

Avard Regional Rail Park Authority

Independent Auditor's Report and Financial Statements

Year Ended June 30, 2023



Avard Regional Rail Park Authority
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For the year ended June 30, 2023

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Avard Regional Rail Park Authority

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the business-type activities of the Avard Regional Rail Park Authority, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Avard Regional Rail Park Authority's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Avard Regional Rail Park Authority, as of June 30, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Avard Regional Rail Park Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Avard Regional Rail Park Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

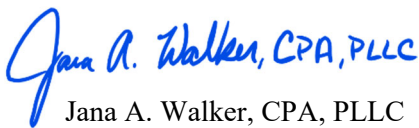
We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Management has omitted the management discussion and analysis 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. Our opinions on the basic financial statements are not affected by this missing information.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 2, 2024, on our consideration of the Avard Regional Rail Park 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 solely 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 effectiveness of the Avard Regional Rail Park Authority's 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.



Jana A. Walker, CPA, PLLC
Woodward, Oklahoma
July 2, 2024

Avard Regional Rail Park Authority
Statement of Net Position
June 30, 2023

ASSETS	
Current Assets:	
Cash & cash equivalents (Note 2)	\$ 272,414
Certificate of Deposit	201,600
Accounts Receivable	-
Prepaid Insurance	15,764
Total Current Assets:	<u>489,778</u>
Non-Current Assets (Note 3):	
Land	762,000
Property & Equipment, net	3,433,642
Work in Progress	51,370
	<u>4,247,012</u>
Total Assets	<u><u>\$ 4,736,790</u></u>
LIABILITIES AND NET POSITION	
Current Liabilities:	
Accounts Payable	\$ -
Total Current Liabilities	<u>-</u>
Non-Current Liabilities:	
Total Non-Current Liabilities	<u>-</u>
Total Liabilities	<u><u>-</u></u>
Net Position	
Net Investment in Capital Assets	813,370
Restricted for Economic Development	53,270
Unrestricted	3,870,150
Total net position	<u><u>4,736,790</u></u>
Total Liabilities and Net Position	<u><u>\$ 4,736,790</u></u>

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
For the year ended June 30, 2023

Operating revenues:	
Lease Income	\$ 41,903
Total Operating Revenues	<u>41,903</u>
Operating Expenses	
Advertising and Promotion	96
Professional Fees	84,360
Track Inspections & Repairs	450
RV Park Expenses	1,626
Office and Postage	78
Insurance	29,104
Development Expenses	1,292
Other Expenses	353
Depreciation	92,059
Total Expenses	<u>209,418</u>
Operating income (Loss)	<u>(167,515)</u>
Non-Operating Revenue (Expense)	
Grant Funds	24,000
Woods County Tax Funds	112,011
Interest Income	1,600
Donations to WCEDC	(6,000)
Total Non-Operating Revenue (Expense)	<u>131,611</u>
Change in net position	(35,904)
Net position at beginning of year	<u>4,772,694</u>
Net position at end of year	<u><u>\$ 4,736,790</u></u>

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

Avard Regional Rail Park Authority
Statement of Cash Flows
For Year Ended June 30, 2023

Cash Flows from Operating Activities:

Cash Received from Customers	\$ 39,820
Other Operating Cash Receipts	-
Cash Payments to Suppliers for Goods and Services	(117,435)
Net Cash Provided (Used) by Operating Activities:	<u>(77,615)</u>

Cash Flows from Non-Capital Financing Activities:

Cash Flows from Capital and Related Financing Activities:

Woods County Tax Funds	112,011
Grants and Donations to Others	18,000
Net Cash Provided (used) by Financing Activities	<u>130,011</u>

Cash Flows from Investing Activities:

Purchase of Fixed Assets	-
Interest on Cash and Investments	1,600
Purchase of Investments	(1,600)
Net Cash Provided (used) by Investing Activities	<u>-</u>

Net Increase (Decrease) in Cash and Cash Equivalents	52,396
Cash balance, beginning of year	\$ 220,018
Cash balance, end of year	<u>\$ 272,414</u>

Reconciliation of Operating Income (Loss) to

Net Cash Provided (Used) by Operating Activities:

Income (Loss) from Operations	\$ (167,515)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation	92,059
Change in assets and liabilities:	
(Increase) Decrease in Receivables	-
(Increase) Decrease in Prepaid Fees	(76)
Increase (Decrease) in Unearned Lease	(2,083)

Net cash provided by operating activities	<u>\$ (77,615)</u>
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The accompanying report and notes are an integral part of these financial statements

NOTE 1 –SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Nature of Organization

The Avard Regional Rail Park Authority (the “Authority”) was created in 2011 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.

