUSTRIAL AUTHORITY
REPORT ON AUDITS OF FINANCIAL STATEMENTS
DECEMBER 31, 2014 and 2013

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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 modified cash basis financial statements of the business-type activities of Okfuskee County Industrial Authority, as of and for the years ended December 31, 2014 and 2013, and the related notes to the financial statements, which collectively comprise Okfuskee County Industrial Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note II; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express opinions 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design auditor procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the business-type activities of Okfuskee County Industrial Authority as of December 31, 2014 and 2013, and the respective changes in modified cash basis financial position and, where applicable, cash flows thereof in conformity with the modified cash basis of accounting described in Note II.

Basis of Accounting

I draw attention to Note II of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. My opinions are not modified with respect to this matter.

Other Matters

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 October 6, 2016, 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 my 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.

A handwritten signature in black ink, appearing to read "Ralph Osborn". The signature is fluid and cursive, with a long horizontal stroke at the end.

Ralph Osborn
Certified Public Accountant
Bristow, Oklahoma
October 6, 2016

OKFUSKEE COUNTY INDUSTRIAL AUTHORITY
OKEMAH, OKLAHOMA
STATEMENT OF NET POSITION - MODIFIED CASH BASIS
DECEMBER 31, 2014 and 2013

ASSETS	<u>2014</u>	<u>2013</u>
Current assets:		
Cash and cash equivalents	\$ 205,000	\$ 155,190
Investments	20,625	20,310
Building - net of accumulated depreciation	390,000	-
Note receivable - current	<u>47,057</u>	<u>45,215</u>
Total current assets	<u>662,682</u>	<u>220,715</u>
Non-current assets:		
Due from other governments	-	400,000
Note receivable - non current	<u>130,631</u>	<u>177,688</u>
Total non-current assets	<u>130,631</u>	<u>577,688</u>
Total assets	<u>793,313</u>	<u>798,403</u>
LIABILITIES		
Liabilities:		
Total liabilities	<u>-</u>	<u>-</u>
NET POSITION		
Unrestricted	<u>793,313</u>	<u>798,403</u>
Total net position	<u>\$ 793,313</u>	<u>\$ 798,403</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 POSITION
MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2014 and 2013

<u>OPERATING REVENUES</u>	<u>2014</u>	<u>2013</u>
Rent	\$ -	\$ -
Total revenues	-	-
<u>OPERATING EXPENSES</u>		
Professional fees	3,040	6,800
Miscellaneous	550	300
Depreciation Expense	10,000	-
Total expenses	13,590	7,100
Operating income (loss)	(13,590)	(7,100)
<u>NON-OPERATING REVENUE (EXPENSES)</u>		
Interest on loans	8,093	9,863
Interest on accounts	407	379
Total non-operating revenue (expenses)	8,500	10,242
Increase (Decrease) in Net Position	(5,090)	3,142
Net position, beginning	798,403	795,261
Net position, ending	<u>\$ 793,313</u>	<u>\$ 798,403</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, 2014 and 2013

	<u>2014</u>	<u>2013</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from lessee	\$ -	\$ -
Cash paid on behalf of lessee	-	-
Cash paid to vendors	<u>(3,590)</u>	<u>(7,100)</u>
Net cash provided (used) by operating activities	<u>(3,590)</u>	<u>(7,100)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	8,500	10,242
Transferred to investments	(315)	(310)
Payments received from loans to businesses	<u>45,215</u>	<u>43,445</u>
Net cash provided(used)by investing activities	<u>53,400</u>	<u>53,377</u>
Net increase(decrease) in cash and cash equivalents	49,810	46,277
Cash and cash equivalents, beginning	<u>155,190</u>	<u>108,913</u>
Cash and cash equivalents, ending	<u>\$ 205,000</u>	<u>\$ 155,190</u>
Reconciliation of operating income to net cash provided(used) by operating activities:		
Operating income(loss)	\$ (13,590)	\$ (7,100)
Adjustments to reconcile net income(loss) to net cash(used) by operating activities:		
Depreciation	<u>10,000</u>	<u>-</u>
Net cash provided(used) by operating activities	<u>\$ (3,590)</u>	<u>\$ (7,100)</u>

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

OKFUSKEE COUNTY INDUSTRIAL AUTHORITY
OKEMAH, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 and 2013

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 position, 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 position, 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
OKEMAH, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 and 2013

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. 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's property, plant, equipment, and infrastructure with useful lives of more than one year are stated at historical cost or at estimated historical cost for those items not previously reported and comprehensively reported in the government-wide financial statements. The Authority maintains infrastructure assets records consistent with all other capital assets. Donated assets are stated at fair value on the date donated. The cost of normal maintenance and repairs that do not add to the assets value or materially extend useful lives are not capitalized. Capital assets, including those of component units, are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are moved from the respective accounts, and the resulting gain or loss is recorded in operations.

