

Lincoln County Industrial Development Authority
Lincoln County, Oklahoma

Financial Statements
As of and for the Years Ended December 31, 2008 and 2009

(With Independent Auditors' Report Thereon)

Audited By

Bill Ford

Certified Public Accountant

Lincoln County Industrial Development Authority
Lincoln County, Oklahoma
For the Years ended December 31, 2008 and 2009

TABLE OF CONTENTS

	<u>Page</u>
Table of Contents	
<u>Independent Auditor's Report</u>	1-2
<u>Financial Statements</u>	
Statement of Net Assets	3
Statement of Activities - 2008	4
Statement of Activities - 2009	5
Balance Sheet - Governmental Funds	6
Statement of Revenue, Expenditures and Changes in Fund Balance - Governmental Funds	7
<u>Notes to the Financial Statements</u>	8-11
<u>Internal Control and Compliance Report</u>	
Independent Auditor's Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	12-13

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Lincoln County Industrial Development Authority

I have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Lincoln County Industrial Development Authority (a component unit of Lincoln County, Oklahoma), as of and for the year ended December 31, 2008 and 2009, which collectively comprise Lincoln County Industrial Development Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Lincoln County Industrial Development Authority's management. My responsibility is to express my opinion on these financial statements based on my audit.

I conducted my 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 I 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 significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Lincoln County Industrial Development Authority, as of December 31, 2008 and 2009, and the respective changes in financial position, thereof, in conformity with accounting principles generally accepted in the United States of America.

Management has omitted management discussion and analysis and budgetary comparison information 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 financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. My opinion on the basic financial statements is not affected by the missing information.

In accordance with *Government Auditing Standards*, I have also issued my report dated November 14, 2011, on my consideration of the Authority's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of my 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 my audits.

A handwritten signature in black ink that reads "Bill Ford". The signature is written in a cursive style with a large initial "B" and "F".

Bill Ford, C.P.A.

November 14, 2011

LINCOLN COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY
 LINCOLN COUNTY, OKLAHOMA
 STATEMENT OF NET ASSETS
 DECEMBER 31, 2008 and 2009

<u>ASSETS</u>	<u>2008</u>	<u>2009</u>
Current assets:		
Cash and cash equivalents	\$ 5,553	\$105,553
Investments	<u>14,701</u>	<u>14,939</u>
Total current assets	<u>20,254</u>	<u>120,492</u>
Restricted assets:		
Cash and cash equivalents	53,770	100,404
Investments	193,057	95,570
Sales tax receivable	9,755	7,660
Interest receivable	1,067	135
Notes receivable	<u>96,216</u>	<u>75,369</u>
Total restricted assets	<u>353,865</u>	<u>279,138</u>
Total assets	<u>374,119</u>	<u>399,630</u>
<u>LIABILITIES</u>	-0-	-0-
<u>NET ASSETS</u>		
Restricted for economic development	353,865	279,138
Unassigned	<u>20,254</u>	<u>120,492</u>
Total net assets	<u>\$ 374,119</u>	<u>399,630</u>

See accompanying notes to financial statements

LINCOLN COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY
 STATEMENT OF ACTIVITIES
 YEAR ENDED DECEMBER 31, 2008

	Program Revenue				
<u>Expenses</u>	<u>Charges For Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Net (Expenses) Revenue</u>	
Function/Programs					
Governmental activities					
Industrial development	\$ (3,757)	\$ 0	\$ 0	\$ (3,757)	
Total governmental activities	<u>(3,757)</u>	<u>0</u>	<u>0</u>	<u>(3,757)</u>	
Total government	<u>\$ (3,757)</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (3,757)</u>	
					Governmental Activities
Changes in net assets:					
Net (expense) revenue		<u>\$ (3,757)</u>			
General revenues					
Sales Tax		66,262			
Interest		<u>9,421</u>			
Total general revenues			<u>75,683</u>		
Change in net assets			71,926		
Net assets - beginning			<u>302,193</u>		
Net assets - ending			<u>\$ 374,119</u>		

