

AVARD REGIONAL RAIL PARK AUTHORITY
ANNUAL FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

AVARD REGIONAL RAIL PARK AUTHORITY
TABLE OF CONTENTS
YEAR ENDED JUNE 30, 2018

	Page
INTRODUCTORY SECTION:	
Table of Contents	i
FINANCIAL SECTION:	
Independent Auditor's Report	1-2
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 <i>Government Auditing Standards</i>	3-5
Financial Statements:	6
Statement of Assets, Liabilities and Net Position	7
Statement of Revenues and Expenses and Changes in Net Position	8
Statement of Cash Flows	9
Notes to Financial Statements	10-13

Kimberlye R. Mayer, CPA, P.C.

723 West Doolin

Blackwell, OK 74631

(580) 363-1453
Fax (580) 363-0068

Independent Auditor's Report

Board of Directors
Avard Regional Rail Park Authority

Report on the Financial Statements

We have audited the accompanying financial statements of Avard Regional Rail Park Authority which comprise the statement of net position, as of June 30, 2018 and the related statements of revenues, expenses and changes in net position and cash flows for the year then ended, and the related notes to the financial statements.

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. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions 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 *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 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 an 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 financial position of Avard Regional Rail Park Authority as of June 30, 2018; the changes in financial position; and of cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

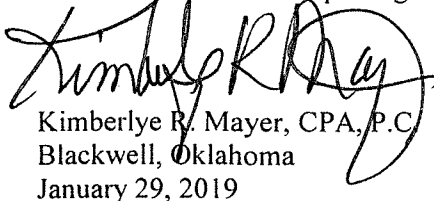
Other Matters

Required Supplementary Information

Avard Regional Rail Park Authority has not presented the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basis 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 basis 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 a report dated January 29, 2019 on our consideration of Avard Regional Rail Park Authority's internal control over financial reporting and on our tests of its compliance with certain laws, regulations, contracts and grants 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* in considering Avard Regional Rail Park Authority's internal control over financial reporting and compliance.

 CPA, PC
Kimberlye R. Mayer, CPA, P.C.
Blackwell, Oklahoma
January 29, 2019

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

Board of Directors
Avarad Regional Rail Park Authority

We have audited the financial statements of Avarad Regional Rail Park Authority as of and for the year ended June 30, 2018 and have issued our report thereon dated January 29, 2019. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Avarad Regional Rail Park 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 Avarad Regional Rail Park Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Avarad Regional Rail Park 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 control deficiencies, in internal control that there is 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a certain deficiency in internal control, described in the accompanying findings and responses that we consider to be a material weakness.

Compliance and Other Matters

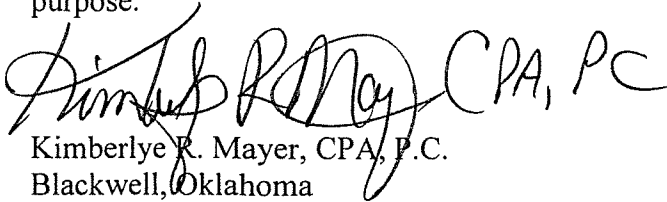
As part of obtaining reasonable assurance about whether Avarad Regional Rail Park Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of 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*.

Response to Findings

Avard Regional Rail Park Authority's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Avard Regional Rail Park Authority's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink, appearing to read "Kimberlye R. Mayer, CPA, P.C.", is written over the typed name and title.

Kimberlye R. Mayer, CPA, P.C.
Blackwell, Oklahoma
January 29, 2019

AVARD REGIONAL RAIL PARK AUTHORITY
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2018

Material Weakness in Internal Control Over Financial Reporting: Inadequate Segregation of Duties:

Criteria: The segregation of duties and responsibilities between different individuals and the reconciliation of those asset accounts is an important control activity needed to adequately protect the entity's assets and ensure accurate financial reporting.

Condition: Presently, the same individual is responsible for all revenues and receiving payments; making and recording deposits; maintaining billing registers; and reconciling the monthly bank statements. Only limited oversight is provided over this individual in the conduct of their daily functions.

Cause: The entity's limited size has made it difficult for management to fully segregate the duties.

Effect or Potential Effect: Without sufficient segregation of duties, the risk significantly increases that errors and/or fraud related to the sales and collection activities, including misappropriation of assets, could occur and not be detected within a timely basis.

Recommendation: The Authority should evaluate the risks associated with the lack of segregation of duties and consider implementing controls that could mitigate these risks.

Board's Response: The Authority has concluded that due to the limited number of personnel, an adequate segregation of duties is not achievable and that the cost of correcting the weakness would exceed the benefits that would be derived from it.

