

**DUNCAN INDUSTRIAL AUTHORITY**

**Financial Statements  
and  
Independent Auditor's Report**

**Year Ended December 31, 2017**

**DUNCAN INDUSTRIAL AUTHORITY**  
**December 31, 2017**

**CONTENTS**

**Independent Auditor's Report .....1**

**Financial Statements**

Statement of Net Position .....3

Statement of Changes in Net Position .....4

Statement of Cash Flows .....5

Notes to Financial Statements ..... 6-9

**Other Reporting**

Independent Auditor's Report on Internal Control over financial .....10  
Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements  
Performed in Accordance with  
*Government Auditing Standards*

## INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees  
Duncan Industrial Authority  
Duncan, Oklahoma

### Report on the Financial Statements

We have audited the accompanying financial statements of the Duncan Industrial Authority, a component unit of the City of Duncan, Oklahoma, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Duncan Industrial Authority's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant 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 Duncan Industrial Authority as of December 31, 2017, and the changes in its financial position, and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters**

Management has omitted the supplementary information containing management's discussion and analysis, that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated August 3, 2018, on our consideration of the Duncan Industrial Authority's internal control over financial reporting and on 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 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 the Duncan Industrial Authority's internal control over financial reporting and compliance.

*Jayna Vaughn, PC*

Duncan, Oklahoma  
August 3, 2018

**DUNCAN INDUSTRIAL AUTHORITY**  
**Statement of Net Position**  
**December 31, 2017**

**Assets**

Cash and cash equivalents	\$	154,465
Accrued interest receivable		35
Prepaid expense		2,250
Investments-certificates of deposit		208,193
Property & equipment, net		30,545
Land for future industrial use		575,267
		970,755
 Restricted cash		 1,380
Total Assets	\$	972,135

**Liabilities & Net Position**

**Liabilities**

Accounts payable		32,226
------------------	--	--------

**Net Position**

Investment in capital assets		574,136
Restricted		1,380
Unrestricted		364,393
		939,909

Total Net Position		939,909
Total Liabilities and Net Position	\$	972,135

**DUNCAN INDUSTRIAL AUTHORITY**  
**Statement of Changes in Net Position**  
**Year ended December 31, 2017**

**Revenues and Gains**

Investment return	\$ 1,486
Rent and lease	7,590
	<u>9,076</u>

**Expenses**

Industrial park maintenance	5,550
Insurance	2,743
Audit and legal	3,815
Administrative	62
Depreciation	1,131
	<u>13,301</u>

Revenues less expenses (4,225)

**Net Position, Beginning of Year** 944,134

**Net Position, End of Year** \$ 939,909

**DUNCAN INDUSTRIAL AUTHORITY**  
**Statement of Cash Flows**  
**Year ended December 31, 2017**

**Cash Flows from Operating Activities:**

Cash received from rent and lease	\$ 7,590
Cash payments for goods and services	<u>(14,929)</u>
Net Cash (Used) Provided by Operating Activities	(7,339)

**Cash Flows from Investing Activities:**

Interest received on deposits	<u>733</u>
Net Cash (Used) Provided by Investing Activities	733

<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	(6,606)
-----------------------------------------------------------------	---------

<b>Cash and Cash Equivalents, Beginning of Year</b>	<u>161,071</u>
-----------------------------------------------------	----------------

<b>Cash and Cash Equivalents, End of Year</b>	<u><u>\$ 154,465</u></u>
-----------------------------------------------	--------------------------

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

Revenues less expenses	\$ (4,225)
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation expense	1,131
Investment return, net of expense	(1,485)
Increase in prepaid expense	(109)
Decrease in accounts payable for operating	<u>(2,651)</u>

<b>Net Cash (Used) Provided by Operating Activities</b>	<u><u>\$ (7,339)</u></u>
---------------------------------------------------------	--------------------------

Interest income added to certificates of deposit	<u><u>\$ 753</u></u>
--------------------------------------------------	----------------------

**DUNCAN INDUSTRIAL AUTHORITY**  
**Notes to Financial Statements**  
**December 31, 2017**

**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 position. 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.

**Cash and Cash Equivalents**

The Authority considers all demand deposit accounts, certificates of deposit, and other highly liquid investments with an original maturity of three 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 primarily of land held for future industrial development and expansion. The land, consisting of approximately 328 acres at various locations, is carried at cost. Improvements are depreciated using the straight line method over estimated useful lives of seven to ten years.



