

**ANNUAL FINANCIAL REPORT**  
**OMULGEE COUNTY DEVELOPMENT AUTHORITY**  
**OKMULGEE COUNTY, OKLAHOMA**  
**FOR THE YEAR ENDED JUNE 30, 2014**

**Audited By:**  
**KERRY JOHN PATTEN, C.P.A.**

**OKMULGEE COUNTY DEVELOPMENT AUTHORITY  
OKMULGEE, OKLAHOMA  
JUNE 30, 2014**

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## INDEPENDENT AUDITOR'S REPORT

The Board of Trustees  
Okmulgee County Development Authority  
Okmulgee, Oklahoma

### **Report on the Financial Statements**

I have audited the accompanying financial statements of the business-type activities of Okmulgee County Development Authority, as of and for the year ended June 30, 2014, which collectively comprise the 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 accounting principles generally accepted in the United States of America; this includes 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 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 from 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 judgment, 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 audit 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 audit opinion.

### **Opinion**

As discussed in Note 2 to the financial statements, management has not recorded depreciation expense on capital assets. Accounting principles generally accepted in the United States of America require that those general fixed assets be depreciated over their useful life, which would increase expenses of the governmental activities. The amount by which this departure would affect net position and expenses is not reasonably determinable.

In my opinion, except for the effects of not depreciating capital assets as explained in the previous paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Okmulgee County Development Authority as of June 30, 2014, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

#### **Other Matters**

##### **Required Supplementary Information**

Okmulgee County Development Authority has not presented a Management Discussion and Analysis with the financial statements that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be a part of, the basic financial statements.

##### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, I have also issued my report dated June 6, 2014, on my consideration of Okmulgee County Development Authority'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 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.



Kerry John Patten, C.P.A.  
Broken Arrow, OK  
July 10, 2020

## **BASIC FINANCIAL STATEMENTS**

**OKMULGEE COUNTY DEVELOPMENT AUTHORITY**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2014**

	<u>Enterprise Fund</u>
<b><u>ASSETS</u></b>	
Cash and cash equivalents	\$ 5,293.79
Capital assets	
Land	3,750.00
Property and equipment	<u>1,250,578.89</u>
Total Assets	\$ <u>1,259,622.68</u>
<b><u>LIABILITIES</u></b>	
Notes payable	\$ -
Interest payable	<u>-</u>
Total Liabilities	\$ <u>-</u>
<b><u>NET POSITION</u></b>	
Invested in Capital Assets, net of related debt	\$ 1,254,328.89
Unrestricted	<u>5,293.79</u>
Total Net Position	\$ <u><u>1,259,622.68</u></u>

The notes to the financial statements are an integral part of this statement.

**OKMULGEE COUNTY DEVELOPMENT AUTHORITY  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
FOR YEAR ENDING JUNE 30, 2014**

**Operating Revenues**

Rental revenue	\$ <u>-</u>
Total operating revenues	\$ <u>-</u>

**Operating Expenses**

Accounting fees	\$ <u>-</u>
Total operating expenses	\$ <u>-</u>
Operating Income (Loss)	\$ <u>-</u>

**Non-Operating Revenues (Expenses)**

Interest expense	\$ <u>-</u>
Total non-operating revenues (expenses)	\$ <u>-</u>
Net income	\$ <u>-</u>
Net Position - Beginning of Year	\$ <u>1,259,622.68</u>
Net Position - End of Year	\$ <u><u>1,259,622.68</u></u>

The notes to the financial statements are an integral part of this statement.

**OKMULGEE COUNTY DEVELOPMENT AUTHORITY  
STATEMENT OF CASH FLOWS  
FOR YEAR ENDING JUNE 30, 2014**

**Cash Flows from Operating Activities**

Cash received for rent	\$ -
Cash payments for accounting fees	<u>-</u>
Net cash provided by (used for) operating activities	<u>\$ -</u>

**Cash Flows from Financing Activities**

Principal paid on debt	\$ -
Interest paid	<u>-</u>
Net cash provided by (used for) investing activities	<u>\$ -</u>

Net Increase (Decrease) in Cash and Cash Equivalents	\$ -
Cash and Cash Equivalents, Beginning of Year	<u>\$ 5,293.79</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 5,293.79</u></u>

**Reconciliation of Operating Income (Loss) to  
Net Cash Used by Operating Activities**

Operating income (loss)	\$ -
Adjustments to reconcile operating income (loss) to net cash used by operating activities:	
Interest expense	<u>-</u>
Net cash provided by operating activities	<u><u>\$ -</u></u>

The notes to the financial statements are an integral part of this statement.



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## **NOTES TO THE FINANCIAL STATEMENTS**

**OKMULGEE COUNTY DEVELOPMENT AUTHORITY  
OKMULGEE COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2014**

**1. Organization**

The Okmulgee County Development Authority (the Authority) was organized on September 7, 1999, as a public trust under Title 60, *Oklahoma Statutes* 1991, sections 176 to 180.4, the Oklahoma Trust Act, and other statutes and laws of the State of Oklahoma. The purpose of the Authority is to assist the Okmulgee County, the State of Oklahoma, governmental agencies, municipalities, and citizens make the most efficient use of all of their economic resources and powers in accord with the needs and benefit of the State of Oklahoma and the County to lessen the burden on government and to stimulate economic development and growth.