The Authority is governed by an elected Board of Trustees that acts as the authoritative and legislative body of the entity.

Measurement Focus, Basis of Accounting, and Presentation

The accompanying financial statements have been prepared on an accrual basis of accounting in compliance with generally accepted accounting principles (GAAP). The accounting policies of the Authority confirm the basic principles of governmental accounting and financial reporting set forth by the Governmental Accounting Standards Board. 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.

Measurement Focus

For financial reporting purposes, the Authority is considered a special-purpose government engaged only in business-type activities. Accordingly, the Authority’s financial statements have been presented using the economic resources measurement focus. The accounting objective of the economic resource measurement focus is the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent, financial or nonfinancial) associated with the Authority’s activities are reported.

Basis of Accounting

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.

Avard Regional Rail Park Authority
Notes to Financial Statements
For the year ended June 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-(Continued):

Cash and Cash Equivalents

For the purposes of the Statement of Cash Flows, the Authority considers all unrestricted accounts and deposits with a maturity of three months or less to be cash equivalents.

Custodial Credit Risk Deposits – 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’s cash deposits are maintained by the trustee bank’s trust department and are covered by FDIC insurance.

Interest Rate Risk – This is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Authority does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Public trusts created under O.S. Title 60 are primarily governed by any restrictions in their trust or bond indentures. For the year ended June 30, 2023, the Authority complied, in all material respects, with these investment restrictions.

The deposits and investments held at June 30, 2023, are as follows:

Type	Maturity Date	Credit Rating	Market Value	Cost
Cash Deposits	N/A	N/A	\$ 272,414	\$ 272,414
Investments	N/A	N/A	201,600	201,600
Total Deposits and Investments			<u>\$ 474,014</u>	<u>\$ 474,014</u>

Income Tax

As provided in Title 60, Oklahoma Statutes, the Authority is a tax-exempt public trust; consequently, no provision has been made for income taxes.

Budget

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-(Continued):

Equity Classifications

Net position is displayed in three components:

- a. Net investment in capital assets – The amount restricted consists of capital assets included restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net position – Consists of net position 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 remaining net position that does not meet the definition of “restricted”

The Authority applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Fair Value Measurement

Level 1- Inputs to the value methodology are quoted prices available in active markets for identical investments as of the reporting date.

Level 2- Inputs to the valuation methodology are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value can be determined through the use of model or other valuation methodologies; and

Level 3- Inputs to the valuation methodology are unobservable inputs in situations where there is little or no market activity for the asset or liability and the reporting entity makes estimates and assumptions related to the pricing of the asset or liability including assumptions regarding risk.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-(Continued):

Fair value is a market-based measure, based on assumptions of prices and inputs considered from the perspective of a market participant that are current as of the measurement date, rather than an entity-specific measure. Therefore, even when market assumptions are not readily available, the Authority's own assumptions are set to reflect those that market participants would use in pricing the asset or liability at the measurement date. The availability of valuation techniques and observable inputs can vary from investment to investment and are affected by a wide variety of factors, including the type of investment, whether the investment is new and not yet established in the marketplace, the liquidity of markets, and other characteristics particular to the transaction. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Because of the inherent uncertainty of valuation, those estimated values may be materially higher or lower than the values that would have been used had a ready market for the investments existed. Accordingly, the degree of judgment exercised by the Authority in determining fair value is greatest for investments categorized in Level 3. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the level in the fair value hierarchy in which the fair value measurement falls in its entirety is determined based on the lowest level input that is significant to the fair value measurement.

Investments

In accordance with FASB Accounting Standards Codification No. 958-302, investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair value in the statement of financial position. Net unrealized and realized gains and losses on investments are included in the statements of activities as changes in unrestricted net assets.