**DUNCAN INDUSTRIAL AUTHORITY**  
**Notes to Financial Statements**  
**December 31, 2017**

**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 December 31, 2017, 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 statutes 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.

The carrying amount of cash and cash equivalents (including restricted cash) and certificates of deposit approximate fair value due to maturities and nature of the deposits:

Certificates of deposit	\$208,193
Treasury deposit account; interest rate less than one percent	103,688
Operating checking account; interest rate less than one percent	<u>52,157</u>
	<u>\$364,038</u>

Certificates of deposit bear interest at .40 percent and mature annually in February and March.

All checking and certificate of deposit accounts were covered by FDIC deposit insurance.

**DUNCAN INDUSTRIAL AUTHORITY**  
**Notes to Financial Statements**  
**December 31, 2017**

**NOTE 4: PROPERTY**

Land held for future industrial purposes is carried at cost and the cost of tracts sold is allocated on a cost per acre basis in the period of sale. Depreciable improvements are carried at cost less accumulated depreciation.

	December 2016	Additions	December 2017
Land	\$575,267		\$575,267
Industrial park signage	0	\$31,676	\$ 31,676
Accumulated depreciation	0	(1,131)	(1,131)
	0	\$30,545	\$ 30,545

**NOTE 5: LEASE AGREEMENT**

On January 16, 2007, Duncan Industrial Authority entered into an agreement to lease a small space of land to a communications company for use in erecting and operating a communications tower. The initial lease term was five years with options to renew for four additional five year terms. Rent, beginning on the commencement of construction, was \$500 per month for the initial term with provision for increase in subsequent terms. The lease was renewed for an additional five years on June 1, 2012 at the rate of \$575 per month.

In June, 2015 Authority agreed to a lease amendment which added six additional five-year renewal terms, extending the potential lease from 2032 to 2062, along with other modifications including an annual rental increase based on the Consumer Price Index for all Urban Customers ("CPI-U"). In June 2017, the monthly rent increased to \$593.70. Lease revenue under this agreement was \$7,055 for 2017.

Through the end of the most recent renewal period, future minimum rentals income (At the current monthly amount) is \$7,124 annually through June 1, 2022.

**NOTE 6: 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.

Transactions with Duncan Area Economic Development Foundation (DAEDF) include occasional sales of land/lots in the industrial parks, and sharing of expenses considered necessary in the normal course of preserving, maintaining or improving the industrial park areas. Effective January 1, 2016, Authority contracted with Duncan Area Economic Development Foundation to perform routine maintenance and management services related to the Authority's real property situated in the industrial parks. The agreement provides for an annual service fee of \$5,000 plus certain out of pocket costs. During 2017, the total paid or accrued under this agreement was \$5,550. Additionally, during 2017 Authority contracted with Duncan Area Economic Development Foundation for purchase and installation of signage at North Industrial Park for \$31,676.

**DUNCAN INDUSTRIAL AUTHORITY**  
**Notes to Financial Statements**  
**December 31, 2017**

**NOTE 7: RELATED PARTIES**

Authority owns deposit 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 were \$155,844 at December 31, 2017.

**NOTE 8: SUBSEQUENT EVENTS**

Subsequent events were evaluated through August 3, 2018, which is the date the financial statements were available to be issued.

During 2018, Authority has approved land grants of approximately 141 acres to Duncan Area Economic Development Foundation for economic development purposes.

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

To the Board of Trustees  
Duncan Industrial Authority

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 the Duncan Industrial Authority, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Duncan Industrial Authority's basic financial statements, and have issued our report thereon dated August 3, 2018.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Duncan Industrial Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing 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. Accordingly, we do not express an opinion on the effectiveness of the Duncan 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, 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. 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 Duncan Industrial Authority's financial statements are free from 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 the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Jayna Vaughn, PC*

Duncan, Oklahoma  
August 3, 2018