The Authority is a component unit of Okmulgee County as defined by Governmental Accounting Standards. A component unit includes a legal entity that is a separate governmental organization, but has the same board as the primary government.

**2. Summary of Significant Accounting Policies**

Measurement Focus/Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

For financial reporting purposes, the Authority is considered a special purpose government entity engaged only in business-type activities. Accordingly, the Authority's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. The Authority applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

Basis of Presentation

The accounts of the Authority are organized on the basis of 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 comprise its assets, liabilities, revenues, and expenses.

Proprietary Funds

Proprietary funds are made up of either Enterprise or Internal Service funds. The Authority operates as a Enterprise fund.

Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses) of providing goods or services to the general public on a continuing basis are financed or recovered primarily through uses charges.

Financial Reporting Entity

The Authority by virtue of common control and dependence is a component unit of Okmulgee County, Oklahoma. The Authority's board of trustees is made up of the Okmulgee County commissioners. The financial activities of Okmulgee County are not included in the financial statements of the Authority.

**OKMULGEE COUNTY DEVELOPMENT AUTHORITY  
OKMULGEE COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2014**

**Summary of Significant Accounting Policies (continued)**

Cash and Cash Equivalents

For financial statement purposes, cash and cash equivalents include bank checking and money market accounts and investments with a maturity term of 90 days or less.

Property

All costs associated with the Authority's remodeling project of the Okmulgee County Health Department Building have been capitalized at cost. The costs include construction, legal, architectural, and interest. Assets which have been donated are recorded at fair market value on the date of donation. Fixed assets are not being depreciated as required by accounting principles generally accepted in the United States of America.

Income Taxes

The Authority was established 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*.

Deposits, Investments, and Collateral

Deposits and Investments – The Authority does not have a written investment policy.

Custodial Credit Risk – Deposits – Custodial credit risk is the risk that in the event of bank failure, the Authority's deposits may not be returned. The Authority does not have a written policy for custodial risk; however, Oklahoma state laws require collateral for all uninsured deposits of public funds in financial institutions. As of June 30, 2014, none of the Authority's bank balances were exposed to custodial credit risk. All deposits were covered by Federal Deposit Insurance Corp. (FDIC).

**3. Property**

The following schedule summarizes the Authority's capitalized assets. These amounts represent funds invested for expansion and improvement of facilities leased to the Okmulgee County Health Department.

	Balance June 30, 2013	Additions	Reductions	Balance June 30, 2014
Land	\$ 3,750.00	\$ -	\$ -	\$ 3,750.00
Building	1,250,578.89	-	-	1,250,578.89
Investment in Capital Assets	\$ 1,254,328.89	\$ -	\$ -	\$ 1,254,328.89

**OKMULGEE COUNTY DEVELOPMENT AUTHORITY  
OKMULGEE COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2014**

**4. Long Term Debt**

The following is a summary of the long-term debt transactions of the Authority for the year ended June 30, 2014:

	Balance July 1, 2013	Additions	Retirements	Balance June 30, 2014
Notes Payable	\$ -	\$ -	\$ -	\$ -
Total	\$ -	\$ -	\$ -	\$ -

**REPORT REQUIRED BY GOVERNMENT AUDITING STANDARDS**

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## 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

Board of Trustees  
Okmulgee County Development Authority  
Okmulgee, 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 *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the business-type activities of Okmulgee County Development Authority (Authority), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Authority's financial statements, and have issued my report thereon July 10, 2020.

### Internal Control over Financial Reporting

In planning and performing my audit of the financial statements, I considered the 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 Authority's internal control. Accordingly, I do not express an opinion on the effectiveness of the 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 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.

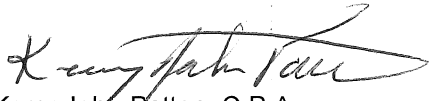
My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies therefore, material weaknesses or significant deficiencies may exist that were not identified. I consider the deficiency described in the Schedule of Audit Results and Findings to be a material weakness (Finding 2014-01).

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the 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*.

### **Purpose of this Report**

This report is solely to describe the scope of my 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.



Kerry John Patten, C.P.A.  
Broken Arrow, OK  
July 10, 2020

**OKMULGEE COUNTY DEVELOPMENT AUTHORITY  
SCHEDULE OF AUDIT RESULTS AND FINDINGS  
JUNE 30, 2014**

2014-01 - Lack of Segregation of Duties

The inherent limitations resulting from one person performing functions that would normally be divided among employees were a larger number available to prevent a proper segregation of accounting functions, which is necessary in order to assure adequate internal accounting records.



**OKMULGEE COUNTY DEVELOPMENT AUTHORITY  
SUMMARY OF PRIOR AUDIT FINDINGS  
JUNE 30, 2014**

2013-01 - Lack of Segregation of Duties

The inherent limitations resulting from one person performing functions that would normally be divided among employees were a larger number available to prevent a proper segregation of accounting functions, which is necessary in order to assure adequate internal accounting records.

For the FY 2014, the finding was applicable again.