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ANNUAL FINANCIAL REPORT
OKMULGEE COUNTY DEVELOPMENT AUTHORITY
OKMULGEE COUNTY, OKLAHOMA
FOR THE YEAR ENDED JUNE 30, 2010

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

**OKMULGEE COUNTY DEVELOPMENT AUTHORITY
OKMULGEE, OKLAHOMA
JUNE 30, 2010**

TABLE OF CONTENTS

	Page
Report of Independent Auditor	1
Basic Financial Statements	
Government-Wide Financial Statements –	
Statement of Net Assets	2
Statement of Activities	3
Fund Financial Statements	
Balance Sheet –	
Governmental Fund	4
Statement of Revenues, Expenditures	
And Changes in Fund Balance –	
Governmental fund	5
Reconciliation of Statement of Revenues, Expenditures	
and Changes in Fund Balances to the Statement of Activities	6
Notes to the Financial Statements	7
Reports Required by <i>Government Auditing Standards</i>	
Report on Compliance and on Internal Control over Financial Reporting	
Based on an Audit of Financial Statements Performed in Accordance	
With <i>Government Auditing Standards</i>	11
Schedule of Audit Results and Findings	12

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Okmulgee County Development Authority
Okmulgee County, Oklahoma

I have audited the basic financial statements of Okmulgee County Development Authority as of June 30, 2010, and for the year then ended, as listed in the table of contents. These financial statements are the responsibility of the Okmulgee County Development 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 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 general purpose 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 described in Note 2 to the financial statements, capital assets of the Okmulgee County Development Authority are not being depreciated over their useful lives to conform with accounting principles generally accepted in the United States of America.

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.

Okmulgee County Development Authority has not prepared or presented a budgetary comparison schedule 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.

In my opinion, except for the effects of not depreciating capital assets as explained in the third paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the Okmulgee County Development Authority as of June 30, 2010, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued a report dated June 16, 2011, on my consideration of the Okmulgee County Development 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 results of that testing. 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.
June 16, 2011

GOVERNMENT WIDE FINANCIAL STATEMENTS

**OKMULGEE COUNTY DEVELOPMENT AUTHORITY
STATEMENT OF NET ASSETS
JUNE 30, 2010**

		<u>Governmental Activities</u>
<u>ASSETS</u>		
Cash and cash equivalents	\$	5,057.84
Capital assets		
Land		3,750.00
Property and equipment		<u>1,250,578.89</u>
 Total Assets	 \$	 <u>1,259,386.73</u>
<u>LIABILITIES</u>		
Interest payable	\$	376.51
Notes payable		<u>103,905.55</u>
 Total Liabilities	 \$	 <u>104,282.06</u>
<u>NET ASSETS</u>		
Invested in Capital Assets, net of related debt	\$	1,146,673.34
Unrestricted		<u>8,431.33</u>
 Total Net Assets	 \$	 <u><u>1,155,104.67</u></u>

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

Capital Grants & Contributions	Net (Expenses) Revenue and Changes in Net Assets Government Activities
\$ -	\$ (7,225.22)
\$ -	\$ (20.81)
\$ -	\$ (7,246.03)
	\$ 46,220.00
	46,220.00
	38,973.97
	1,116,130.70
	\$ 1,155,104.67

FUND FINANCIAL STATEMENTS

**OKMULGEE COUNTY DEVELOPMENT AUTHORITY
OKMULGEE COUNTY, OKLAHOMA
BALANCE SHEET
JUNE 30, 2010**

ASSETS

Assets	
Cash	\$ <u>5,057.84</u>
Total assets	\$ <u><u>5,057.84</u></u>

LIABILITIES AND FUND BALANCES

Liabilities	
Interest payable	\$ <u>376.51</u>
Total liabilities	\$ <u>376.51</u>

Fund balances	
Funds provided by County Health	\$ 180,000.00
Fund balance	<u>(175,318.67)</u>
Total fund balances	\$ 4,681.33

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

Capital assets used in governmental activities are not financial resources, and therefore, are not reported as assets in governmental funds. The cost of the assets is \$1,254,328.89.	1,254,328.89
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Long-term liabilities, including notes payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.	<u>(103,905.55)</u>
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Net assets of governmental activities	\$ <u><u>1,155,104.67</u></u>
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The notes to the financial statements are an integral part of this statement.

OKMULGEE COUNTY DEVELOPMENT AUTHORITY
OKMULGEE COUNTY, OKLAHOMA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2010

Revenues		
Rent	\$	<u>46,220.00</u>
Total revenue	\$	<u>46,220.00</u>
Expenditures		
Bank fees	\$	20.81
Principal		39,043.04
Interest		<u>7,225.22</u>
Total expenses	\$	<u>46,289.07</u>
Net income	\$	(69.07)
Fund balance, beginning	\$	<u>4,750.40</u>
Fund balance, ending	\$	<u><u>4,681.33</u></u>

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

**OKMULGEE COUNTY DEVELOPMENT AUTHORITY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2010**

Net change in fund balances-governmental funds \$ (69.07)

Amounts reported for governmental activities in the statement of revenues, expenditures,
and changes in net assets are different because:

Repayment of long-term debt is reported as an expenditure in governmental funds,
but repayment reduces long-term liabilities in the statement of net assets. 39,043.04

Changes in net assets of governmental activities \$ 38,973.97

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

NOTES TO THE FINANCIAL STATEMENTS

**OKMULGEE COUNTY DEVELOPMENT AUTHORITY
OKMULGEE COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010**

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.

2. Summary of Significant Accounting Policies

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the Authority. These statements include the financial activities of the overall governmental program activities excluding fiduciary and internal service activities. The Authority does not have fiduciary activities or internal service activities. Governmental activities are normally supported by sales and use taxes, and other revenues.

