

Enid Regional Development Alliance, Inc.
Enid, Oklahoma

***REPORT ON AUDIT OF FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION***

For the Year Ended June 30, 2016

SAUNDERS & ASSOCIATES, PLLC
Certified Public Accountants

*630 East 17th Street
P. O. Box 1406
Ada, Oklahoma 74820
(580) 332-8548
FAX: (580) 332-2272*

ENID REGIONAL DEVELOPMENT ALLIANCE, INC.
Enid, Oklahoma

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June 30, 2016

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Saunders & Associates, PLLC

Certified Public Accountants

630 East 17th Street * P. O. Box 1406 * Ada, Oklahoma 74820 * (580) 332-8548 * FAX: (580) 332-2272
Website: www.saunderscpas.com

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Enid Regional Development Alliance, Inc.

We have audited the accompanying financial statements of Enid Regional Development Alliance, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2016, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

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

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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. Those standards require that we 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 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, we 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Enid Regional Development Alliance, Inc. as of June 30, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required By Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 15, 2016 on our consideration of Enid Regional Development Alliance, Inc.'s internal control over financial reporting and on our tests of compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Enid Regional Development Alliance, Inc.'s internal control over financial reporting and compliance.

Saunders & Associates, PLLC
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Certified Public Accountants
Ada, Oklahoma

September 15, 2016

FINANCIAL STATEMENTS

ENID REGIONAL DEVELOPMENT ALLIANCE, INC.
Enid, Oklahoma

STATEMENT OF FINANCIAL POSITION

June 30, 2016

ASSETS

Cash and Cash Equivalents	\$ 718,518
Receivables:	
Membership	3,317
Direct Financing Lease	54,209
Loans and Notes Receivable	81,475
Investments	250,353
Fixed Assets, Net of Accumulated Depreciation	<u>15,920</u>

TOTAL ASSETS \$ 1,123,792

LIABILITIES AND NET ASSETS

Accounts Payable and Accrued Expenses	\$ 17,391
Accrued Compensated Absences	<u>7,018</u>
Total Liabilities	<u>24,409</u>

NET ASSETS

Unrestricted	1,054,833
Temporarily Restricted	44,550
Permanently Restricted	<u>0</u>
Total Net Assets	<u>1,099,383</u>

TOTAL LIABILITIES AND NET ASSETS \$ 1,123,792

* The accompanying notes are an integral part of the financial statements

ENID REGIONAL DEVELOPMENT ALLIANCE, INC.
Enid, Oklahoma

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2016

	Unrestricted	Temporarily Restricted	Total
<u>SUPPORT AND REVENUES</u>			
City of Enid	\$ 600,000	\$ 0	\$ 600,000
Garfield County Industrial Authority	30,000	0	30,000
Memberships	67,050	0	67,050
Interest	4,300	0	4,300
Other	14,887	0	14,887
Gain on Sale of Assets	100	0	100
Net Assets Released From Retrictions:			
Satisfaction of Program Requirements	0	0	0
Total Support and Revenues	716,337	0	716,337
<u>EXPENSES</u>			
Program Services:			
Business Development	222,670	0	222,670
Promotion and Marketing	330,396	0	330,396
Total Program Services	553,066	0	553,066
Supporting Services:			
General and Administrative	137,464	0	137,464
Total Expenses	690,530	0	690,530
Change in Net Assets	25,807	0	25,807
Net Assets, Beginning of Year	1,029,026	44,550	1,073,576
Net Assets, End of Year	\$ 1,054,833	\$ 44,550	\$ 1,099,383

* The accompanying notes are an integral part of the financial statements.