Estimated useful lives, in years, for depreciable assets are as follow:

Buildings	5-60
Improvements, other than buildings	2-50
Mobile equipment	3-40
Furniture , machinery, and equipment	3-30
Utility system	5-60

OKFUSKEE COUNTY INDUSTRIAL AUTHORITY
OKEMAH, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 and 2013

III. Detailed Notes on All Funds

A. Deposits and Investments

Deposits

The Authority's carrying amount of deposits as of December 31, 2014 and 2013 was \$225,625 and \$175,500, respectively, and the bank balances as of December 31, 2014 and 2013 totaled \$175,500 and \$128,913, 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, 2014 and 2013, all of the Authority's bank balances were FDIC insured or collateralized.

Investments

As of December 31, 2014 and 2013, investments consisted of certificates of deposit with a maturity of more than 90 days.

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 judgments 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.

B. 14% Interest in Quantum Building

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 property is available for sale. A 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. On November 24, 2014, a quit-claim deed transferring the above from the County of Okfuskee to the Okfuskee County Industrial Authority was filed. Since the Authority did not have title to the property until November 2014, the money advanced for the construction of the building was reported as a due from other governments in prior years. The property was capitalized after title was obtained in the current year.

OKFUSKEE COUNTY INDUSTRIAL AUTHORITY
OKEMAH, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 and 2013

C. Capital Assets

The following table provides a summary of changes in capital assets:

	CAPITAL ASSETS, DEPRECIATED				Capital Assets Not Depreciated Industrial Parks
	Buildings	Infrastructure & Furniture, Improvements Other Than Buildings	Machinery, And Equipment	Totals	
Governmental activities					
Balance, June 30, 2015	\$ -	\$ -	\$ -	\$ -	\$ -
Increases	400,000	-	-	-	-
Decreases	-	-	-	-	-
Balance, June 30, 2016	<u>400,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Accumulated Depreciation					
Balance, June 30, 2015	-	-	-	-	-
Increase	10,000	-	-	-	-
Decreases	-	-	-	-	-
Balance, June 30, 2016	<u>10,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	
Governmental activities					
Capital Assets, Net	<u>\$ 390,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

D. Notes Receivable

Okfuskee County Industrial Authority makes loans to various companies to provide economic assistance through Okfuskee County Industrial Grant Fund. The Authority had one note receivable that was outstanding during the fiscal years ended December 31, 2014 and 2013. It are as follows:

72-369913, Sertco Industries, Inc. dated April 27, 2011, with an original amount of \$325,000, for the continued expansion of material, labor and marketing of SERTCO's natural gas compressor packages. The note is due and payable at \$4,442.36 per month, including principal and interest at 4.0%, with the final payment due July 1, 2018 in the amount of \$4,427.60. The note is secured by the properties and assets of and the revenues generated by Sertco Industries, Inc.

\$ 177,688

Balance December 31, 2014

\$ 177,688

72-369913, Sertco Industries, Inc. dated April 27, 2011, with an original amount of \$325,000, for the continued expansion of material, labor and marketing of SERTCO's natural gas compressor packages. The note is due and payable at \$4,442.36 per month, including principal and interest at 4.0%, with the final payment due July 1, 2018 in the amount of \$4,427.60. The note is secured by the properties and assets of and the revenues generated by Sertco Industries, Inc.

\$ 222,903

Balance December 31, 2013

\$ 222,903

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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

I have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of Okfuskee County Industrial Authority as of and for the years ended December 31, 2014 and 2013, and the related notes to the financial statements, which collectively comprise Okfuskee County Industrial Authority's basic financial statements, and have issued my report thereon dated October 6, 2016 which did not include Management's Discussion and Analysis.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Okfuskee County Industrial Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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 Okfuskee County Industrial Authority's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Okfuskee County Industrial Authority's internal control.

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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

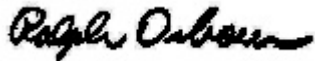
My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during my audit I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Ralph Osborn
Certified Public Accountant
Bristow, Oklahoma
October 6, 2016