

TILLMAN COUNTY INDUSTRIAL AUTHORITY

(A public trust and a component unit of Tillman County, Oklahoma)

Financial Statements

as of and for the twelve months ended

June 30, 2012

David O. Tate
Certified Public Accountant
Mangum, Oklahoma 73554

Tillman County Industrial Authority
(A public trust and a component unit of Tillman County, Oklahoma)
Table of Contents
June 30, 2012

Financial statements:

Independent auditor's report	6
Exhibit A-Statement of Net Assets	8
Exhibit B-Statement of Activities	10
Exhibit C-Statement of Cash Flows	11
Notes to the financial statements	13
Supplementary information:	
Management's discussion and analysis	3
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"	12

TILLMAN COUNTY INDUSTRIAL AUTHORITY

201 North Main
Frederick, Oklahoma 73542
Telephone: (580) 335-3421

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Tillman County Industrial Authority (the Authority), we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the fiscal year ended June 30, 2012. We encourage readers to consider the information presented here in conjunction with the financial statements.

Overview of the Financial Statements

The discussion and analysis is intended to serve as an introduction to the Authority's financial statements. The financial statements are designed to provide readers with a broad overview of the Authority's finances. One of the most important questions asked about the Authority's finances is, "Is the Authority as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities and Changes in Net Assets report information about the Authority in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

The Statement of Net Assets presents information on all of the Authority's assets and liabilities, with the difference between the two reported as equity. Over time, increases or decreases in equity may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

The Statement of Activities and Changes in Net Assets presents information showing how the Authority's net assets, a component of equity, changed during the most recent fiscal year. All changes in equity are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., depreciation accrued interest receivable).

The financial statements report on the function of the Authority that is principally supported by lease revenues. The Authority's function is to provide a method for financing needed infrastructure and other assets to create jobs and stimulate economic activity in Tillman County, Oklahoma.

Government-Wide Financial Statements vs. Fund Financial Statements

The Authority maintains one proprietary fund to account for all its functions. The Proprietary Fund Type financial statements represent both the government wide financial statements as well as the fund financial statements.

Notes to the Financial Statements

The notes provide additional information that is essential to the full understanding of the amounts provided in the financial statements. The notes to the financial statements can be found on pages 14 through 20 of this report.

Proprietary Fund

The proprietary fund is a governmental fund used to account for operations that are financed and operated in a manner similar to private business enterprises. It is the intent of the management of the Authority to use the fund to assist in the determination of revenues earned; expenses incurred, and net income and its appropriation for capital maintenance, as well as, management control and fiscal accountability.

Financial Highlights

- The assets of the Authority exceeded its liabilities at the close of the most recent fiscal year by \$524,426
- .
- The Authority had revenues of \$457,165 and expenses of \$449,843 (excluding depreciation expense) for the year ended June 30, 2012.
- The cash and investments balance at June 30, 2012 was \$6,290,012 representing an increase of \$5,971,910 from June 30, 2011.

Financial Analysis

A comparative analysis of current and prior year balances is included below.

	June 30		Increase
	2012	2011	(decrease)
Statement of Net Assets:			-
Current assets	6,398,157	703,954	5,694,203
Property and equipment	3,217,296	3,311,005	(93,709)
Other assets	848,296	232,272	616,024
Total assets	10,463,749	4,247,231	6,216,518
Current liabilities	317,735	237,096	80,639
Long-term liabilities and other credits	9,621,588	3,400,891	6,220,697
Total liabilities	9,939,323	3,637,987	6,301,336
Net assets	524,426	609,244	(84,818)
Statement of Activities:			
Revenues	458,734	403,996	54,738
Expenses	543,552	630,820	(87,268)
Net increase (decrease) in net assets	(84,818)	(226,824)	142,006

- Current assets creased primarily because the agency received bond issue proceeds and the project has not commenced construction.
- Current liabilities increased primarily because of accrued interest on bonds and notes due to an additional bond issue.

Capital Assets and Debt Administration

Capital Assets

As of June 30, 2012, the Authority's investment in capital assets was \$3,217,296 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, and equipment.

There were no major capital asset purchases during the current fiscal year.

Additional information on the Authority's capital assets can be found in Note C.

Long-Term Debt

Long-term bonded indebtedness of the Authority at June 30, 2012, was \$9,611,533. Details of the indebtedness can be found in Notes F and G.