ENID REGIONAL DEVELOPMENT ALLIANCE, INC.
Enid, Oklahoma

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2016

	Program Services			Supporting Services	Totals
	Business Development	Promotion and Marketing	Total Program Services	General and Administrative	
EXPENSES					
Salaries and Wages	\$ 107,205	\$ 60,303	\$ 167,508	\$ 55,835	\$ 223,343
Fringe Benefits	18,497	10,404	28,901	9,634	38,535
Payroll Taxes	8,043	4,524	12,567	4,189	16,756
 Total Salaries and Related Expenses	 133,745	 75,231	 208,976	 69,658	 278,634
 Business Recruitment	 58,000	 5,000	 63,000	 10,000	 73,000
NW Water Action Plan	5,000	5,000	10,000	0	10,000
Wayfinding Signage	0	42,694	42,694	0	42,694
Marketing and Advertising	0	116,859	116,859	0	116,859
Travel - Conferences and Promotional	303	67,677	67,980	567	68,547
Dues and Subscriptions	13,268	880	14,148	13,567	27,715
Training & Tuition	0	0	0	1,120	1,120
Audit and Accounting Services	0	0	0	16,420	16,420
Legal Services	225	0	225	2,468	2,693
Meetings	2,949	8,412	11,361	7,436	18,797
Telephone	2,548	2,297	4,845	4,734	9,579
Rent	2,109	2,109	4,218	4,219	8,437
Office Supplies	1,024	1,160	2,184	2,020	4,204
Office Equipment	1,773	1,553	3,326	(2,003)	1,323
Postage	35	387	422	35	457
Travel - Administrative	0	449	449	0	449
Directors Liability Insurance	723	362	1,085	120	1,205
Bank Charges	0	0	0	260	260
Workers Compensation	326	326	652	651	1,303
Miscellaneous	642	0	642	1,586	2,228
Depreciation	0	0	0	3,891	3,891
Bad Debt Expense	0	0	0	715	715
 Total Expenses	 <u>\$ 222,670</u>	 <u>\$ 330,396</u>	 <u>\$ 553,066</u>	 <u>\$ 137,464</u>	 <u>\$ 690,530</u>

* The accompanying notes are an integral part of the financial statements.

ENID REGIONAL DEVELOPMENT ALLIANCE, INC.
Enid, Oklahoma

STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2016

CASH FLOWS FROM OPERATING ACTIVITIES

Increase (Decrease) in Net Assets	\$ 25,807
Adjustments to Reconcile Increase (Decrease) in Net Assets to Net Cash Provided (Used) by Operating Activities:	
Depreciation	3,891
(Increase) Decrease in Membership Receivables	(467)
Increase (Decrease) in Accounts Payable and Accrued Expenses	15,094
Increase (Decrease) in Liability for Compensated Absences	<u>(5,127)</u>
Net Cash Provided (Used) by Operating Activities	<u>39,198</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Repayment on Direct Financing Lease	6,000
Issuance of Notes Receivable	(50,000)
Repayments on Notes Receivable	6,064
Redemption of Investments	1,158
Acquisition of Fixed Assets	<u>(11,618)</u>
Net Cash Provided (Used) by Investing Activities	<u>(48,396)</u>

CASH FLOWS FROM FINANCING ACTIVITIES

Net Cash Provided (Used) by Financing Activities	<u>0</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(9,198)
Cash and Cash Equivalents at Beginning of Year	<u>727,716</u>
Cash and Cash Equivalents at End of Year	<u>\$ 718,518</u>

* The accompanying notes are an integral part of the financial statements

ENID REGIONAL DEVELOPMENT ALLIANCE, INC.
Enid, Oklahoma

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2016

NOTE 1: NATURE OF ACTIVITIES

Enid Regional Development Alliance, Inc. (the "Alliance") is a not-for-profit organization under Section 501(c)(6) of the Internal Revenue Code, established to promote economic development and increase the economic prosperity of the Enid area.

The Alliance's mission is to promote the City of Enid to potential new industries, attract new industries, retain and expand the existing job base and provide capital to businesses seeking to expand or relocate to the Enid area.

Membership is divided into two classes; public and private members. Public memberships include the City of Enid and the Garfield County Industrial Authority. Private membership is restricted to individuals and businesses that have a business interest, reside, or conduct business in Garfield County, Oklahoma, in which Enid is located.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation – The Alliance uses the accrual basis of accounting whereby revenues are recognized when earned and expenses are recognized when a liability is incurred, regardless of when cash is received or expended. A receivable represents that portion of grant and contract revenues which the Alliance has earned and/or requested, but not received. With the exception of incentive payments, expenses incurred but not paid at year end are represented by a liability on the statement of financial position. Because of timing of claims for incentive payments, which may be calculated based on statistical reports issued by the state well after year end, incentive payments are recorded as expenses when paid. Net assets represent the cumulative excess of revenues recognized over expenses incurred. Temporarily restricted net assets are subject to recall or re-obligation at the discretion of granting agencies or being carried over to subsequent program years.

Financial Statement Presentation – The accompanying financial statements are presented in accordance with Financial Accounting Standard Board ("FASB") *Accounting Standards Codification*, which requires the Alliance to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted, depending on the existence or nature of any grantor/donor restrictions.

