

WOODS COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY

ANNUAL FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2021

WOODS COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY
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Independent Auditor's Report

Board of Directors
Woods County Industrial Development Authority

Report on the Financial Statements

We have audited the accompanying financial statements of Woods County Industrial Development Authority which comprise the statement of net position, as of August 31, 2021 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 Woods County Industrial Development Authority as of August 31, 2021; 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.

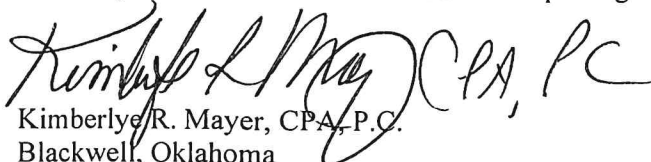
Other Matters

Required Supplementary Information

Woods County Industrial Development 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 June 16, 2022 on our consideration of Woods County Industrial Development 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 Woods County Industrial Development Authority's internal control over financial reporting and compliance.


Kimberley R. Mayer, CPA, P.C.
Blackwell, Oklahoma
June 16, 2022

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
Woods County Industrial Development Authority

We have audited the financial statements of Woods County Industrial Development Authority as of and for the year ended August 31, 2021 and have issued our report thereon dated June 16, 2022. 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 Woods County 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 Woods County Industrial Development Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Woods County Industrial Development 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.

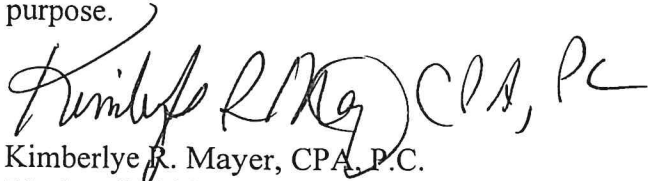
Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any 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 Woods County 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 grants, noncompliance with which could have a direct and material effect on the financial statements. 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 *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 that reads "Kimberlye R. Mayer, CPA, P.C." The signature is written in a cursive style with a large, stylized initial "K".

Kimberlye R. Mayer, CPA, P.C.
Blackwell, Oklahoma
June 16, 2022

FINANCIAL STATEMENTS

AND

NOTES

WOODS COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY
STATEMENT OF NET POSITION
AUGUST 31, 2021

ASSETS

Current Assets:

Operating accounts	\$ 224,698
Certificates of deposit	28,290
Total Cash and Cash Equivalents	252,988

Accounts receivable	2,550
Interest receivable	488
Prepaid insurance	2,572
Notes receivable, current portion (Note 4)	83,609
Total Current Assets	342,207

Notes receivable (Note 4)	451,329
Trust funds	592,382
Property and equipment (net of accumulated depreciation) (Note 3)	314,848

Total Assets	\$ 1,700,766
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LIABILITIES AND NET POSITION

Current Liabilities:

Accounts payable	\$ 939
Prepaid rent	
Notes payable (current portion) (Note 5)	62,609
Total Current Liabilities	63,548

Non-current Liabilities:

Notes payable, long term (Note 5)	451,329
Total Non-current Liabilities	451,329

Total Liabilities	514,877
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Net Position:

Net investment in capital assets	314,848
Restricted for endowment fund	450,000
Unrestricted	421,041
Total Net Position	1,185,889

Total Liabilities and Net Position	\$ 1,700,766
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The accompanying report and notes are an integral part of these financial statements.

WOODS COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY
STATEMENT OF REVENUES AND EXPENSES AND CHANGES IN NET POSITION
YEAR ENDED AUGUST 31, 2021

Operating Revenue:	
Donations and grants	\$ 89,055
Rental income	13,900
Interest on notes	28,167
Rail car fees	2,629
Events income (net)	5,601
Total Operating Revenue	139,352
Operating Expense:	
Payroll contract	44,658
Development fees and promotion	5,203
Office, postage and supplies	212
Insurance	3,045
Land lease	778
Professional fees	3,503
Travel, meetings & conferences	6,824
Telephone	3,665
Dues, subscriptions, & memberships	372
Repairs and maintenance	446
Depreciation	12,401
Interest expense	27,398
Total Operating Expense	108,505
Income (Loss) From Operations	30,847
Non-Operating Revenue (Expense):	
Interest on investments	6,833
Change in Total Non-Operating Revenue (Expense)	6,833
Change in Net Position	37,680
Net Position, beginning of year	1,148,209
Net Position, end of year	\$ 1,185,889