Contacting the Authority's Financial Management

The financial report is designed to provide a general overview of the Authority's finances for all those with an interest. Additional financial information relative to the Authority may be obtained by contacting the Tillman County Clerk, 201 North Main, Frederick, Oklahoma 73542, telephone (580) 335-3421.

David O. Tate

Certified Public Accountant
112 North Oklahoma, Suite A
Mangum, Oklahoma 73554
Independent Auditor's Report

The Board of Trustees of the Tillman County Industrial Authority
(a public trust and a component unit of Tillman County, Oklahoma)

I have audited the accompanying financial statements of the Tillman County Industrial Authority (a public trust and a component unit of Tillman County, Oklahoma), as of and for the twelve-month period ended June 30, 2012, as listed in the table of contents. These financial statements are the responsibility of the Tillman 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. 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.

The attached financial statements present only the Tillman County Industrial Authority and do not purport to, and do not present fairly the financial position of Tillman County, Oklahoma, as of June 30, 2012, and the results of its operations, changes in net assets and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In my opinion, the financial statements referred to above present fairly the financial position of Tillman County Industrial Authority (a public trust and a component unit of Tillman County, Oklahoma) as of June 30, 2012, and the results of its operations, changes in net assets, and cash flows for the twelve-month period then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis section of the report is not a required part of the basic financial statements but is supplementary information called for by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, I did not audit the information and express no opinion on it.

In accordance with "Government Auditing Standards", I have also issued my report dated December 12, 2012, on my consideration of the Tillman County Industrial Authority's internal control over financial reporting and on my tests of compliance with certain 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 that reads "David O. Tate". The signature is written in a cursive style with a large initial 'D' and a stylized 'T'.

Certified Public Accountant
December 12, 2012

Tillman County Industrial Authority
(A public trust and a component unit of Tillman County, Oklahoma)
Statement of Net Assets
June 30, 2012

Assets			
Current assets:			
Cash and cash equivalents		98,146	
Accrued interest receivable			
Capital lease receivable, current portion (Note E)		10,000	
Restricted current assets:			
Cash and cash equivalents (Note A)		54,008	
Investments (Note B)		6,236,003	
Total current assets		6,398,157	
Property and equipment			
Property and equipment (Note C)		3,217,296	
Total property and equipment		3,217,296	
Other assets			
Intangible costs, less accumulated amortization of \$49,533		680,956	
Unamortized bond discount (Note D)		65,675	
Restricted other assets:			
Capital lease receivable, non-current portion (Note E)		101,666	
Total other assets		848,296	
Total assets		10,463,750	
Liabilities and other credits			
Current liabilities:			
Bonds payable-current portion (Note F)		90,000	
Notes payable-current portion (Note G)		41,533	
Accrued interest payable		186,202	
Total current liabilities		317,735	
The accompanying notes to the financial statements are an integral part hereof.			

			Exhibit B
Tillman County Industrial Authority			
(A public trust and a component unit of Tillman County, Oklahoma)			
Statement of Activities			
for the twelve months ended June 30, 2012			
Revenues:			
Lease revenues (Notes E, F, and G)		386,936	
Unrealized gains on investments		51,763	
Reimbursements		6,895	
Interest earned		11,571	
Total revenues		457,165	
Expenses:			
Trustee fees		7,250	
Interest expense		296,574	
Professional fees		9,095	
Repairs/replacements		62,558	
Other expenses		23,045	
Depreciation		93,709	
Total expenses		492,231	
Change in net assets before other financing sources and revenues		(35,067)	
Other financing sources/expenses:			
Amortization of intangibles		(48,380)	
Amortization of bond premium		1,569	
Amortization of bond discount		(2,941)	
Total other financing sources and expenses		(49,751)	
Change in net assets		(84,818)	
Net assets at the beginning of the year		609,244	
Net assets at the end of the year		524,426	
The accompanying notes to the financial statements are an integral part hereof.			