See accompany notes to the financial statement

LINCOLN COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2009

	Program Revenue				
<u>Expenses</u>	<u>Charges For Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Net (Expenses) Revenue</u>	
Governmental activities	\$ 0	\$ 0	\$ 0	\$ (30,425)	
Industrial development	0	0	0	(30,425)	
Total governmental activities	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (30,425)</u>	
Total government				<u>\$ (30,425)</u>	

Governmental
Activities

Changes in net assets:
Net (expense) revenue \$ (30,425)

General revenues	
Sales Tax	49,158
Interest	3,434
Other revenue	<u>3,344</u>
Total general revenues	<u>55,936</u>
Change in net assets	25,511
Net assets - beginning	<u>374,119</u>
Net assets - ending	<u>\$ 399,630</u>

See accompany notes to the financial statement

LINCOLN COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY
 LINCOLN COUNTY, OKLAHOMA
 BALANCE SHEET - GOVERNMENTAL FUNDS
 DECEMBER 31, 2008 and 2009

	2008 General Fund	2009 General Fund
<u>ASSETS</u>		
Cash and cash equivalents	\$ 59,323	\$ 205,957
Investments	207,758	110,509
Interest receivable	1,067	135
Sales tax receivable	9,755	7,660
Notes receivable	<u>96,216</u>	<u>75,369</u>
 TOTAL ASSETS	 <u>\$ 374,119</u>	 <u>\$ 399,630</u>
 <u>LIABILITIES</u>	 \$ -0-	 \$ -0-
 <u>FUND BALANCES</u>	 <u>\$ 374,119</u>	 <u>\$ 399,630</u>
 TOTAL FUND BALANCES	 <u>\$ 374,119</u>	 <u>\$ 399,630</u>
 TOTAL LIABILITIES AND FUND BALANCES	 <u>\$ 374,119</u>	 <u>\$ 399,630</u>

See accompanying notes to financial statements

LINCOLN COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY
 LINCOLN COUNTY, OKLAHOMA
 STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2008 and 2009

	<u>2008</u> General Fund	<u>2009</u> General Fund
Revenue		
Sales tax	\$ 66,262	\$ 49,158
Interest	9,421	3,434
Other revenue	<u>0</u>	<u>3,344</u>
Total Revenue	<u>\$ 75,683</u>	<u>\$ 55,936</u>
 Expenditures		
Current		
Bank charges	\$ 207	\$ 0
Professional fees	3,550	425
Grant expense	<u>0</u>	<u>30,000</u>
Total expenditures	<u>\$ 3,757</u>	<u>\$ 30,425</u>
Net change in fund balances	71,926	25,511
Fund balances, beginning	<u>302,193</u>	<u>374,119</u>
Fund balances, ending	<u>\$ 374,119</u>	<u>\$ 399,630</u>

See accompanying notes to financial statements

LINCOLN COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008 and 2009

1. ORGANIZATION

The Lincoln County Industrial Development Authority (the "Authority") is a public trust created by the Board of County Commissioners of Lincoln County, Oklahoma, (the "County") December 2, 1968, under provisions of Title 60, Oklahoma Statutes. The Declaration of Trust named the Board of County Commissioners of Lincoln County, Oklahoma, as the beneficiary of the trust. The purposes of the Authority are set forth in the Declaration of Trust.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Significant accounting and reporting policies applied in the preparation of the accompanying financial statements for the year ended December 31, 2008 and 2009, are as follows:

Government-Wide and Fund Financial Statements - The government-wide financial statements include the statement of net assets and the statement of activities. These statements report financial information for the Authority as a whole. Individual funds are not displayed, but the statements distinguish governmental activities, generally supported by taxes and Authority general revenues, from business-type activities, generally financed in whole or in part with fees charged to external customers.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A functional program is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include (1) charges for services which report fees, fines and forfeitures, and other charges to users of the Authority's services; (2) operating grants and contributions which finance annual operating activities including restricted investment income; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets and include fees to developers. These revenues are subject to externally imposed restrictions to these programs uses. Taxes and other revenue sources not properly included with program revenues are reported as general revenues.

