

Independent Auditor's Report

Lindsay Industrial Development Authority

Year Ending June 30, 2011

LINDSAY INDUSTRIAL DEVELOPMENT AUTHORITY
LINDSAY, OKLAHOMA
June 30, 2011

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INDEPENDENT AUDITOR'S REPORT

To the Trustees of
Lindsay Industrial Development Authority
Lindsay, Oklahoma 73052

Report on the Financial Statements

We have audited the accompanying modified cash basis financial statements of the Lindsay Industrial Development Authority, Lindsay, Oklahoma, as of and for the year ended June 30, 2011, 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 opinions.

Opinions

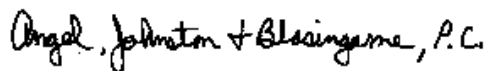
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position-modified cash basis of the Lindsay Industrial Development Authority as of June 30, 2011, and the respective changes in financial position-modified cash basis and cash flows-modified cash basis, thereof for the year then ended in conformity with the 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 December 19, 2013, 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
December 19, 2013

LINDSAY INDUSTRIAL DEVELOPMENT AUTHORITY
STATEMENT OF NET POSITION
MODIFIED CASH BASIS
For the Year Ended June 30, 2011

ASSETS

Current Assets:

Cash and Cash Equivalents	\$ 128,623.26
Current Portion of Loan Receivable	13,662.52
Other Receivable	1,008.60
<i>Total Current Assets</i>	<u>\$ 143,294.38</u>

Noncurrent Assets:

Buildings	800.00
Furniture and Equipment	256.03
Land	140,012.14
Loan Receivables-B&D Farms Candy Co.	27,649.60
<i>Total Noncurrent Assets</i>	<u>\$ 168,717.77</u>

Less: Accumulated Depreciation	<u>1,056.03</u>
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<i>Total Assets</i>	<u><u>\$ 310,956.12</u></u>
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LIABILITIES

Current Liabilities:

Notes Payable	<u>0.00</u>
<i>Total Current Liabilities</i>	<u>0.00</u>

Non Current Liabilities:

Notes Payable	<u>0.00</u>
<i>Total Non Current Liabilities</i>	<u>\$ 0.00</u>

<i>Total Liabilities</i>	<u><u>\$ 0.00</u></u>
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NET POSITION

Net Investment in Capital Assets	140,012.14
Restricted	0.00
Unrestricted	<u>170,943.98</u>
<i>Total Net Position</i>	<u><u>\$ 310,956.12</u></u>

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

LINDSAY INDUSTRIAL DEVELOPMENT AUTHORITY
STATEMENT OF REVENUES AND EXPENSES AND CHANGES IN NET POSITION
MODIFIED CASH BASIS
For the Year Ended June 30, 2011

Operating Revenues:

Loan Interest	\$ 1,457.15
Rent	<u>0.00</u>
Total Operating Revenue	1,457.15

Cost of Goods Sold:

Cost of Land Sales	<u>0.00</u>
Total Gross Income	1,457.15

Operating Expenses:

Professional Fees	1,075.68
Equipment Rent	430.60
Utilities	<u>300.00</u>

Total Operating Expenses	\$ <u>1,806.28</u>
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Net Operating Income (Loss)	\$ (349.13)
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Non-Operating Revenues (Expenses)

Interest Income	174.49
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Total Non-Operating Revenues (Expenses)	\$ <u>174.49</u>
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Change in Net Position	\$ (174.64)
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Net Position-Beginning of Year	\$ <u>311,130.76</u>
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Net Position-End of Year	\$ <u><u>310,956.12</u></u>
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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, 2011

Cash flows from operating activities:

Cash received from loan interest	\$ 1,457.15
Cash received from loan repayments	13,258.69
Cash paid to vendors	<u>(1,806.28)</u>
Net Cash provided (used) by operating activities	12,909.56

Cash flows from capital and related financing activities:

Interest Expense	0.00
Purchase of capital assets	<u>0.00</u>
Net Cash provided (used) by capital & related financing activities	0.00

Cash flows from investing activities:

Interest income	<u>174.49</u>
Net Cash provided (used) by investing activities	174.49

Net Increase (Decrease) in cash and cash equivalents	<u>13,084.05</u>
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Cash & Cash equivalents at beginning of year	<u>115,539.21</u>
Cash & Cash equivalents at end of year	128,623.26

Reconciliation of Operating Income to Net Cash Provided
(used) by Operating Activities

Operating Income	(349.13)
Adjustment to Reconcile Operating Income to Net Cash Provided	
Cost of Lot Sales	
Change in Other Asset	
Change in loan receivables, net	<u>13,258.69</u>
Net Cash Provided (used) by Operating Activities	\$ <u><u>12,909.56</u></u>

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

LINDSAY INDUSTRIAL DEVELOPMENT AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

Note 1 – Summary of Significant Accounting Policies

As discussed further in Note 1.C., these financial statements are presented on the modified cash basis of accounting. The modified cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this note.