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

WOODS COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY
STATEMENT OF CASH FLOWS
YEAR ENDED AUGUST 31, 2021

Cash Flows From Operating Activities:	
Cash receipts from customers	\$ 42,067
Other operating cash receipts	98,960
Cash payments to suppliers for goods and services	<u>(95,773)</u>
Net cash provided (used) by operating activities	45,254
Cash flows from non-capital financing activities:	
Cash flows from capital and related financing activities:	
Acquisition and construction of capital assets	(15,830)
New loans to others	
New borrowings	
Net cash provided (used) by financing activities	<u>(15,830)</u>
Cash flows from investing activities:	
Interest income	6,833
(Increase) decrease in certificates of deposit	
(Increase) decrease in trust funds	<u>(6,536)</u>
Net cash provided (used) by investing activities	<u>297</u>
Net increase (decrease) in cash and cash equivalents	29,721
Beginning cash and cash equivalents	<u>223,267</u>
Ending cash and cash equivalents	<u><u>\$ 252,988</u></u>
Reconciliation of income (loss) from operations to net cash provided (used) by operating activities:	
Income (Loss) from operations	\$ 30,847
Adjustments to reconcile income (loss) from operations to net cash provided (used) by operating activities:	
Depreciation	12,401
Changes in assets and liabilities:	
(Increase) decrease in receivables	39,077
(Increase) decrease in prepaids	(53)
Increase (decrease) in payables	<u>(37,018)</u>
Net cash provided (used) by operating activities	<u><u>\$ 45,254</u></u>

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

WOODS COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Nature of Organization

Woods County Industrial Development 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 trust is to promote the development of industrial, manufacturing, cultural, and educational activities within and without the territorial limits of Woods County, Oklahoma, and to provide industrial and cultural facilities and additional employment and activities which will benefit and strengthen the culture and economy of Woods County, Oklahoma.

The 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 Woods County Industrial Development Authority conform to the basic principles of governmental accounting and financial reporting set forth by the Governmental Accounting Standards Board.

The 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 the 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.

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, Woods County Industrial Development Authority is a tax-exempt public trust; consequently, no provision as been made for income taxes.

Restricted Assets

Restricted funds are monies, whose use is limited by legal requirements, or restricted by grantor.

Budget

The Authority is required by state law to adopt an annual budget.

WOODS COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2021

Net Position

Net position presents the difference between assets and liabilities in the statement of net position. Net investments in capital assets are reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are legal limitations imposed on their use by Authority legislation or external restrictions by creditors, grantors, laws or regulations of other governments.

NOTE 2 – CASH AND CASH EQUIVALENTS:

The 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 August 31, 2021 was \$12,401. The following is a summary by category of changes in property and equipment:

<u>Category</u>	<u>8/31/20</u>	<u>Additions</u>	<u>Deletions</u>	<u>8/31/21</u>
Land and easements	\$	\$	\$	\$
Buildings and improvements	477,481			477,481
Equipment	3,118			3,118
Website development	7,025	15,830	(7,025)	15,830
Accumulated depreciation	<u>(176,205)</u>	<u>(12,401)</u>	<u>7,025</u>	<u>(181,581)</u>
Net	<u>\$ 311,419</u>	<u>\$ 3,429</u>	<u>\$</u>	<u>\$ 314,848</u>

NOTE 4 – NOTES RECEIVABLE:

The Authority has extended a line of credit to Barton Investment Group Manufacturing, LLC for \$100,000. This line of credit carries an interest rate of 3½% and matured December 12, 2009. This line of credit was transferred to a promissory note dated November 16, 2009 and matured December 12, 2010. The promissory note was amended on March 2, 2012, to allow the borrower to make monthly principal payments of \$1,000 and annual interest payments until the note is paid off. No principle payments were made during fiscal year ended August 31, 2021. The balance of this note receivable was \$21,000 at August 31, 2021.

WOODS COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2021

NOTE 4 – NOTES RECEIVABLE (continued):

The Authority has a promissory note with Value Added Products. This promissory note corresponds with a note payable to Alva State Bank (see Note 5). The note carried an interest rate of 7½% and matured 11/01/12. The monthly payments were \$9,475. This note was rewritten on November 1, 2009 with an interest rate of 3¼%, monthly payments of \$7,260 and a maturity date of 11/01/21. On August 24, 2015, this note was rewritten with an additional \$276,084 borrowed. The new interest rate is 5% and the monthly payments are \$7,200. The note matures on March 1, 2028. The balance of this note receivable was \$513,938 at August 31, 2021.