Fund Financial Statements - Fund financial statements of the Authority are provided for governmental funds. Major individual governmental funds are reported in separate columns with composite columns for non-major funds.

Measurement Focus and Basis of Accounting - Measurement focus is a term used to describe “how” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

The financial statements of the Authority are prepared in accordance with generally accepted accounting principles (GAAP). The Authority’s reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements and applicable Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements. The Authority’s reporting entity does not apply FASB pronouncements or APB opinions issued after November 30, 1989.

The government-wide statements report using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The Authority considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred.

Major revenue sources susceptible to accrual include: sales taxes and investment income. In general, other revenues and expenses are recognized when cash is received.

Fund Types and Major Funds - The Authority is a special purpose governmental unit. It reports a general fund and no other funds.

Budget - The Authority has not adopted an annual operating budget. Therefore, the budget comparisons are not reported.

Encumbrances - Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriations, is employed in the governmental funds. Encumbrances outstanding at year end are cancelled if not used. Any cancelled encumbrances are added to fund balance.

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

Income Tax Status - The Authority is a political instrumentality of Lincoln County, Oklahoma, and therefore, exempt from income taxes under the *Internal Revenue Code*.

3. CASH AND INVESTMENTS

The Authority's investment policies are governed by state statute. Permissible investments include direct obligations of the United States Government and Agencies; certificates of deposit of savings and loan associations, and bank and trust companies; and savings accounts or savings certificates of saving and loan associations, and trust companies. The Authority considers highly liquid investments with a maturity of two months or less when purchased to be cash equivalents. Collateral is required for demand deposits and certificates of deposit for all accounts not covered by federal deposit insurance. All investments are certificates of deposit.

Deposits and Investments - The Authority's cash deposits and investments at December 31, 2008 and 2009,, were completely insured by federal deposit insurance or collateral. Therefore, the Authority's cash deposits and investments at December 31, 2008 and 2009, were not exposed to Custodial Credit Risk, Investment Credit Risk, Investment Interest Rate Risk, or Concentration of Investment Credit Risk.

4. SALES TAX REVENUES AND RESTRICTED ASSETS

The voters of Lincoln County approved a 1% county wide sales tax beginning January 1, 1999. The sales tax was originally limited to a five year duration. It has since been extended. Two and one-half percent of the revenues to be raised by the sales tax is allocated to economic development. The Lincoln County Treasurer receives these funds from the Oklahoma Tax Commission and allocates the applicable percentage to the Authority. The Treasurer maintains and invests these monies in a pooled cash account and various certificates of deposit in Lincoln County. The balances of these funds are reflected on the statement of net assets as restricted assets.

5. NOTES RECEIVABLE

A non-interest bearing loan in the amount of \$96,216 was made to Rock and Rail, LLC, on November 3, 2008, collateral is a loader. This is part of Wellston, Oklahoma, Industrial Park build out. Repayments are due in 60 monthly installments of \$1,603.60 per payment. Maturity amounts are as follows:

	<u>Balance</u>
12/31/08	\$96,216.00
12/31/09	75,369.20
12/31/10	56,126.00
12/31/11	36,882.80
12/31/12	17,639.60

6. RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions. The Authority is covered for these potential losses with insurance coverage from Lincoln County.

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

Board of Trustees
Lincoln County Industrial Development Authority

I have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Lincoln County Industrial Authority (a component unit of Lincoln County, Oklahoma), as of and for the year ended December 31, 2008 and 2009, which collectively comprise Lincoln County Industrial Authority's basic financial statements, and have issued my report thereon dated November 14, 2011. I conducted my 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 my audits, I considered the Authority's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the 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, 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 on a timely basis.

My 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 deficiencies, significant deficiencies or material weaknesses. I did not identify

any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, 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 my audit and, accordingly, I do not express such an opinion. The results of my 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 of the Board of Trustees, management, grantors, and the State of Oklahoma, and is not intended to be and should not be used by anyone other than these specified parties.



Bill Ford, C.P.A.

November 14, 2011