The net assets are reported as follows:

Unrestricted – Represents the portion of expendable funds that are available for support of operations.

Temporarily Restricted – Represents funds with donor/grantor-designated restrictions that will be satisfied with either the passage of time or the occurrence of an event.

Permanently Restricted – Represents funds that are subject to donor restrictions that neither expire by passage of time nor can be fulfilled or otherwise by the Alliance's actions.

ENID REGIONAL DEVELOPMENT ALLIANCE, INC.
Enid, Oklahoma

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2016

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Significant Concentrations – The Alliance maintains bank accounts which are insured by the Federal Deposit Insurance Corporation. Cash balances in excess of FDIC limits are collateralized by the financial institutions.

Support from the City of Enid represents approximately 84% of the Alliance's total revenues and support in 2016.

Use of Estimates – Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets, liabilities, and net assets, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

Cash and Cash Equivalents – The Alliance considers all cash and highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Loans and Notes Receivable – Loans and notes receivable are stated at the amount of unpaid principal. Interest on loans is recognized over the term of the loan and is calculated using the simple-interest method on principal amounts outstanding. Loans are considered to be delinquent when payments are 30 days past due.

The Alliance uses the direct write-off method for writing off bad debts once a receivable has been determined by the Board to be uncollectible. In the fiscal year ended June 30, 2016, the Alliance wrote off \$715 of bad debts. Management is of the opinion that remaining notes receivable are fully collectible and no allowance account has been established.

Capital Assets – The Alliance capitalizes property and equipment costing over \$500. Lesser amounts are expensed. Purchased property and equipment is capitalized at cost, while donations of property and equipment are recorded as contributions at their estimated fair market value. Assets purchased with grant funds with explicit restrictions regarding their use are recorded as temporarily restricted. These assets are reclassified to unrestricted as the value of the asset is depreciated or used. Property and equipment are depreciated using the straight-line method over the estimated useful lives ranging from five to seven years.

Income Tax Status – The Alliance qualifies as an organization exempt from income taxes under Section 501(c)(6) of the *Internal Revenue Code*. As such, no provision has been made for federal or state income taxes. The Alliance is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Alliance believes it is no longer subject to income tax examinations for filing periods prior to fiscal year ended June 30, 2014.

ENID REGIONAL DEVELOPMENT ALLIANCE, INC.
Enid, Oklahoma

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2016

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Contributions – The Alliance reports contributions of cash and other assets as restricted support if they are received with stipulations that limit the use of the contributed assets. When a restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restriction. Contributions whose restrictions are met in the same accounting period during which the contributions are received are recorded as unrestricted support in the period received.

Functional Expenses – Expenses are allocated between business development, promotion and marketing, and general and administrative based upon either actual usage or the estimated cost attributable to each function. Business development expenses are costs associated with attracting new industries, retaining and growing the existing job base and providing capital to businesses seeking to expand or relocate to the Enid area. Promotion and marketing expenses are costs to promote the City of Enid, the surrounding area and the Alliance.

NOTE 3: INVESTMENTS

In September 2011, the Alliance entered into an agreement to invest \$150,000 in a venture capital project headed by a regional developer. This investment was used to fund a feasibility study for the development of a bio-jet fuel refinery in the City of Enid. In exchange for this investment, subject to the completion of the project, the Alliance will receive a 60% return on its investment funding and a 25% equity ownership of the project, among other benefits. The feasibility study was completed during the year ended June 30, 2012. Based upon the results of the feasibility study, the investors in the project are currently seeking to secure \$25 million of capital for the next phase of the project.

In March 2012, the Alliance pledged a \$100,000 certificate of deposit held at a bank as collateral for a \$100,000 loan from the bank to Fence Solutions, Inc. This loan was used by Fence Solutions, Inc. to secure a patent on the company's main product. After repayment of all principal and accrued interest on the loan, in exchange for pledging the certificate of deposit, Fence Solutions, Inc. will pay ERDA a royalty of 0.2% of gross sales for the life of the patented product. At June 30, 2016, the certificate of deposit was valued at \$100,353.

NOTE 4: RECEIVABLES

Accounts – As of June 30, 2016, the Alliance had accounts receivable for memberships as follows:

Membership Receivables	\$ 3,317
Less Allowance for Doubtful Accounts	<u>0</u>
Accounts Receivable, Net	<u>\$ 3,317</u>

ENID REGIONAL DEVELOPMENT ALLIANCE, INC.
Enid, Oklahoma

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2016

NOTE 4: RECEIVABLES, CONTINUED

Loans and Notes – Loans are provided by the Alliance to businesses that are starting or expanding operations in Garfield County through the Grow Enid loan program or directly to businesses.

