

**TILLMAN COUNTY INDUSTRIAL
AUTHORITY**
(A Component Unit of Tillman County)

Annual Financial Statements
With Independent Auditor's
Reports

For The Fiscal Year Ended
June 30, 2023

Tillman County Industrial Authority
Frederick, Oklahoma
(A Component Unit of Tillman County)
Year Ended June 30, 2023

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Independent Auditor's Report

To the Board of Trustees
Tillman County Industrial Authority
Frederick, Oklahoma

Opinion

We have audited the accompanying financial statements of the Tillman County Industrial Authority (the Authority), a component unit of Tillman County, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the 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 financial position of the Tillman County Industrial Authority as of June 30, 2023, and the changes in financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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 Tillman County Industrial 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 opinion.

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 Tillman County Industrial 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 opinion. 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 Tillman County Industrial 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 Tillman County Industrial 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 along with the budgetary comparison information that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. 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 our report dated August 16, 2023, 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 solely to describe the scope of our testing of internal control of financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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 the Authority's internal control over financial reporting and compliance.

Criswell CPA, PLLC

Criswell CPA, PLLC
Duncan, OK
August 16, 2023

Tillman County Industrial Authority
Frederick, Oklahoma
(A Component Unit of Tillman County)

Financial Statements

Statement of Net Position
June 30, 2023

Assets

Current Assets

Restricted Cash and Cash Equivalents	\$ 880,455	
Lease Purchase Receivable, Current Portion	1,355,000	
Total Current Assets		2,235,455

Noncurrent Assets

Lease Purchase Receivable, net of Current Portion	3,510,000	
Improvements to Facilities	10,633,627	
Total Noncurrent Assets		14,143,627

Total Assets

16,379,082

Liabilities

Current Liabilities

Bonds Payable, Current Portion	1,355,000	
Interest Payable	53,016	
Total Current Liabilities		1,408,016

Long-Term Liabilities

Bonds Payable, Long-Term Portion	3,510,000	
Total Long-Term Liabilities		3,510,000

Deferred Inflows of Resources

Deferred Lease Purchase	10,700,000	
Total Deferred Inflows of Resources		10,700,000

Net Position

Invested In Capital Assets, Net of Related Debt	5,768,627	
Restricted	(5,007,561)	
Total Net Position		761,066

Total Net Position

\$ 16,379,082

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

Tillman County Industrial Authority
Frederick, Oklahoma
(A Component Unit of Tillman County)

Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended June 30, 2023

Operating Revenues		
Rental Income	\$ 35,000	
Total Operating Revenues		35,000
Operating Expenses		
Trustee Fees	8,500	
Professional Fees	5,324	
Total Operating Expenses		13,824
Net Income (Loss) from Operations		21,176
Non-Operating Revenue (Expense)		
Federal Interest Subsidy	82,483	
Interest Lease Payments	130,478	
Investment Earnings	17,182	
Interest Expense	(211,854)	
Total Non-Operating Revenue (Expense)		18,289
Net Income (Loss)		39,465
Net Position, Beginning of Year		721,601
Net Position, End of Year		\$ 761,066

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

**Tillman County Industrial Authority
Frederick, Oklahoma
(A Component Unit of Tillman County)**

**Statement of Cash Flows
For the Year Ended June 30, 2023**

Cash Flows from Operating Activities		
Rental Payments Received	\$ 35,000	
Trustee and Professional Fees Paid	<u>(13,824)</u>	
Net Cash Provided by Operating Activities		21,176
Cash Flows from Investing Activities		
Interest Received from Investments	<u>17,182</u>	
Net Cash Provided by Investing Activities		17,182
Cash Flows from Capital and Related Financing Activities		
Interest Lease Purchase Received	130,478	
Federal Interest Subsidy Received	82,483	
Note Principal Paid	(4,403)	
Interest on Debt Paid	<u>(227,268)</u>	
Net Cash Used by Financing and Capital Activities		<u>(18,710)</u>
Net Increase (Decrease) in Cash and Cash Equivalents		19,648
Cash and Cash Equivalents at Beginning of Year		<u>860,807</u>
Cash and Cash Equivalents at End of Year		<u><u>\$ 880,455</u></u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities		
Net Income (Loss) from Operations	<u>\$ 21,176</u>	
Net Cash Provided by Operating Activities		<u><u>\$ 21,176</u></u>

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

Tillman County Industrial Authority
Frederick, Oklahoma
(A Component Unit of Tillman County)

