

**DUNCAN INDUSTRIAL AUTHORITY**

**FINANCIAL STATEMENTS  
and  
SUPPLEMENTARY INFORMATION**

**Year Ended June 30, 2011**

**DUNCAN INDUSTRIAL AUTHORITY**  
**June 30, 2011**

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**DUNCAN INDUSTRIAL AUTHORITY**  
**A Component Unit of the City of Duncan, Oklahoma**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**Year ended June 30, 2011**

Our discussion and analysis of Duncan Industrial Authority's (DIA) financial performance provides an overview of DIA's financial activities for the year ended June 30, 2011. Please read this in conjunction with our financial statements, which begin on page five.

**Using the Audited Financial Statements**

The financial statements consist of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the DIA as a whole and presents an overview of the DIA's finances, while the statement of cash flows presents the sources and uses of cash and cash equivalents for the year.

The purpose of the DIA is to acquire and maintain land for industrial or other designated use for the benefit of the City of Duncan, Oklahoma. Because all of the DIA's activities are directed toward this purpose, individual fund accounts or financial statements are not utilized.

**The Statement of Net Assets and the Statement of Activities**

The Statement of Net Assets and the Statement of Activities report information about the DIA as a whole and provide information in a way that helps users understand whether or not the Authority's financial condition improved or deteriorated during the period. These statements include all assets and liabilities of the DIA and are prepared using the accrual method of accounting. All of the current year's revenues and expenses are taken into account, regardless of when cash is received or paid.

These two statements report the DIA's net assets and changes in them that occurred during the year. The difference in assets and liabilities is net assets, which is a measure of equity, or financial position. The increase in net assets that occurs over time is reported in the Statement of Activities, and is a measure of whether the financial position improved or deteriorated over time. However, readers should be aware that the financial statements do not reflect the changes in market values of real estate or other investments that occurred during the year being reported. Real estate, consisting of undeveloped land, is carried at cost. As a result, you will need to consider other factors, such as current economic conditions impacting real estate values, to assess the overall health of the DIA.

## DUNCAN INDUSTRIAL AUTHORITY

Management's Discussion and Analysis, Continued:

### Current and Prior Year Compared

As noted in the following comparative summary of the Statements of Net Assets, total assets increased by one hundred, forty dollars and total liabilities increased by fourteen hundred, fifty dollars.

	<u>2011</u>	<u>2010</u>
Cash/equivalents	\$ 333,319	\$ 332,915
Land	601,886	601,886
Other	<u>1,453</u>	<u>1,717</u>
Total Assets	<u>\$ 936,658</u>	<u>\$ 936,518</u>
Liabilities	\$ 1,450	\$ 0
Net Assets	<u>935,208</u>	<u>936,518</u>
Total Liabilities and Net Assets	<u>\$ 936,658</u>	<u>\$ 936,518</u>

The decrease in net assets from 2010 to 2011 in the amount of \$1,310 is attributed to the net loss for the year.

Following is a summary of the DIA's revenues and expenses compared to the 2011 budget and prior year 2010:

	<u>2011 Actual</u>	<u>2011 Budget</u>	<u>2010</u>
<u>Revenues</u>			
Investment return	\$ 3,082	\$ 5,025	\$ 1,846
Rental and other	<u>6,000</u>	<u>6,000</u>	<u>6,000</u>
	9,082	11,025	7,846
<u>Expenses</u>			
Insurance	2,060	2,700	2,060
Professional services	6,146	5,200	5,647
Site maintenance	2,142	7,500	11,257
Other	<u>44</u>	<u>250</u>	<u>147</u>
	10,392	15,650	19,111
Increase (Decrease) in Net Assets	<u>\$ (1,310)</u>	<u>\$ (4,625)</u>	<u>\$ (11,265)</u>

## **DUNCAN INDUSTRIAL AUTHORITY**

Management's Discussion and Analysis, Continued:

### **Analysis of Financial Position and Results of Operations**

During the year ended June 30, 2011, the Duncan Industrial Authority did not purchase or sell any land. Maintenance at the industrial parks was performed as needed to keep properties mowed and in suitable condition. Excess cash remains invested in local bank certificates of deposit and overnight treasury funds.

## INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees  
Duncan Industrial Authority  
Duncan, Oklahoma

We have audited the accompanying financial statements of the Duncan Industrial Authority, a component unit of the City of Duncan, Oklahoma, as of June 30, 2011, and for the year then ended, as listed in the table of contents. These financial statements are the responsibility of Duncan Industrial Authority's management. 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 *Government 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 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Duncan Industrial Authority as of June 30, 2011, and the results of its operations and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 15, 2011, on our consideration of Duncan Industrial Authority's internal control over financial reporting and our 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 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 our audit.

The management's discussion and analysis on pages one through three, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Jayna Vaughn, PC

Jayna Vaughn, PC  
December 15, 2011

**DUNCAN INDUSTRIAL AUTHORITY**  
**Statement of Net Assets**  
**June 30, 2011**

**Assets**

Cash and cash equivalents	\$	333,319
Accrued interest receivable		73
Land for future industrial use		601,886
		935,278
Restricted cash		1,380
		1,380
Total Assets	\$	936,658

**Liabilities & Net Assets**

**Liabilities**

Accounts Payable		1,450
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**Net Assets**

Invested in capital assets		601,886
Restricted		1,380
Unrestricted		331,942
		935,208

Total Net Assets		935,208
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Total Liabilities and Net Assets	\$	936,658
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**DUNCAN INDUSTRIAL AUTHORITY**  
**Statement of Activities**  
**Year ended June 30, 2011**

**Revenues**

Investment return	\$ 3,082
Rent and lease	6,000
	<u>9,082</u>

**Expenses**

Insurance	2,060
Professional services	6,146
Site maintenance	2,142
Other	44
	<u>10,392</u>

Net Income (Loss) (1,310)

**Net Assets, Beginning of Year** 936,518

**Net Assets, End of Year** \$ 935,208



**DUNCAN INDUSTRIAL AUTHORITY**  
**Statement of Cash Flows**  
**June 30, 2011**

**Cash Flows from Operating Activities:**

Cash received from rent and lease	\$	6,000
Cash payments for goods and services		<u>(8,942)</u>
Net Cash Used by Operating Activities		(2,942)

**Cash Flows from Investing Activities:**

Interest received on deposits		<u>3,346</u>
Net Cash Provided by Investing Activities		3,346

**Net Increase in Cash and Cash Equivalents** 404

**Cash and Cash Equivalents, Beginning of Year** 332,915

**Cash and Cash Equivalents, End of Year** \$ 333,319

**Reconciliation of Net Income to Net Cash  
Provided by Operating Activities**

Net Income (Loss)	\$	(1,310)
Adjustments to reconcile net income to net cash provided by operating activities:		
Investment return, net of expense		(3,082)
Increase in accounts payable		<u>1,450</u>

**Net Cash Used by Operating Activities** \$ (2,942)

Interest income added to certificates of deposit,  
included in cash receipts from investing activities \$ 2,450

**DUNCAN INDUSTRIAL AUTHORITY**  
**Notes to Financial Statements**  
**June 30, 2011**

**NOTE 1: ORGANIZATION**

**Nature of Operations**

The Duncan Industrial Authority (Authority) is a beneficial public trust created under authority of and pursuant to the provisions of Title 60, Oklahoma Statutes 1961, Sections 176 to 180. The purpose of the Trust is to acquire, construct and install equipment; repair, remodel, improve, extend, enlarge, maintain, operate, administer and dispose of facilities, equipment and structures which may be useful for maintaining and developing industry and manufacturing businesses and to provide funds for such programs, which will benefit and strengthen the economy of the beneficiary municipality and the State of Oklahoma.

**Component Unit**

The Duncan Industrial Authority is a component unit of the City of Duncan, Oklahoma.