NOTE 5 – NOTES PAYABLE:

The Authority entered into a note agreement with Alva State Bank and used real estate as collateral. Through a promissory note, the Authority loaned this money to Value Added Products (see Note 4). This note carries an interest rate of 7½% and matures 11/01/12. The monthly payments are \$9,475. This note was rewritten on November 1, 2009 with an interest rate of 3¼%, monthly payments of \$7,260 and a maturity date of 11/01/21. Principle payments made during the year ended August 31, 2016 were \$54,883. On 8/24/15, this note was rewritten and an additional \$276,084 was borrowed. The new interest rate is 5% and the monthly payments are \$7,200. The note matures March 1, 2028. The balance of this note at August 31, 2021 was \$513,938.

The following is a summary of future debt payments:

<u>Year Ending</u>	<u>Payments</u>	<u>Principal</u>	<u>Interest</u>
8/31/22	\$ 86,400	\$ 62,609	\$ 23,791
8/31/23	86,400	65,111	21,289
8/31/24	86,400	68,442	17,958
8/31/25	86,400	71,944	14,456
8/31/26	86,400	75,625	10,775
8-31/27-8/31/28	180,000	170,207	9,793
Net	<u>\$ 612,000</u>	<u>\$ 513,938</u>	<u>\$ 98,062</u>

WOODS COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY
 NOTES TO FINANCIAL STATEMENTS
 YEAR ENDED AUGUST 31, 2021

NOTE 5 - NOTES PAYABLE (continued):

Conduit Debt

Woods County Industrial Development Authority has the following conduit debt outstanding at August 31, 2021:

	<u>Original Issue</u>	<u>Outstanding 8/31/21</u>
Lease Financing:		
Northwest Technology Center	\$4,000,000	\$
Alva Golf & Country Club	\$ 42,266	\$
Alva Golf & Country Club	\$ 63,300	\$

Conduit debt is debt that is considered non-commitment debt to the Authority since debt payments are made solely by the Northwest Technology Center School and the Alva Golf & Country Club. Payments are made directly by these entities to the banks. In the event of default by either of these entities, the Authority has no obligation in substance to make any payments on the debt since the lease receivable and the financing agreements on the properties with these entities are the only security for the debt. As a result of the non-commitment determination, the Authority's indebtedness and related receivable from these entities is not recorded in the financial statements.

NOTE 6 – 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 7 – RISK MANAGEMENT:

The 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. The 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. The Authority has had no claims that exceeded its insurance coverage.

WOODS COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2021

NOTE 8 – CONTINGENCIES:

As of August 31, 2021, the Authority did not have any pending litigation or potential non-disclosed liabilities that management believes would have a material effect on the financial statements.

The Authority adopted a plan for an Industrial Rail Park in Avard, Oklahoma. The total cost of this project is \$6,880,000. To fund this project, the Authority has obtained a loan commitment of \$2,250,000, a grant commitment from a Trust of \$600,000, and an in-kind commitment from the county of \$250,000. The Authority has submitted other federal and state grant applications for additional funds. On February 21, 2012 the Authority entered into four promissory notes for the purchase of land for the Industrial Rail Park. The funds borrowed totaled \$1,040,000. On June 11, 2012 the Authority transferred this land by fee simple title to the Avard Regional Rail Park Authority (ARRPA), and entered into an agreement whereby the ARRPA agrees to make all payments and to comply with all requirements in accordance with the above promissory notes on behalf of the Authority. ARRPA paid these notes off during their fiscal year ending Jun 30, 2021. In this agreement, the ARRPA shall also be responsible for payment of all taxes and assessments and shall maintain the property in good repair and condition. Because this land and the related debt were transferred to ARRPA, these assets and liabilities have not been recorded in the Authority's financial statements.

NOTE 9 – 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 statements include cash and cash equivalents, certificates of deposit, notes 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 10 – EVALUATION OF SUBSEQUENT EVENTS:

The Authority has evaluated subsequent events through June 16, 2022, the date which the financial statements were available to be issued.