Notes to the Financial Statements
June 30, 2023

Note 1 – Organization and Significant Accounting Policies

Reporting Entity

The Tillman County Industrial Authority (the Authority) was established on June 3, 1968, as a public trust for the use and benefit of the Beneficiary for the public purposes hereinafter set forth, under the provisions of Title 60, Oklahoma Statutes 2001, Sections 176 to 180.4, inclusive, as amended and supplemented, the Oklahoma Trust Act and other applicable statutes and laws of the State of Oklahoma. The Authority's purposes are to furnish services and facilities, to promote local industry and its expansion, cultural and educational activities, and to provide, or aid in providing funds for financing, acquiring, and constructing physical properties and facilities, or aid in providing to the beneficiary and needed facilities and services. The Authority is empowered to borrow money for the purpose of fulfilling its functions and to pledge properties and the revenue wherefrom as security for money borrowed. The Authority is exempt from federal and state income taxes.

The trustees of the Authority are appointed by the Tillman County Board of Commissioners to three-year terms. As the governing body of the Authority is appointed by the Tillman County Board of Commissioners, this element of control requires the Authority to be considered a component unit of Tillman County.

Basis of Accounting

The financial statements of the Authority are prepared in accordance with generally accepted accounting principles (GAAP) of the United States of America. The Authority is considered a governmental entity as defined by the Governmental Accounting Standards Board (GASB) and applies all relevant GASB pronouncements.

The Authority's operations are considered proprietary in nature and therefore the Authority has adopted a reporting framework similar to that of proprietary type funds. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Authority's enterprise fund are Rental Income. Operating expenses include Trustee and Professional Fees. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. GAAP for proprietary fund types are generally those applicable to similar businesses in the private sector; the measurement focus is on the determination of net income, financial position, and cash flows. All assets, liabilities, equities, revenues, expenses, and transfers relating to the government's business, including fixed assets and debt are accounted for in a single proprietary fund rather than a series of funds and account groups.

Cash and Cash Equivalents

Holdings of highly liquid investments, excluding restricted assets, with original maturities of three months or less are considered cash equivalents.

Tillman County Industrial Authority
Frederick, Oklahoma
(A Component Unit of Tillman County)

(Organization and Significant Accounting Policies – Continued)

Fair Value of Financial Instruments

The Authority's financial statements include cash and short-term investments. The carrying amount of these financial instruments approximates fair value because of the short maturity of these instruments. Accordingly, the Authority's fair value estimates do not differ materially from the carrying values reflected in the financial statements.

Restricted Assets

Restricted assets include cash and investments of the proprietary fund that are legally restricted as to their use. Financial requirements of the bond indentures require that funds be held in a bond fund which is comprised of the repair and replacement fund, reserve account, interest account, principal account, revenue account and cash management account. Under the terms and provisions of the indenture, these funds are maintained with the Trustee bank and are not subject to lien or attachment by any other creditors. These funds are to be maintained so long as the bonds are outstanding.

Capital Assets

Capital assets consist of Improvements to Facilities and will remain a non-depreciable asset until the lease obligation is fulfilled and title is transferred to the lessee.

Accrued Interest Payable

Interest payments on the Public Facilities Financing Program Refunding Bonds, Series 2011 are due semi-annually on May 1 and November 1 each year until maturity. Interest payments on the Frederick Public School Facility Financing Bonds, Series 2011A and the Tipton Public Schools Project, Series 2019 are due semi-annually on March 1 and September 1 each year until maturity. Series 2011A bonds are subsidized by the Federal government and Frederick Public Schools is responsible for any difference between the subsidy and debt service requirement.

Long-Term Obligations

Long-term debt is reflected as a liability on the Authority's Statement of Net Position. Debt issuance costs are expensed in the period they are incurred.

Deferred Lease Purchase

The Authority entered into lease agreements with the Tillman County Law Enforcement Center Trust Authority, Frederick Public School, and Tipton Public School. The bond proceeds were used for new construction or improvements to the lessee's facilities. These assets are being sold to the lessees through a lease agreement.

Tillman County Industrial Authority
Frederick, Oklahoma
(A Component Unit of Tillman County)

(Organization and Significant Accounting Policies – Continued)

Equity Classifications

Equity is classified as Net Position and is displayed in three components:

- a) Invested in capital assets, net of related debt: Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any mortgages, notes, or other borrowings attributable to the acquisition, construction or improvement 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 or regulations of other governments or 2) law through constitutional provisions or enabling legislation.
- c) Unrestricted net position: All net position that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Note 2 – Concentrations of Credit Risk

Financial instruments that potentially subject the Authority to concentrations of credit risk consist principally of cash and short-term investments (maturities less than three months). The Authority maintains cash in accounts with high quality, federally insured banks.