1.A. Financial Reporting Entity

Lindsay Industrial Development Authority, Lindsay, Oklahoma was established pursuant to Title 60 of Oklahoma State Law. The purpose of this trust is 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.

Related Organizations

City of Lindsay The Authority, organized in August 27 1966, is a public trust created and established pursuant to the term of Title 60, Oklahoma Statutes 1991, Section 176 et seq.; as amended and supplemented, the Oklahoma Trust Act and other applicable statutes and laws of the State of Oklahoma and the City of Lindsay is the beneficiary of this public trust. The Authority's financials are material to the City of Lindsay, 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. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector.

LINDSAY INDUSTRIAL DEVELOPMENT AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

1.B. Basis of Presentation (continued)

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, agriculture, 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 recorded regardless of the measurement focus applied.

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

- Capital assets are recorded when purchased and related depreciation is recorded.
- Amounts paid out for loans are recorded as assets.

If the Authority utilized the basis of accounting recognized as generally accepted, the financial statements would use the accrual basis of accounting. In other words, revenue would be recognized when earned and expenses would be recorded when the liability is incurred or economic asset used.

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 with maturities of three months or less to be cash and cash equivalents.

Land - The Authority currently owns 7.65 acres of land, located along the abandoned railroad right of way and approximately 25 acres of land at the City of Lindsay airport. 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 companies products. The terms of the agreement state that the interest rate is 3% and payable within 59 months with a final payment of \$61,674.31 due May 25, 2010. Final payment was not made and the Authority refinanced the loan balance, with monthly payments of 1,226.32. The balance of the loan on June 30, 2011 was \$41,312.

LINDSAY INDUSTRIAL DEVELOPMENT AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

1.D. Assets, Liabilities and Net Position (continued)

Notes Payable - Notes Payable to be repaid from the authority resources are reported as liabilities in the balance sheet. The Authority had no notes payable as of the balance sheet date.

Net Position – Net Position is divided into three components:

- 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.

LINDSAY INDUSTRIAL DEVELOPMENT AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

Note 2 – Detailed Notes on Transaction Classes/Accounts

2.A. Cash and Investments

Deposits and Investments - The Authority does not have a written investment policy that limits its investment choices. Investments are in compliance with Oklahoma statutes.

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. However, the Authority's balances did not exceed the \$250,000 FDIC insurance level during the fiscal year.

2.B. Restricted Assets

The Authority does not have any restricted assets.

2.C. Capital Assets

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

Capital Assets not being depreciated:

	Beginning Balance	Increases	Decreases	Ending Balance
Land held for resale	\$ 140,012	\$ 0	\$ 0	\$ 140,012
Total	\$ 140,012	\$ 0	\$ 0	\$ 140,012

Capital Assets being depreciated:

	Beginning Balance	Increases	Decreases	Ending Balance
Building improvements	\$ 800	\$ 0	\$ 0	\$ 800
Equipment	256	0	0	256
Total	\$ 1,056	\$ 0	\$ 0	\$1,056
Accumulated Depreciation	(1,056)	0	0	(1,056)
Total	\$ 0	\$ 0	\$ 0	\$ 0
Total Capital Assets, net	\$ 140,012	\$ 0	\$ 0	\$ 140,012

LINDSAY INDUSTRIAL DEVELOPMENT AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

Note 3 - 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 4 - Commitments and Contingencies.

The Authority is not involved with any legal proceedings, which normally occur in the course of governmental operations at this time. While legal proceedings cannot be foreseen, the Authority feels that any settlement or judgment not covered by insurance would not have a material effect on the financial condition of the Authority.

*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 Trustees
Lindsay Industrial Development Authority
Lindsay, Oklahoma 73052

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 accompanying modified cash basis financial statements of the Lindsay Industrial Development Authority, a component unit of the City of Lindsay, Oklahoma, as of and for the year ended June 30, 2011, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated, December 19, 2013.

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 opinions 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 the 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

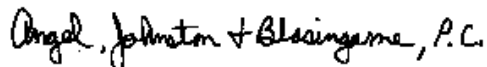
we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Angel, Johnston & Blasingame, P.C.
Chickasha, Oklahoma
December 19, 2013