The Grow Enid loan program provides loans through partnerships with local lenders to share risk and to assist in the administration of the loans, with the Alliance taking a subordinated position. At June 30, 2015, the Alliance held a 19.7% participation interest in a loan which matures June 28, 2033. This loan bears a variable interest rate which is currently 4.25% and had an outstanding balance of \$29,900 at June 30, 2016. This loan is current.

The Alliance entered into a Forgivable Loan Agreement with a business in October 2015. This loan, in the amount of \$50,000, was provided in return for the business's renovating, opening, and maintaining a fitness center. Principal on the loan will be forgiven in an amount equal to 2% of all taxable sales each month over a 48-month period. In the event the balance is not paid off at the end of the 48 months, the remaining balance will be amortized over a period of years to be determined by the parties, and shall accrue interest at 5% per year.

The Alliance also provides loans directly to businesses. At June 30, 2016, the Alliance had two such loans receivable outstanding, which have outstanding balances of \$2,145 and \$2,871. Both loans are current.

Direct Financing Lease – In December 2010, the Alliance purchased a building in Enid for \$200,000, which it subsequently leased to Fence Solutions, Inc. The lease is for an initial term of seven years at a rate of \$1,289 per month. In 2014 the lease agreement was amended to reflect a \$500 monthly lease payment. The lessee has the option to purchase the building at any time during the term of the lease or subsequent extensions of the lease. All rent paid by the lessee shall be applied to the purchase price. At the conclusion of the initial seven-year term, the purchase option shall automatically engage. The lessee can then continue the lease annually for an additional seven-year term or until the purchase price is paid off, including interest at a rate of 6.0%. If the lessee has completed all scheduled payments at the conclusion of the second seven-year term, ownership of the building shall be transferred to the lessee for one dollar. The building is reflected in the accompanying statement of financial position as a direct financing lease asset.

The acquisition of the building by the Alliance was partially funded by a \$99,000 Rural Business Enterprise Grant ("RBEG") from the United States Department of Agriculture ("USDA"). The USDA grant requires repayment of all or a portion of the RBEG under certain conditions upon the sale of the building. The current building tenant has expressed intention to purchase the building outright from the Alliance in the future and the Alliance has agreed to apply all tenant lease payments made through the date of purchase to the purchase price.

Activity for loans and notes receivable and the direct financing lease for the year ended June 30, 2016 are as follows:

	Beginning Balance	Increases	Decreases	Written Off	Ending Balance
Direct Financing Lease	\$ 60,209	\$ 0	\$(6,000)	\$ 0	\$ 54,209
Loans and Notes Receivable	<u>37,539</u>	<u>50,000</u>	<u>(6,064)</u>	<u>0</u>	<u>81,475</u>
Loans and Leases Receivable	<u>\$ 97,748</u>	<u>\$ 50,000</u>	<u>\$(12,064)</u>	<u>\$ 0</u>	<u>\$ 135,684</u>

ENID REGIONAL DEVELOPMENT ALLIANCE, INC.
Enid, Oklahoma

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2016

NOTE 5: RESTRICTED ASSETS

Temporarily Restricted Net Assets – The Alliance received a grant of \$99,000 from USDA Rural Business Enterprises for help in purchasing a building that was in turn leased as part of a lease purchase agreement. (See Note 3). If the building is sold, then all or a portion of the grant must be returned to Rural Business Enterprises. In fiscal year ended June 30, 2014, a portion of the building was sold and funds totaling \$54,450 were returned to USDA.

In accordance with FASB "Accounting Standards Codification", net assets whose use by the organization is limited are reported at June 30, 2016 as temporarily restricted net assets, as follows:

Temporarily Restricted Net Assets:		
Economic Development		\$ 44,550
Total Temporarily Restricted Net Assets		<u>\$ 44,550</u>

Fixed Assets – The Alliance's fixed assets as of June 30, 2016, were as follows:

	<u>Balance</u> <u>06/30/15</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>06/30/16</u>
Capital Assets Being Depreciated:				
Office Furniture and Equipment	\$ 28,781	\$ 11,618	\$ 0	\$ 40,399
Accumulated Depreciation:				
Office Furniture and Equipment	<u>(20,588)</u>	<u>(3,891)</u>	<u>0</u>	<u>(24,479)</u>
Net Capital Assets	<u>\$ 8,193</u>	<u>\$ 7,727</u>	<u>\$ 0</u>	<u>\$ 15,920</u>

Office furniture and equipment costing \$500 or more are capitalized at cost.

