

Independent Auditor's Report

Lindsay Industrial Development Authority

Year Ending June 30, 2014

LINDSAY INDUSTRIAL DEVELOPMENT AUTHORITY
LINDSAY, OKLAHOMA
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June 30, 2014

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Lindsay Industrial Development Authority
Lindsay, Oklahoma

Report on the Financial Statements

We have audited the accompanying modified cash basis financial statements of the business-type activities of Lindsay Industrial Development Authority, Lindsay, Oklahoma, a component unit of the City of Lindsay, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the 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 the modified cash basis of accounting described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for preparation of the financial statements in the circumstances. Management is also responsible for 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 the 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 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 Authority'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 Authority'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

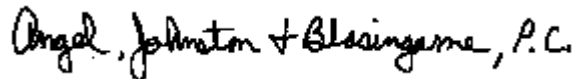
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the business-type activities of the Lindsay Industrial Development Authority as of June 30, 2014, and the respective changes in modified cash basis financial position and cash flows thereof for the year then ended in accordance with the modified cash basis of accounting described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements that describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated, April 13, 2017, on our consideration of the 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 Authority's internal control over financial reporting and compliance.



Angel, Johnston & Blasingame, P.C.

Chickasha, Oklahoma

April 13, 2017

Lindsay Industrial Development Authority
Statement of Net Position
Modified Cash Basis
June 30, 2014

ASSETS

Current Assets

Cash and cash equivalents	\$ 179,442
Current Portion of Loan Receivables	1,223
<i>Total Current Assets</i>	<u>180,665</u>

Non Current Assets

Land	102,443
Other capital assets, net of depreciation	-
Loan Receivables	
B&D Farms Candy Co.	-
<i>Total Non Current Assets</i>	<u>102,443</u>
 <i>Total Assets</i>	 <u>283,108</u>

LIABILITIES

<i>Total Liabilities</i>	<u>-</u>
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NET POSITION

Net investment in capital assets	102,443
Unrestricted	180,665
 <i>Total Net Position</i>	 <u><u>\$ 283,108</u></u>

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

Lindsay Industrial Development Authority
Statement of Revenues, Expenses, and Changes in Net Position
Modified Cash Basis
For the Year Ended June 30, 2014

Operating Revenues	
<i>Total Operating Revenues</i>	-
Operating Expenses	
Professional Fees	8,450
Utilities	212
<i>Total Operating Expenses</i>	8,661
<i>Operating Income (Loss)</i>	(8,661)
Non Operating Revenues (Expenses)	
Interest income	50
<i>Total Non Operating Revenues (Expenses)</i>	50
<i>Change in Net Position</i>	(8,611)
<i>Net Position - Beginning of Year</i>	291,720
<i>Net Position - End of Year</i>	\$ 283,108

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

Lindsay Industrial Development Authority
Statement of Cash Flows
Modified Cash Basis
For the Year Ended June 30, 2014

Cash flows from operating activities

Receipts for loan interest	\$ -
Receipt for loan repayments	13,531
Payment to vendors	(8,661)
<i>Net cash provided by (used for) operating activities</i>	<u>4,869</u>

Cash flows from investing activities

Interest received	50
<i>Net cash provided by (used for) investing activities</i>	<u>50</u>

Net increase (decrease) in cash and cash equivalents

4,919

Cash and cash equivalents at beginning of year

174,522

Cash and cash equivalents at end of year

\$ 179,442

Reconciliation to Statement of Net Position:

Cash and cash equivalents	<u>179,442</u>
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Total cash and cash equivalents

\$ 179,442

Reconciliation of operating income (loss) to net cash provided (used) by operating activities

Operating income (loss)	\$ (8,661)
Adjustment to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	-
Change in loan receivables, net	13,531
<i>Net cash provided by (used for) operating activities</i>	<u>\$ 4,869</u>

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

LINDSAY INDUSTRIAL DEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

Note 1 – Summary of Significant Accounting Policies

1.A. Financial Reporting Entity

Lindsay Industrial Development Authority, a public trust, was organized in May 1966 to assist the City of Lindsay, the State of Oklahoma, Governmental Agencies municipalities and private entities, agencies and citizens in making the most efficient use of all of their economic resources and powers in accord with the needs and benefit of the State of Oklahoma and the City of Lindsay in order to lessen the burdens on government and to stimulate economic growth and development of the City of Lindsay The Authority accomplishes its mission through various economic development loans and grants. The Authority has no taxing power and is not legally required to adopt a budget.

Related Organizations

City of Lindsay The City of Lindsay is the beneficiary of this public trust. The City's government has influence over the Authority and the City is the exclusive beneficiary of trust activities. Therefore, the Authority is considered to be a component unit of the City of Lindsay

The accompanying financial statements include all functions and activities over which the Authority exercises financial accountability. Lindsay Industrial Development Authority is a component unit of the governmental entity of the City of Lindsay, Oklahoma. The City of Lindsay's financial information is not presented in these financial statements. The City of Lindsay's financial audits are readily obtainable at, www.sai.ok.gov, the State Auditor's website.

1.B. Basis of Presentation

The Authority's fund is an enterprise fund. Enterprise funds are proprietary funds used to account for business-like activities provided to the general public. All activities of the Authority are business-type activities. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector. The Authority accounts for low interest loans to local businesses, and other projects which are selected to promote the development of industry, culture, industrial manufacturing, and cultural and educational activities within the City of Lindsay, Oklahoma.