The Authority's cash deposits, certificates of deposits, and investments at June 30, 2023, are classified as follows:

Tillman County Industrial Authority
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(Concentrations of Credit Risk – Continued)

	Credit Risk	Total Deposits	Insured by FDIC	Uncollateralized
Cash Management Account	31%	\$ 274,065	\$ 250,000	\$ 24,065
Reserve Account	30%	263,544	250,000	13,544
Bancfirst Checking Account	15%	128,335	128,335	-
Revenue Account	14%	119,491	119,491	-
Repair and Replace Account	5%	45,610	45,610	-
Debt Service Account - FPS	5%	41,954	41,954	-
Working Capital - TPS	0%	3,621	3,621	-
Rebate Account - FPS	0%	2,213	2,213	-
Debt Service Account - TPS	0%	1,621	1,621	-
Interest Account	0%	1	1	-
Total	<u>100%</u>	<u>\$ 880,455</u>	<u>\$ 842,846</u>	<u>\$ 37,609</u>

Investment Interest Rate Risk: The Authority does not have a formal investment policy that limits investment maturities as a means of management its exposure to fair value losses arising from increasing interest rates.

Investment credit Risk: The Authority has no policy that limits its investment choices.

Concentration of Investment Credit Risk: The Authority places no limit on the amount it may invest in any one issuer.

Note 3 - Capital Assets

There were no changes in capital assets for the year ended:

	Balance June 30, 2022	Additions	Disposals	Balance June 30, 2023
Frederick School Building	\$ 6,003,652	\$ -	\$ -	\$ 6,003,652
Correctional Facility Building	3,425,866	-	-	3,425,866
Tipton School Improvement	1,204,109	-	-	1,204,109
Total Net Fixed Assets	<u>\$ 10,633,627</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,633,627</u>

Tillman County Industrial Authority
Frederick, Oklahoma
(A Component Unit of Tillman County)

Note 4 – Long-Term Debt

Oklahoma Development Finance Authority Public Facilities Financing Program Revenue Refunding Bonds Series 2011. On March 10, 2011, the trustees of the Authority authorized the issuance of indebtedness to refund bonds previously issued for the construction and equipping of a correctional facility to be leased by the Tillman County Law Enforcement Trust Authority. The bonds mature serially with the initial maturity having been on November 1, 2011, and a final maturity November 1, 2034. The bonds currently bear interest at the rate of 4.75% per annum. The unpaid principal balance of the bonds at June 30, 2023, is \$2,040,000. A summary is presented below:

	Principal	Interest	Total
11/1/2023	\$ 135,000	\$ 50,825	\$ 185,825
5/1/2024	-	47,619	47,619
11/1/2024	140,000	47,619	187,619
5/1/2025	-	44,294	44,294
11/1/2025	145,000	44,294	189,294
5/1/2026	-	40,850	40,850
11/1/2026	155,000	40,850	195,850
5/1/2027	-	37,169	37,169
11/1/2027	165,000	37,169	202,169
5/1/2028	-	33,250	33,250
11/1/28 - 11/1/34	1,300,000	238,413	1,538,413
Total	<u>\$ 2,040,000</u>	<u>\$ 662,350</u>	<u>\$ 2,702,350</u>

Oklahoma Development Finance Authority Frederick Public School Facility Financing Bonds Series 2011A. The trustees of the Authority authorized the issuance of indebtedness to construct a facility to be leased to Frederick Public Schools, Frederick, Oklahoma. The debt matures on September 1, 2025, and bears interest of 4.5% per annum. The unpaid principal balance at June 30, 2023, was \$1,835,000. A summary is presented below:

	Principal	Interest	Total
9/1/2023	\$ 910,000	\$ 41,242	\$ 951,242
3/1/2024	-	20,790	20,790
9/1/2024	-	20,790	20,790
3/1/2025	-	20,790	20,790
9/1/2025	925,000	20,790	945,790
Total	<u>\$ 1,835,000</u>	<u>\$ 124,400</u>	<u>\$ 1,959,400</u>

Tillman County Industrial Authority
Frederick, Oklahoma
(A Component Unit of Tillman County)

(Long-Term Debt – Continued)