Compensated Absences – On the first day of the calendar year (January 1) all full time, regular employees are credited with 10 days of leave per year to be taken over the next twelve months. On the completion of three years of continual service, employees earn annual leave at a rate of 15 days per year starting, on a pro rata basis, as of the anniversary employment date. Full time employees with over three years or more continual service, earn annual leave at a rate of 13 hours per month (or 156 hours/year). Part-time employees may be eligible for leave as outlined in the employment contract.

<u>Years of Service</u>	<u>Hours Earned</u>
<3	80
>3	120

Upon termination, an employee is paid for accrued leave to a maximum of 120 hours. The liability for accrued compensated absences, as of June 30, 2016 was \$7,018.

Long-Term Debt – The Alliance had no debt during the year ended June 30, 2016.

ENID REGIONAL DEVELOPMENT ALLIANCE, INC.
Enid, Oklahoma

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2016

NOTE 6: EMPLOYEE PENSION PLAN

Plan Description – The Alliance adopted a pension plan for its full time employees in the form of a SIMPLE IRA plan (the “Plan”) in accordance with the *Internal Revenue Code*.

Employees are eligible to contribute on their first day of employment. Participants must elect to contribute at least 1% of their salary to the plan on a pretax basis in order to receive the Alliances’ matching contribution. Participants contribute at least 1% of compensation up to an annual maximum of \$17,500, and the Alliance matches the participant’s contribution up to 3% of compensation.

Contributions – During the year ended June 30, 2016, contributions made by the Alliance totaled \$6,774.

NOTE 7: COMMITMENTS AND CONTINGENCIES

The Alliance has made commitments to several businesses as part of economic development incentives whereby the Alliance will pay to the companies an incentive payment if the companies meet certain benchmarks each year for a specified number of years, as follows:

<u>Start Date</u>	<u>End Date</u>	<u>Total Incentive</u>	<u>Payments in current Fiscal Year</u>	<u>Total Payments through June 30 2016</u>	<u>Termination of Contract</u>	<u>Remaining Commitment</u>
Oct. '11	Oct. '20	400,000	40,000	240,000	0	160,000
Dec. '11	Dec. '16	50,000	0	46,282	0	3,718
Aug. '13	Oct. '17	81,600	733	19,318	0	62,282
Nov. '13	Nov. '16	150,000	0	63,000	(87,000)	0
Apr. '15	Mar. '18	51,000	3,000	3,000	0	48,000
Oct '15	Dec. '17	50,000	0	0	0	50,000
Oct. '15	Project Completion	<u>100,000</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>100,000</u>
Totals		<u>\$ 882,600</u>	<u>\$ 43,733</u>	<u>\$ 371,600</u>	<u>\$(87,000)</u>	<u>\$ 424,000</u>

NOTE 8: SUBSEQUENT EVENTS

Management has evaluated subsequent events through September 15, 2016, which is the date the financial statements were available to be issued.

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Website: www.saunderscpas.com

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 Directors
Enid Regional Development Alliance, Inc.

We have audited, in accordance with the 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 Enid Regional Development Alliance, Inc. (a non-profit organization), which comprise the statement of financial position as of June 30, 2016, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 15, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Enid Regional Development Alliance, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Enid Regional Development Alliance, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Enid Regional Development Alliance, Inc.'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.

Our 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 our audit we did not identify any deficiencies in internal control that we 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 Enid Regional Development Alliance, Inc.'s financial statements are free of material misstatement, we 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 our audit, and accordingly, we do not express such an opinion. The results of our 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 Enid Regional Development Alliance, Inc.'s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Enid Regional Development Alliance, Inc.'s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Saunders & Associates, PLLC
SAUNDERS & ASSOCIATES, PLLC
Certified Public Accountants
Ada, Oklahoma

September 15, 2016

ENID REGIONAL DEVELOPMENT ALLIANCE, INC.
Enid, Oklahoma

STATUS OF PRIOR AUDIT FINDINGS

For the Year Ended June 30, 2016

None reported.

ENID REGIONAL DEVELOPMENT ALLIANCE, INC.
Enid, Oklahoma

SCHEDULE OF FINDINGS AND RESPONSES

For the Year Ended June 30, 2016

None reported.