

DUNCAN INDUSTRIAL AUTHORITY

FINANCIAL STATEMENTS
and
SUPPLEMENTARY INFORMATION

Year Ended June 30, 2012

DUNCAN INDUSTRIAL AUTHORITY
June 30, 2012

CONTENTS

Independent Auditor's Report 4

Financial Statements

Statement of Net Assets 5

Statement of Activities 6

Statement of Cash Flows 7

Notes to Financial Statements 8-10

Supplementary Information

Management Discussion and Analysis 1-3

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 11

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
Year ended June 30, 2012

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, 2012. 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 decreased by six hundred, sixty-six dollars and total liabilities decreased by fourteen hundred, fifty dollars.

	<u>2012</u>	<u>2011</u>
Cash/equivalents	\$ 128,192	\$ 129,893
Investments	204,491	203,426
Land	601,886	601,886
Other	<u>1,423</u>	<u>1,453</u>
Total Assets	<u>\$ 935,992</u>	<u>\$ 936,658</u>
Liabilities	\$ 0	\$ 1,450
Net Assets	<u>935,992</u>	<u>935,208</u>
Total Liabilities and Net Assets	<u>\$ 935,992</u>	<u>\$ 936,658</u>

The increase in net assets from 2011 to 2012 in the amount of \$784 is attributed to the net income for the year.

Following is a summary of the DIA's revenues and expenses compared to the 2012 budget and prior year 2011:

	<u>2012 Actual</u>	<u>2012 Budget</u>	<u>2011</u>
<u>Revenues</u>			
Investment return	\$ 1,486	\$ 6,025	\$ 3,082
Rental and other	<u>6,610</u>	<u>6,000</u>	<u>6,000</u>
	8,096	12,025	9,082
<u>Expenses</u>			
Insurance	2,138	2,800	2,060
Professional services	3,800	5,200	6,146
Site maintenance	1,007	7,500	2,142
Other	<u>367</u>	<u>250</u>	<u>44</u>
	7,312	15,750	10,392
Increase (Decrease) in Net Assets	<u>\$ 784</u>	<u>\$ (3,725)</u>	<u>\$ (1,310)</u>

DUNCAN INDUSTRIAL AUTHORITY

Management's Discussion and Analysis, Continued:

Analysis of Financial Position and Results of Operations

During the year ended June 30, 2012, 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, 2012, 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, 2012, 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 September 12, 2012, 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages one through three be presented to supplement the basic financial statements. Such 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 financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Jayna Vaughn, PC

Jayna Vaughn, PC
September 12, 2012

DUNCAN INDUSTRIAL AUTHORITY
Statement of Net Assets
June 30, 2012

Assets

Cash and cash equivalents	\$	128,192
Investments		204,491
Accrued interest receivable		43
Land for future industrial use		601,886
		934,612
 Restricted cash		 1,380
Total Assets	\$	935,992

Liabilities & Net Assets

Liabilities

Accounts Payable		0
------------------	--	---

Net Assets

Invested in capital assets		601,886
Restricted		1,380
Unrestricted		332,726
		935,992

Total Net Assets		935,992
------------------	--	---------

Total Liabilities and Net Assets	\$	935,992
----------------------------------	-----------	----------------

See accompanying notes to financial statements.

DUNCAN INDUSTRIAL AUTHORITY
Statement of Activities
Year ended June 30, 2012

Revenues

Investment return	\$ 1,486
Rent and lease	6,610
	<u>8,096</u>

Expenses

Insurance	2,138
Professional services	3,800
Site maintenance	1,007
Other	367
	<u>7,312</u>

Net Income (Loss)	784
-------------------	-----

Net Assets, Beginning of Year	<u>935,208</u>
--------------------------------------	----------------

Net Assets, End of Year	<u><u>\$ 935,992</u></u>
--------------------------------	--------------------------

See accompanying notes to financial statements.

DUNCAN INDUSTRIAL AUTHORITY
Statement of Cash Flows
June 30, 2012

Cash Flows from Operating Activities:

Cash received from rent and lease	\$	6,610
Cash payments for goods and services		<u>(8,762)</u>
Net Cash Used by Operating Activities		(2,152)

Cash Flows from Investing Activities:

Interest received on deposits		<u>451</u>
Net Cash Provided by Investing Activities		451

Net Decrease in Cash and Cash Equivalents (1,701)

Cash and Cash Equivalents, Beginning of Year 129,893

Cash and Cash Equivalents, End of Year \$ 128,192

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

Net Income (Loss)	\$	784
Adjustments to reconcile net income to net cash provided by operating activities:		
Investment return, net of expense		(1,486)
Decrease in accounts payable		<u>(1,450)</u>

Net Cash Used by Operating Activities \$ (2,152)

Interest income added to certificates of deposit \$ 1,065

DUNCAN INDUSTRIAL AUTHORITY
Notes to Financial Statements
June 30, 2012

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 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 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, 2012

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, 2012, 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, 2012, the total carrying amount of cash and cash equivalents (including the restricted cash) was \$129,572; cost approximates fair value, due to the nature of the deposits. Cash and cash equivalents consist of the following at June 30, 2012:

Treasury deposit account; interest rate less than one percent.	101,675
Operating checking account; interest rate less than one percent	<u>27,897</u>
Cash deposits covered by FDIC insurance	<u>\$129,572</u>

Cash and Cash Equivalents at the beginning of the year has been restated on the Statement of Cash Flows. The \$203,426 reduction in the amount of cash and cash equivalents represents the funds held in certificates of deposit as of July 1, 2011, which were reclassified as investments due to the terms of the certificates.

At June 30, 2012, Certificates of deposit totaling \$204,491 are presented at historical cost which approximates fair value, due to the maturities and nature of the cash deposits. The certificates bear interest from .30% to .40% and have stated maturity dates from August 9, 2012 to March 9, 2013. All certificates of deposit as of June 30, 2012 are covered by FDIC insurance.

DUNCAN INDUSTRIAL AUTHORITY
Notes to Financial Statements
June 30, 2012

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. The lease was renewed for an additional five years on June 1, 2012 at the rate of \$575 per month. Lease income recognized under this agreement for the year ended June 30, 2012 was \$6,075. Future minimum rentals to complete the second lease term through June, 2017 are \$6,900 per year and \$33,925 in the aggregate.

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 \$231,454 at June 30, 2012.

NOTE 7: SUBSEQUENT EVENTS

Subsequent events were evaluated through September 12, 2012, 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, 2012, and have issued our report thereon dated September 12, 2012. 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

Management of Duncan Industrial Authority is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Duncan Industrial Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions 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 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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 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*.

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

Jayna Vaughn, PC

Jayna Vaughn PC
September 12, 2012