FINANCIAL STATEMENTS

AND

NOTES

AVARD REGIONAL RAIL PARK AUTHORITY
STATEMENT OF ASSETS, LIABILITIES AND NET POSITION
JUNE 30, 2018

ASSETS

Current Assets:	
Cash and cash equivalents (Note 2)	\$ 329,390
Accounts receivable	14,000
Prepaid insurance	15,240
Total Current Assets	358,630
Land and Property (net of accumulated depreciation) (Note 3)	4,708,531
Work in process	
Total Assets	\$ 5,067,161

LIABILITIES AND NET POSITION

Current Liabilities:	
Accounts payable	\$ 47,751
Unearned lease fees	2,083
Notes payable (current portion) (Note 4)	243,936
Total Current Liabilities	293,770
Non-current Liabilities:	
Notes payable, long term (Note 4)	344,816
Total Non-current Liabilities	344,816
Total Liabilities	638,586
Net Position:	
Net investment in capital assets	4,119,779
Unrestricted	308,796
Total Net Position	4,428,575
Total Liabilities and Net Position	\$ 5,067,161

The accompanying report and notes are an integral part of these financial statements.

AVARD REGIONAL RAIL PARK AUTHORITY
STATEMENT OF REVENUES AND EXPENSES AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2018

Operating Revenue:	
Lease income	\$ 65,367
Rail car charges	98,890
Business agreement income	14,800
Other income	69
Total Operating Revenue	179,126
Operating Expense:	
Advertising and promotion	577
Professional fees	3,035
Rail car fees	4,395
Track inspection & repairs	15,250
RV Park expenses	1,921
Office and postage	62
Insurance	27,717
Development expenses	597
Licenses & permits	884
Depreciation	84,059
Total Operating Expense	138,497
Operating Income (Loss)	40,629
Non-Operating Revenue (Expense):	
Sponsorships/donations	1,000
Insurance proceeds	45,205
Donations to WCEDC	(6,000)
Event sponsorship	(1,000)
Woods County tax funds	89,369
Interest expense	(13,601)
Total Non-Operating Revenue (Expense)	114,973
Change in Net Position	155,602
Net Position, beginning of year	4,272,973
Net Position, end of year	\$ 4,428,575

The accompanying report and notes are an integral part of these financial statements.

AVARD REGIONAL RAIL PARK AUTHORITY
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2018

Cash Flows From Operating Activities:	
Cash receipts from customers	\$ 193,689
Other operating cash receipts	
Cash payments to suppliers for goods and services	(124,236)
Net cash provided (used) by operating activities	<u>69,453</u>
Cash flows from non-capital financing activities:	
Cash flows from capital and related financing activities:	
Insurance proceeds	45,205
Loan payments	(233,778)
Interest paid on loans	(13,601)
Woods County tax funds	89,369
Grants and donations to others	(6,000)
Net cash provided (used) by financing activities	<u>(118,805)</u>
Cash flows from investing activities:	
Increase in certificate of deposits	
(Increase) decrease in fixed assets	
Interest on cash and investments	
Net cash provided (used) by investing activities	<u> </u>
Net increase (decrease) in cash and cash equivalents	(49,352)
Beginning cash and cash equivalents	378,742
Ending cash and cash equivalents	<u>\$ 329,390</u>
Reconciliation of income (loss) from operations to net cash provided (used) by operating activities:	
Income (Loss) from operations	\$ 40,629
Adjustments to reconcile income (loss) from operations to net cash provided (used) by operating activities:	
Depreciation	84,059
Changes in assets and liabilities:	
(Increase) decrease in receivables	14,563
(Increase) decrease in prepaid fees	
Increase (decrease) in payables	(69,798)
Net cash provided (used) by operating activities	<u>\$ 69,453</u>

The accompanying report and notes are an integral part of these financial statements.

AVARD REGIONAL RAIL PARK AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Nature of Organization

Avard Regional Rail Park Authority was created under the provisions of Title 60 of the Oklahoma Statutes, 1981, the Oklahoma Trust Act, and the laws of the State of Oklahoma. The purpose of this Authority is to develop a rail served industrial park to expand the economic opportunities and increase the number of good paying jobs in Woods County, Oklahoma for the purpose of retaining and expanding our population and quality of life.

Avard Regional Rail Park Authority is governed by an elected Board of Trustees that acts as the authoritative and legislative body of the entity.

Basis of Accounting

The accounting policies of Avard Regional Rail Park Authority conform to the basic principles of governmental accounting and financial reporting set forth by the Governmental Accounting Standards Board.

Avard Regional Rail Park Authority is classified as an Enterprise Fund. The costs of providing services to the public are financed mainly through user charges. The financial statements of Avard Regional Rail Park Authority have been prepared using the accrual basis of accounting. Their revenues are recognized when they are earned and their expenses are recognized when they are incurred.

Cash and Deposits

Cash is maintained in financial institutions, which provide coverage to depositors through the Federal Deposit Insurance Corporation. At June 30, 2018 the Authority had funds of \$82,425 that were in excess of the FDIC coverage.

The State of Oklahoma allows government entities to invest in the following: direct obligations of the United States Government, its agencies or instrumentalities; collateralized or insured certificates of deposit; insured savings accounts or savings certificates; or county, municipal or school district direct debt.