1.C. Measurement Focus and Basis of Accounting

Measurement focus refers to how transactions are recorded within the various financial statements. Basis of accounting refers to when transactions are recognized and recorded in the financial statements regardless of the measurement focus applied.

The Authority's financial statements use the economic resources measurement focus and are presented on the modified cash basis of accounting. Revenues are recognized when they are received and expenses are recorded when paid with the following modifications:

LINDSAY INDUSTRIAL DEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

Note 1- Summary of Significant Accounting Policies, (continued)

1.C. Measurement Focus and Basis of Accounting, (continued)

- Capital assets are recorded when purchased and related depreciation is recorded.
- Loan receivables are recorded as assets when dispersed.

This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. If the Authority utilized the basis of accounting recognized as generally accepted, the financial statements would use the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred.

1.D. Assets, Liabilities and Net Position

Cash & Cash Equivalents- For the purposes of the statement of cash flows, the Authority considers all cash on hand, demand deposit accounts, interest bearing checking accounts and time deposit accounts including certificates of deposit and U.S. Treasury bills with maturities of three months or less to be cash and cash equivalents.

Land - The Authority currently owns approximately 4.77 acres of land located along the abandoned railroad right of way and approximately 25 acres of land at the City of Lindsay airport, valued at \$102,443. This land is being held for resale. The land was received from the City of Lindsay and is recorded at the appraised value at time of transfer.

Loan Receivables – The Authority issued loans to the following:

1. \$127,000 to B & D Farms Candy Company on May 14, 2004 for the purpose of improving operating efficiencies in the manufacture of the company's products. The terms of the agreement state that the interest rate is 3% and payable within 59 months with a final payment of \$61,674 due May 25, 2010. Final payment was not made and the Authority refinanced the loan balance, with monthly payments of 1,226. The balance of the loan on June 30, 2014 was \$1,223.

Notes Payable - Notes Payable to be repaid from the Authority resources are reported as liabilities in the Statement of Net Position. The Authority had no notes payable as of June 30, 2014.

Net Position – Net Position is divided into three components:

LINDSAY INDUSTRIAL DEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

Note 1- Summary of Significant Accounting Policies, (continued)

1.D. Assets, Liabilities and Net Position

- a. *Net Investment in Capital Assets* – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributed to the acquisition, construction, or improvements of those assets.
- b. *Restricted net position* – Consists of net assets with constraints placed on the use either by 1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or 2) law through constitutional provisions or enabling legislation.
- c. *Unrestricted net position* – All other net assets that do not meet the definition of “restricted” or “net investment in capital assets.”

It is the Authority’s policy to first use restricted net position prior to the use of unrestricted net position when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

1.E. Revenues and Expenses

Operating and Nonoperating Revenues - Operating revenues are considered those whose cash flows are related to operating activities, while revenues related to financing, capital and investing activities are reported as non-operating.

Expenses - The Authority reports expenses relating to the use of economic resources.

1.F Estimates

Certain estimates are made in the preparation of the financial statements, such as estimated lives for capital assets depreciation. Estimates are based on management’s best judgments and may vary from actual results.

Note 2 – Deposits, Investments and Collateral

Deposits and Investments - The Authority does not have a written investment policy that limits its investment choices. Investments are limited by State statute and declaration of trust.

Custodial Credit Risk - Custodial credit risk is the risk that in the event of a bank failure, the Authority’s deposits may not be returned to it. The Authority does not have a written policy for custodial risk, but Oklahoma statutes requires collateral for all uninsured deposits of public trust funds in financial institutions. At June 30, 2014, the Authority was not exposed to custodial credit risk.

LINDSAY INDUSTRIAL DEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

Note 3- Capital Assets

The following is a summary of capital assets and accumulated depreciation:

	<u>Beginning</u>	<u>Net</u> <u>Additions</u>	<u>Ending</u>	<u>Accum.</u> <u>Deprec.</u>	<u>Net</u>
Land	\$102,443	\$ 0	\$ 102,443	\$ 0	\$ 102,443
Building Improvements	\$ 800	\$ 0	\$ 800	\$ 800	\$ 0
Equipment	\$ 256	\$ 0	\$ 256	\$ 256	\$ 0
Total Capital Assets	<u>\$103,499</u>	<u>\$ 0</u>	<u>\$ 103,499</u>	<u>\$ 1,056</u>	<u>\$ 102,443</u>

Land is not depreciated so there is no depreciation expense.

Note 4 - Risk Management

The Authority is exposed to various risks of loss related to torts, errors and omissions. At this time the Authority carries no surety bonds or other types of insurance.

Note 5- Subsequent Events

Management has evaluated subsequent events through the date of the audit report, which is the date the financial statements were available to be issued, and has determined that no additional information needs to be added to the financial statements.

*Report on Internal Control
and Compliance*

**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
Lindsay Industrial Development Authority
Lindsay, Oklahoma

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 modified cash basis financial statements of the business-type activities of the Lindsay Industrial Development Authority, a component unit of the City of Lindsay, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated, April 13, 2017. Our report on the financial statements disclosed, that, as described in Note 1 to the financial statements, the Authority prepares its financial statements on a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Lindsay Industrial Development 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 Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Authority'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.

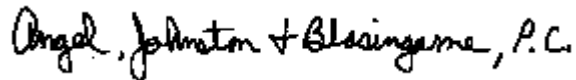
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not 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 Lindsay Industrial Development 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*.

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 Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with the *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Angel, Johnston & Blasingame, P.C.
Chickasha, Oklahoma
April 13, 2017