Oklahoma Development Finance Authority Educational Facilities Lease Revenue Bonds (Tipton Public Schools Project) Series 2019. The trustees of the Authority authorized the issuance of indebtedness to construct improvements to be leased to Tipton Public Schools, Tipton, Oklahoma. The debt matures on September 1, 2027, and bears interest of 2.6% per annum. The unpaid principal balance at June 30, 2023, was \$990,000. A summary is presented below:

	Principal	Interest	Total
9/1/2023	\$ 310,000	\$ 12,870	\$ 322,870
3/1/2024	-	8,840	8,840
9/1/2024	-	8,840	8,840
3/1/2025	-	8,840	8,840
9/1/2025	330,000	8,840	338,840
3/1/2026	-	4,550	4,550
9/1/2026	-	4,550	4,550
3/1/2027	-	4,550	4,550
9/1/2027	350,000	4,550	354,550
Total	<u>\$ 990,000</u>	<u>\$ 66,430</u>	<u>\$ 1,056,430</u>

Note 5 – Changes in Long-Term Debt

Long-term debt is comprised of bonds payable. A summary of changes is presented below:

	Balance June 30, 2022	Proceeds	Payments	Balance June 30, 2023	Due within One Year
LEC 2011	\$ 2,170,000	\$ -	\$ 130,000	\$ 2,040,000	\$ 135,000
FPS 2011A	1,835,000	-	-	1,835,000	910,000
TPS 2019	990,000	-	-	990,000	310,000
Total Bonds Payable	<u>\$ 4,995,000</u>	<u>\$ -</u>	<u>\$ 130,000</u>	<u>\$ 4,865,000</u>	<u>\$1,355,000</u>

Note 6 – Lease Purchase Agreement (Sub Lease)

The Authority has commitments with the school districts to lease the additions and improvements to the school buildings. The Authority receives semi-annual rent payments from Frederick Public Schools and Tipton public Schools in the amounts of \$10,000 and \$1,500 respectively.

The Authority has a commitment from Tillman County Law Enforcement Center Trust Authority to lease the additions and improvements to the correctional facility. The authority receives a monthly rent payment in the amount of \$1,000.

Tillman County Industrial Authority
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Note 7 – Capital Lease Agreement (Ground Lease)

The Authority has entered into an agreement to lease the additions and improvements to the school buildings and correctional facility. Such agreements are, in substance, purchases (capital leases) and are reported as capital lease obligations. Upon fulfilling the lease obligation, the Authority agrees to execute and deliver to the schools a deed or bill of sale, as appropriate, to convey legal title to the additions and improvements to the school buildings. A Summary of future lease payments is presented below:

Year Ending June 30	Law Enforcement Center	Frederick Public Schools	Tipton Public Schools	Total
2024	\$ 236,650	\$ 883,800	\$ 350,642	\$ 1,471,092
2025	235,238	-	-	235,238
2026	233,588	883,800	350,642	1,468,030
2027	236,700	-	-	236,700
2028	239,338	-	350,642	589,980
2029-2035	1,571,663	-	-	1,571,663
	<u>\$ 2,753,175</u>	<u>\$ 1,767,600</u>	<u>\$ 1,051,926</u>	<u>\$ 5,572,701</u>

Note 8 – Prior Period Adjustment

A prior period adjustment was made to remove Accumulated Depreciation, increase Lease Purchase Receivable (previously Capital Lease Receivable) to coincide with outstanding bonds payable, and establish Deferred Lease Purchase as a deferred inflow. These adjustments decreased net position from \$6,189,296 to \$721,601. This adjustment was made to reflect the deferred lease purchases entered into between the Authority and the previously mentioned lessees.

Note 9 – Economic Dependence

During the fiscal year ended June 30, 2023, the Authority reported rental revenues of \$35,000 in accordance with the lease agreements between the Tillman County Law Enforcement Center Trust Authority, Frederick Public School, and Tipton Public School. This amount represents 100% of the Authority’s operating revenues.

Note 10 – Subsequent Events

Management has evaluated subsequent events through the date of the auditor’s report, which is the date the financial statements were available to be issued and have determined that no additional information needs to be added to the financial statements.



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Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statement s Performed in Accordance with *Government Auditing Standards*

To the Board of Trustees
Tillman County Industrial Authority
Frederick, Oklahoma

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 of the Tillman County Industrial Authority (a component unit of Tillman County, Oklahoma), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report there on dated August 16, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 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 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. However, material weaknesses may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 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 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.

Criswell CPA, PLLC

Criswell CPA, PLLC
Duncan, OK
August 16, 2023