Income Taxes

As provided in Title 60, Oklahoma Statutes, Avard Regional Rail Park Authority is a tax-exempt public trust; consequently, no provision as been made for income taxes.

Budget

The Authority as a public trust is required by state law to adopt an annual budget.

AVARD REGIONAL RAIL PARK AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

NOTE 2 – CASH AND CASH EQUIVALENTS:

The Avard Regional Rail Park Authority considers all checking and certificates of deposit with a maturity of three months or less to be cash equivalents.

NOTE 3 – PROPERTY AND EQUIPMENT:

Depreciable assets are recorded at cost when purchased or constructed. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not. Depreciation is calculated on a straight-line basis over the estimated useful lives of the depreciable assets. Total depreciation for the year ended June 30, 2018 was \$84,059. The following is a summary by category of changes in property and equipment:

Category	6/30/17	Additions	Deletions	6/30/18
Land	762,000	\$	\$	\$ 762,000
Temporary building	160,000			160,000
Rail Park	4,202,952			4,202,952
Accumulated depreciation	(332,362)	(84,059)		(416,421)
Net	<u>4,792,590</u>	<u>\$ (84,059)</u>	<u>\$</u>	<u>\$ 4,708,531</u>

NOTE 4 – NOTES PAYABLE:

The Woods County Industrial Development Authority (WCIDA) adopted a plan to construct an industrial rail park in Avard, Oklahoma. The WCIDA entered into a series of loan agreements for the purchase of the land and rail infrastructure. On June 11, 2012, the WCIDA transferred these assets to Avard Regional Rail Park Authority (ARRPA) and entered into an agreement with ARRPA whereby ARRPA makes all of the payments on the promissory notes secured by the mortgages on this property. The principal amount of these loans at June 30, 2018 was \$421,250. The annual payments are \$92,500 and began in February 2014 for eight years.

Woods County issued bonds dated July 1, 2011 to provide funds for the Avard Rail Park. The proceeds of these bonds were transferred to ARRPA in August of 2011. Woods County is obligated for the semiannual interest payments beginning in January 2013 and the annual bond payments of \$60,000 beginning in July 2013. ARRPA's board of trustees has agreed to reimburse Woods County for these bonds as they mature. ARRPA has not recorded any indebtedness for these bonds because ARRPA is not under any contractual obligation to repay these funds.

In July 2012, ARRPA entered into a line of credit for \$600,000. In February 2014, this line of credit was replaced with a promissory note which matures in December 2019. The interest rate is 6.25% and the quarterly payments are \$29,465. The balance of this note at June 30, 2018 is \$167,502.

AVARD REGIONAL RAIL PARK AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

NOTE 4 – NOTES PAYABLE (continued):

The following is a summary of the future debt payments for all loans:

	<u>Payments</u>	<u>Principle</u>	<u>Interest</u>
6/30/19	\$ 245,726	\$ 243,936	\$ 1,790
6/30/20	187,863	183,363	4,500
6/30/21	133,316	130,000	3,316
6/30/22	<u>34,233</u>	<u>31,453</u>	<u>2,780</u>
Totals	<u>\$ 601,138</u>	<u>\$ 588,752</u>	<u>\$ 12,386</u>

NOTE 5 – ESTIMATES:

The preparation of financial statements in conformity generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Accordingly, actual results could differ from those estimates.

NOTE 6 – RISK MANAGEMENT:

Avard Regional Rail Park Authority is exposed to various risks of losses related to torts; thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. Avard Regional Rail Park Authority manages this risk through the purchase of commercial insurance policies. Claims are recognized when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. In determining claims, events that might create claims, but for which none have been reported, are considered. Avard Regional Rail Park Authority has had no claims that exceeded its insurance coverage.

NOTE 7 – CONTINGENCIES:

As of June 30, 2018, Avard Regional Rail Park Authority did not have any pending litigation or potential non-disclosed liabilities that management believes would have a material effect on the financial statements.

AVARD REGIONAL RAIL PARK AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

NOTE 8 – FAIR VALUES OF FINANCIAL INSTRUMENTS:

The definition of fair value for financial reporting, establishes a framework for measuring fair value, and requires additional disclosure about the use of fair value measurements in an effort to make the measurement of fair value more consistent and comparable.

Level 1: Quoted prices in active markets for identical securities.

Level 2: Other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment spread and credit risk).

Level 3: Significant unobservable inputs (including the Authority's own assumptions in determining the fair value of investments).

The Authority's financial instruments include cash and cash equivalents, accounts receivable, accounts payable and notes payable. The Authority's estimate of the fair value of all financial instruments does not differ materially from the aggregate carrying value of its financial instruments recorded in the accompanying statement of net position. The carrying amount of these financial instruments approximates fair value because of the short maturity of these instruments.

NOTE 9 – EVALUATION OF SUBSEQUENT EVENTS:

Avard Regional Rail Park Authority has evaluated subsequent events through January 29, 2019, the date which the financial statements were available to be issued.