Classification of Revenues

Operating revenues include activities that have the characteristics of exchange transactions; such as sales and services. Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as gifts and contributions and other revenue sources that are defined as nonoperating revenues by GASB No. 9 Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting, and GASB No. 34, such as state appropriations, governmental and other pass-through grants, and investment income.

Estimates

The preparation of financial statements in conformity with 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

Avard Regional Rail Park Authority
Notes to Financial Statements
For the year ended June 30, 2023

NOTE 2 – CASH AND CASH EQUIVALENTS:

For the purposes of the financial statements, cash equivalents consist of deposits in checking accounts. As of June 30, 2023, the Authority held a cash balance of \$272,414. A credit risk exists when deposits held at a financial institution are in excess of FDIC insured amounts of \$250,000. The Authority has \$22,414 in uninsured deposits as of June 30, 2023.

NOTE 3– PROPERTY, PLANT & 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 depreciated. Depreciate is calculated on a straight-line basis over the estimated useful lives of the depreciable assets. The total depreciation for the year ended June 30, 2023 was \$92,059. The Authority had a temporary building that was significantly damaged and determined unusable. During the year ended June 30, 2019, the Authority calculated and recorded an impairment loss of \$60,594 on this property. The following is a summary by category of changes in property and equipment:

	Balance June 30, 2022	Deletions	Additions	Balance June 30, 2023
Fixed Assets:				
Land	\$ 762,000	\$ -	\$ -	\$ 762,000
Rail Park	4,202,952	-	-	4,202,952
Less: Accumulated Depreciation	(714,503)	-	(84,059)	(798,562)
	<u>4,250,449</u>	<u>-</u>	<u>(84,059)</u>	<u>4,166,390</u>
Clearspan Building	160,000	-	-	160,000
Less Accumulated Depreciation	(122,748)	-	(8,000)	(130,748)
	<u>37,252</u>	<u>-</u>	<u>(8,000)</u>	<u>29,252</u>
Total Property & Equipment	<u>\$ 4,287,701</u>	<u>\$ -</u>	<u>\$ (92,059)</u>	<u>\$ 4,195,642</u>

NOTE 4 – RESTRICTED FUNDS:

The Authority has restricted \$53,270 for future development of the rail park to be used as needed to recruit new business.

NOTE 5 – CONTINGENCIES:

The nature of the Authority’s business may result in claims and litigation alleging that the Authority is liable for damages arising from the conduct of its employees or others. In the opinion of management, there are no pending legal proceedings that would have a material effect on the financial position or results of operations of the Authority.

NOTE 6 – 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; and 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 – EVALUATION OF SUBSEQUENT EVENTS:

Management has evaluated subsequent events through July 2, 2024, and believes that there are no subsequent events that are not disclosed which would be required. July 2, 2024 is the date that the financial statements were available to be issued.

SUPPLEMENTAL INFORMATION

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 Directors
Avard Regional Rail Park Authority

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 financial statements the business-type activities of Avard Regional Rail Park Authority, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Avard Regional Rail Park Authority's basic financial statements, and have issued our report thereon dated July 2, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Avard Regional Rail Park Authority's internal control over financial reporting (internal control) as a basis for designing 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 Avard Regional Rail Park Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of Avard 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 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 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.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Avard Regional Rail Park Authority's financial statements are free from 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 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2023-001.

City of X, State Y's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Avard Regional Rail Park Authority's response to the findings identified in our audit and described in the accompanying schedule of findings and responses. The Avard Regional Rail Park Authority's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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



Jana A. Walker, CPA, PLLC
Woodward, Oklahoma
July 2, 2024

**Avard Regional Rail Park Authority
Schedule of Findings and Responses
Year Ended June 30, 2023**

FINDING 2023-001 Uncollateralized Funds

Condition: At year end, the Authority had \$22,414 in uninsured deposits.

Criteria: In accordance with Oklahoma State Statute 62 O.S. § 511-516 public fund deposits cannot exceed the federal insurance limit unless secured by acceptable collateral.

Cause: Management override of control

Effect or Potential Effect: State Statute Violation

Recommendation: Pledge assets for collateral or separate bank accounts to be insured under the FDIC limit.

Response: Since year end, management has made arrangements with financial institutions to ensure all funds are insured.