			Exhibit C
Tillman County Industrial Authority			
(A public trust and a component unit of Tillman County, Oklahoma)			
Statement of Cash Flows			
for the twelve months ended June 30, 2012			
Cash flows from operating activities:			
Interest collected		11,571	
Lease payments collected		386,936	
Reimbursements		6,895	
Payments to suppliers		(101,948)	
Interest paid		(155,135)	
Net cash provided (used) by operating activities		148,319	
Cash flows from investing activities:			
Principal collected on capital leases		10,000	
Net cash provided (used) by investing activities		10,000	
Cash flows from financing and capital related activities:			
Transferred to restricted cash and cash equivalents		(5,671,909)	
Principal paid on notes payable		(159,966)	
Proceeds from bond issues		5,695,851	
Net cash provided (used) by financing activities		(136,024)	
Net increase (decrease) in cash		22,295	
Cash at the beginning of the year		75,851	
Cash at the end of the year		98,146	
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating income (loss)		(84,818)	
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:			
Depreciation		(93,709)	
Amortization of costs/discounts/premiums		(38,810)	
Net other financing sources (uses)			
Unrealized gain on investments		51,763	
Deposits to restricted cash		(6,235,235)	
Net bond proceeds		6,539,961	
Decrease in:			
Capital leases receivable		9,167	
Net cash provided by (used in) operating activities		148,319	
The accompanying notes to the financial statements are an integral part hereof.			

David O. Tate

Certified Public Accountant
112 North Oklahoma, Suite A
Mangum, Oklahoma 73554

Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit
of the Financial Statements Performed in Accordance with "Government Auditing Standards"

The Board of Trustees of the Tillman County Industrial Authority
(a public trust and a component unit of Tillman County, Oklahoma)

In planning and performing my audit of the financial statements of the Tillman County Industrial Authority (a public trust and a component unit of Tillman County, Oklahoma) as of and for the twelve months ended June 30, 2012, in accordance with auditing standards generally accepted in the United States of America, I considered the Tillman County Industrial Authority's internal control over financial reporting (internal control) 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 Tillman County Industrial Authority's internal control. Accordingly, I do not express an opinion on the effectiveness of the Tillman 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, 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.

My consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control that I consider to be material weaknesses, as defined above.

This communication is intended solely for the information and use of management, the governing body, others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.



Certified Public Accountant
January 8, 2013

Tillman County Industrial Authority
 (A public trust and a component unit of Tillman County, Oklahoma)
 Notes to the financial statements
 June 30, 2012

Note A-Summary of significant accounting policies

The Tillman County Industrial Authority (hereinafter referred to as the "Authority") was created by action of the trustees on June 3, 1968 and operates as a non-expendable trust. The Authority has prepared and presented the financial statements in accordance with accounting principles generally accepted in the United States of America as applied to governmental units. The Governmental Accounting Standards Board is the authoritative standard-setting body for the establishment of governmental accounting and financial reporting principles.

1. The reporting entity. The Authority is a public trust created under the Statutes of the State of Oklahoma now in full force and effect (including, but not limited to Section 176 to Section 180, of Title 60), solely for the benefit of Tillman County, Oklahoma. Its purposes are to furnish services and facilities, to promote local industry and its expansion, cultural and educational activities, and to provide, or aid in providing funds for financing, acquiring and constructing physical properties and facilities, or aid in providing to the beneficiary any needed facilities and services. The Authority is empowered to borrow money for the purpose of fulfilling its functions and to pledge properties and the revenue therefrom as security for money borrowed.

The trustees of the Authority are appointed by the Tillman County Board of Commissioners to three year terms. As the governing body of the Authority is appointed by the Tillman County Board of Commissioners, this element of control requires the trust be considered a component unit of Tillman County, Oklahoma.

2. Basis of accounting. The financial statements of the Authority are prepared and presented in accordance with accounting principles generally accepted in the United States of America. As a proprietary fund component unit of Tillman County, Oklahoma, the Authority applies Financial Accounting Standards Board pronouncements and Accounting Principles Board opinions issued on or after November 30, 1989, unless those pronouncements conflict with or contradict pronouncements of the Governmental Accounting Standards Board, in which case, pronouncements of the latter board prevail.

In accordance with accounting principles generally accepted in the United States of America, the Authority has maintained its financial records using the accrual basis of accounting. Revenues are recognized when they become measurable and available and expenditures are recorded when the related liability is incurred.

3. Cash and cash equivalents. Holdings of highly liquid investments, excluding restricted assets, with original maturities of three months or less are considered to be cash equivalents.