The statement of activities presents a comparison between direct expenses and general revenues for each function of the governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. General revenues include all other sources. The comparison of program revenues and expenses identifies the extent to which each program is self-financing or draws from the general revenues of the Authority.

Fund Financial Statements

Fund financial statements are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for through a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues and expenditures/expenses. Generally, funds are organized into three major categories: governmental, proprietary, and fiduciary. The emphasis of fund financial statements is on major governmental and enterprise funds. The Authority has one major fund, the General Fund and no enterprise funds. There are no non-major funds.

Basis of Presentation – Government-Wide Financial Statements

The Statement of Net Assets and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity except fiduciary funds. 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 part by fees charged to external parties for goods or services.

Basis of Presentation – Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, liabilities, fund equity, revenues and expenditures/expenses.

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.

**OKMULGEE COUNTY DEVELOPMENT AUTHORITY
OKMULGEE COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010**

The government-wide statements and fund financial statements for proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the statement of net assets and the operating statements present increases (revenues) and decreases (expenses) in net total assets. Under the accrual basis of accounting, revenues are recognized when earned, including unbilled water and sewer services which are accrued. Expenses are recognized at the time the liability is incurred.

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e. when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. A one-year availability period is used for recognition of all other Governmental Fund revenues. Expenditures are recorded when the related fund liability is incurred.

Financial Reporting Entity

The Authority has financial accountability and control over all activities related to industrial development activities and the financing of such, and is not included in any other governmental "reporting entity" as defined by Governmental Accounting Standards Board (GASB) Statement No. 14. Okmulgee County, Oklahoma is the beneficiary of the Trust; however, the Authority is not a component unit of Okmulgee County, Oklahoma. In addition, there are no component units as defined in GASB Statement No. 14 which are included in the Authority's reporting entity.

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*.

Deposit Categories of Credit Risk

The Authority's cash deposits at June 30, 2010, are categorized to give an indication of the level of risk assumed by the Authority at year-end as follows:

- (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.

**OKMULGEE COUNTY DEVELOPMENT AUTHORITY
OKMULGEE COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010**

Deposit Categories of Credit Risk (continued)

<u>Category</u>	<u>Cash</u>	<u>Investments</u>	<u>Total</u>
(A)	\$ 5,057.84	\$ -	\$ 5,057.84
(B)	-	-	-
(C)	-	-	-
Bank Balance	\$ <u>5,057.84</u>	\$ <u>-</u>	\$ <u>5,057.84</u>

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.

	<u>Balance June 30, 2009</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2010</u>
Land	\$ 3,750.00	\$ -	\$ -	\$ 3,750.00
Building	<u>1,250,578.89</u>	<u>-</u>	<u>-</u>	<u>1,250,578.89</u>
Investment in Capital Assets	\$ <u>1,254,328.89</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>1,254,328.89</u>

4. Long Term Debt

The following is a summary of the long-term debt transactions of the Authority for the year ended June 30, 2010:

	<u>Balance July 1, 2009</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2010</u>
Notes Payable	\$ <u>142,948.59</u>	\$ <u>-</u>	\$ <u>39,043.04</u>	\$ <u>103,905.55</u>
Total	\$ <u>142,948.59</u>	\$ <u>-</u>	\$ <u>39,043.04</u>	\$ <u>103,905.55</u>

The annual payments for retirement of note principal and interest are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	41,316.49	4,905.71	46,222.20
2012	43,755.82	2,466.38	46,222.20
2013	<u>18,833.24</u>	<u>273.78</u>	<u>19,107.02</u>
Total	\$ <u>103,905.55</u>	\$ <u>7,645.87</u>	\$ <u>111,551.42</u>

The debt consists of a Lease Revenue Note Series 2000 to a local bank. The original principal sum was \$400,000.00 with interest at an annual rate of 5.75%. Monthly installments of \$3,851.85 began on November 15, 2000, and the final installment due November 15, 2012. The monthly installments include both principal and interest. The proceeds of the note were used to construct an addition to the Okmulgee County Health Department clinic and office building in Okmulgee, Oklahoma.

**OKMULGEE COUNTY DEVELOPMENT AUTHORITY
OKMULGEE COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010**

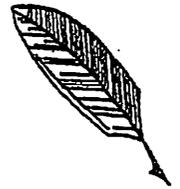
5. Leases

Okmulgee County Development Authority leases facilities to the Okmulgee County Health Department. Lease payment amounts necessary to fund amortization of the Authority's debt obligations are received from the Health Department on a monthly basis. Payments under the lease agreement are subject to year-to-year appropriation.

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

The Board of Trustees
Okmulgee County Development Authority
Okmulgee, Oklahoma

I have audited the financial statements of Okmulgee County Development Authority (the "Authority"), Okmulgee, Oklahoma, as of and for the year ended June 30, 2010, and have issued my report thereon dated June 16, 2011. 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 Okmulgee County Development Authority's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Okmulgee County Development 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.

My consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Audit Results and Findings, I identified a certain deficiency in internal control over financial reporting that I consider to be a material weakness.

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. I consider the deficiency described in the Schedule of Audit Results and Findings to be a material weakness (Finding 2010-01).

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Okmulgee County Development 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.

This report is intended solely for the information and use of the audit committee, management and 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.

Kerry John Patten, C.P.A.
June 16, 2011

**OKMULGEE COUNTY DEVELOPMENT AUTHORITY
SCHEDULE OF AUDIT RESULTS AND FINDINGS
JUNE 30, 2010**

2010-01 - 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.