**NOTE 2: SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Accounting**

The activities of the Authority are accounted for on a flow of economic resources measurement focus. Pursuant to this measurement focus, all assets and liabilities associated with the operation of the Authority are included on the statement of net assets. The accrual basis of accounting is utilized by the Authority. Accordingly, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

The preparation of financial statements and disclosures requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Cash and Cash Equivalents**

The Authority considers all demand deposit accounts, certificates of deposit, and other highly liquid investments with a maturity of twelve months or less to be cash and cash equivalents. Cash and cash equivalents does not include restricted cash for presentation purposes in the statement of cash flows.

**Property**

Property consists of land held for future industrial development and expansion. The land, consisting of approximately 348 acres at various locations, is carried at cost. There are no assets subject to depreciation. No property was acquired or disposed of during the year.

**DUNCAN INDUSTRIAL AUTHORITY**  
**Notes to Financial Statements**  
**June 30, 2011**

**Restricted Assets**

Restricted assets have been restricted to a specific project by the terms of the gift or other agreement. These assets represent amounts contributed for improvement and benefit of a public library. At June 30, 2011, there were no unpaid claims related to this project.

**Estimates**

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

**NOTE 3: CASH AND INVESTMENTS**

The Authority's cash is placed in the custody of the Trustees, who are responsible for investing available funds according to Oklahoma State Law, Title 62-348 which allows for, among others, investment of funds in the following:

1. Direct obligations of the United States Government, its agencies or instrumentalities;
2. Collateralized or insured certificates of deposits and other evidences of deposit at savings and loan associations, banks, savings banks and credit unions located in this state, or fully insured certificates of deposit at banks, savings banks, savings and loan associations and credit unions located out of state.

At June 30, 2011, the total carrying amount of cash and cash equivalents (including the restricted cash) was \$334,699; cost approximates fair value, due to the nature of the deposits. Cash and cash equivalents consist of the following at June 30, 2011:

Certificates of deposit; Maturities from August 9, 2011 to March 9, 2012; Interest rates from .55% to .70%	\$203,426
Treasury deposit account; interest rate approximately one percent.	101,252
Operating checking account; interest rate less than one percent	<u>30,021</u>
Cash deposits covered by FDIC insurance	<u>\$334,699</u>

**DUNCAN INDUSTRIAL AUTHORITY**  
**Notes to Financial Statements**  
**June 30, 2011**

**NOTE 4: LEASE AGREEMENT**

On January 16, 2007, Duncan Industrial Authority entered into an agreement to lease a small space to a communications company for use in erecting and operating a communications tower. The initial lease term is five years with options to renew for four additional five year terms. Rent, beginning on the commencement of construction, is \$500 per month for the initial term with provision for increase in subsequent terms. Lease income recognized under this agreement for the year ended June 30, 2011 was \$6,000. Future minimum rentals to complete the original lease term through January, 2012 are \$3,500.

**NOTE 5: RELATED ENTITY**

Nominees to the Authority's Board of Trustees are selected by Duncan Area Economic Development Foundation, a not-for-profit organization. Nominees are submitted to the City Council of the City of Duncan for confirmation.

**NOTE 6: RELATED PARTY TRANSACTIONS**

Authority owns certificates of deposit and other cash deposits held in accounts at local banks where members of the Authority's Board of Trustees help manage bank operations as either directors or employees. Total deposits in those financial institutions was \$232,730 at June 30, 2011.

**NOTE 7: SUBSEQUENT EVENTS**

Subsequent events were evaluated through December 15, 2011, which is the date the financial statements were available to be issued.

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

To the Board of Trustees  
Duncan Industrial Authority

We have audited the financial statements of the Duncan Industrial Authority, as of and for the year ended June 30, 2011, and have issued our report thereon dated December 15, 2011. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Duncan Industrial Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Duncan Industrial Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Duncan Industrial Authority's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Duncan Industrial Authority's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Duncan Industrial Authority's financial statements that is more than inconsequential will not be prevented or detected by the Duncan Industrial Authority's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Duncan Industrial Authority's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Duncan Industrial Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and 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*.

This report is intended solely for the information and use of management, and Board of Trustees and is not intended to be and should not be used by anyone other than these specified parties.

*Jayna Vaughn, PC*

Jayna Vaughn PC  
December 15, 2011