4. Property and equipment. Property and equipment is recorded at cost, including capitalized interest, less accumulated depreciation. Depreciation is computed using the straight-line method based on estimated useful life of the assets. Property improvements and renewals which extend the life of the asset beyond the original estimated useful life are capitalized.

5. Intangible costs. Intangible costs consist of issuance costs associated with debt instruments issued by the Authority and are recorded at cost less amortization. Amortization is accounted for on the straight-line method based on the term of the associated debt instrument.

6. Long-term investments. Long-term investments represent the amortized costs of debt securities, with a maturity in excess of one year when purchased, owned by the Authority.

Tillman County Industrial Authority
(A public trust and a component unit of Tillman County, Oklahoma)
Notes to the financial statements
June 30, 2012

Summary of significant accounting policies (continued)

7. Restricted assets. Certain assets of the Authority are classified as restricted assets because their use is restricted by bond or mortgage indentures.

8. Risk management. Tillman County, Oklahoma, as beneficiary of the Authority, participates in the Association of County Commissioners Self-Insurance Group to provide general liability and property insurance on the building owned by the Authority. Tillman County, Oklahoma, along with the other participating entities, contributes annual premiums in amounts determined by the association.

At June 30, 2012, the buildings were insured for \$3,918,000.

9. Use of estimates. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures (such as estimated useful lives in determining depreciation expense); accordingly, actual results could differ from those estimates.

Note B-Restricted assets

BancFirst, acting as trustee of the Correctional Facilities Lease Revenue Bonds, Series 1999, maintains cash accounts or the equivalent of cash in the amount of \$618,102 to be used as follows:

		Cash management account	261,111		
		Tillman County Industrial Authority	298,339		
		Educational facilities bond proceeds	5,676,554		
		Repair and replacement fund	54,008		
		Total cash and cash equivalents	6,290,012		

BancFirst, acting as trustee of the Oklahoma Development Finance Authority Public Facilities Financing Program Revenue Refunding Bonds Series 2011, maintains investments in United States Treasury bonds and other obligations of the United States Government in the Reserve Fund.

All of these assets will be held or used in accordance with the terms of the trust indenture. Any funds remaining after extinguishment of the related debt will be returned to the Authority.

Tillman County Industrial Authority
(A public trust and a component unit of Tillman County, Oklahoma)
Notes to the financial statements
June 30, 2012

Note C-Property and equipment

A summary of the property and equipment that is the subject of leases by the Authority follows:

	Balance			Balance	
	July 1, 2011	Additions	Reductions	June 30, 2012	
Land, health department site	27,720			27,720	
Health department facility	897,698			897,698	
Land, correctional facility site	37,761			37,761	
Correctional facility building	3,063,263			3,063,263	
Correctional facility annex	74,903			74,903	
Correctional facility equipment	199,944	-		199,944	
Total assets	4,301,289	-	-	4,301,289	
Accumulated depreciation	990,283	93,709		1,083,993	
Total net assets	3,311,006	(93,709)	-	3,217,296	

During the twelve months ended June 30, 2012, the sum of \$93,709 was charged against unrestricted net assets of the Authority as depreciation expense.

Note D-Unamortized bond discount

Upon issuance of the Oklahoma Development Finance Authority Public Facilities Financing Program Revenue Refunding Bonds Series there was a bond discount of \$69,596, which was to be amortized over the life of the bonds. The accumulated amortization of the bond discount at June 30, 2012 is \$3,920. The sum of \$2,940 was charged against unrestricted net assets of the Authority as amortization expense.

Note E-Capital leases receivable

1. **Terry M. Hoffman and Kathleen Hoffman.** The Authority is the lessor to Terry M. Hoffman and Kathleen Hoffman of a waste retention facility employed in conjunction with the operation of a dairy farm. The total lease payments to be received were \$100,000, payable \$417 per month for 239 months and \$416 for one month. The lease commenced on January 15, 2003. At the termination of the lease on December 15, 2023, the lessees may purchase the subject of the lease for a negotiated price not to exceed \$500. At June 30, 2012, the amount due Tillman County Industrial Authority was \$56,250, of which \$5,000 is due to be paid within the next 12 months.

Tillman County Industrial Authority
(A public trust and a component unit of Tillman County, Oklahoma)
Notes to the financial statements
June 30, 2012

Note E-Capital leases receivable (continued)

2. John Vanderlaan and Peter Vanderlaan. The Authority is the lessor to John Vanderlaan and Peter Vanderlaan of a waste retention facility employed in conjunction with the operation of a dairy farm. The total lease payments to be received were \$100,000, payable \$417 per month for 239 months and \$416 for one month. The lease commenced on January 15, 2003. At the termination of the lease on December 15, 2023, the lessees may purchase the subject of the lease for a negotiated price not to exceed \$500. At June 30, 2012, the amount due Tillman County Industrial Authority was \$55,416, of which \$5,000 is due to be paid within the next 12 months.

Note F-Bonds payable.

Oklahoma Development Finance Authority Public Facilities Financing Program Revenue Refunding Bonds Series 2011. On March 10, 2011, the trustees of the Authority authorized the issuance of indebtedness to refund bonds previously issued for the construction and equipping of a correctional facility to be leased to Tillman County, Oklahoma. The notes mature serially with the initial maturity having been on November 1, 2011, with a final maturity at November 1, 2034. The unpaid principal balance of the bonds at June 30, 2012, was \$3,225,000.

The bonds bear interest at the rate of 4.5% per annum.

Debt service is required to be deposited with the trustee, BancFirst, in an amount sufficient to retire the indebtedness in a timely fashion until maturity. The Authority is in compliance with all provisions of the bond indenture.

The bonds are secured by a superior lien on the real property on which the project has been constructed as well as the revenues from the property.

The facilities constructed with the funds have been leased to Tillman County, Oklahoma beginning November 1, 2001 for a period of 35 years with monthly lease rental payments of \$18,865 per month. Additionally, there are certain reimbursements that must be paid to the Authority in immaterial amounts from time to time. At the termination of the lease, the property is to be returned to the Authority.

Frederick Public School Facility Financing Bonds. The trustees of the Authority authorized the issuance of indebtedness to construct a facility to be leased to Frederick Public Schools, Frederick, Oklahoma. The notes mature on September 1, 2025 and bear interest of 4.5% per annum. The unpaid principal balance at June 30, 2012 was \$6,355,000.

Debt service is required to be deposited with the trustee, BancFirst, in an amount sufficient to retire the indebtedness in a timely fashion until maturity. The Authority is in compliance with all provisions of the bond indenture.

Tillman County Industrial Authority
(A public trust and a component unit of Tillman County, Oklahoma)
Notes to the financial statements
June 30, 2012

Note G-Notes payable

1. County Health Building Promissory Note. On November 24, 1997, the trustees of the Authority authorized the issuance of indebtedness evidenced by this note payable to BancFirst in the principal amount of \$1,150,000, with a principal balance at June 30, 2012 of \$31,533 to provide funds for the construction and equipping of a facility to be leased to Tillman County, Oklahoma for use by the health department. Retirement of the note is with a monthly payment of \$10,339. The note bears interest at the rate of 7% per annum and will mature on October 17, 2012 and is secured by a superior lien on the real property on which the project has been constructed as well as the revenues from the property.

The facilities constructed with the funds have been leased to Tillman County, Oklahoma for use by the health department beginning January 1, 1999 for a period of 14 years with monthly lease rental payments of \$10,339 per month. Additionally, there are certain reimbursements that must be paid to the Authority in immaterial amounts from time to time. At the termination of the lease, the property is to be returned to the Authority.

2. Tillman County Rural Water District notes.

A. The Authority is liable on a promissory note payable to Tillman County Water Development Authority with an original amount due of \$100,000. The proceeds of this note were used to finance the capital lease arrangement with Terry M. Hoffman and Kathleen Hoffman. The note is payable in 239 installments of \$417 and one installment of \$416. The note does not bear interest. At June 30, 2012, the remaining principal balance was 55,000.

B. The Authority is liable on a promissory note payable to Tillman County Water Development Authority with an original amount due of \$100,000. The proceeds of this note were used to finance the capital lease arrangement with John Vanderlaan and Peter Vanderlaan. The note is payable in 239 installments of \$417 and one installment of \$416. The note does not bear interest. At June 30, 2012, the remaining principal balance was \$55,000.

A schedule of the maturities of all long-term debt for each of the next five years and each five-year period until maturity is shown below:

18