

Osage County Industrial Trust Authority

Pawhuska, Oklahoma

ANNUAL FINANCIAL STATEMENTS
AND ACCOMPANYING
INDEPENDENT AUDITOR'S REPORTS

FOR THE FISCAL YEAR ENDED
JUNE 30, 2022

DAVID CLANIN, CPA PLLC

35988 HIGHWAY 82, VINITA, OK 74301

(918) 519-8336 PHONE

(918) 512-4646 FAX

DAVID@CLANINCPA.COM

Osage County Industrial Trust Authority
Table of Contents

Independent Auditor's Report	1-2
Report Required by <i>Government Auditing Standards</i> : 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>	3-4
Schedule of Findings and Management Responses	5-6
Financial Statements:	
Statement of Net Position - Modified Cash Basis	7
Statement of Revenues, Expenditures and Changes in Net Position - Modified Cash Basis	8
Statement of Cash Flows -Modified Cash Basis	9
Notes to the Financial Statements	10-13

Office:
35988 Oklahoma 82
Vinita, OK 74301
(918) 782-3773



Mailing:
P.O. Box 745
Langley, OK 74350
(918) 519-8336

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Osage County Industrial Trust Authority

Opinion

We have audited the accompanying financial statements of the business-type activities of Osage County Industrial Trust Authority "the Authority" as of and for the year ended June 30, 2022, and the related notes to the 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 modified cash basis financial position of the Authority, as of June 30, 2022, and the changes in modified cash basis financial position and cash flows thereof for the year then ended in accordance with the modified cash basis of accounting.

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 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.

Emphasis of Matter—Basis of Accounting

We draw attention to Note I of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the modified cash basis of accounting described in Note I, and for determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements under the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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 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 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, 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 3, 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 to describe the scope of our testing of internal controls 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 the Authority's internal control over financial reporting and compliance.



David Clam CPA PLLC

August 3, 2023

Office:
35988 Oklahoma 82
Vinita, OK 74301
(918) 782-3773



Mailing:
P.O. Box 745
Langley, OK 74350
(918) 519-8336

**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 Trustees
Osage County Industrial Trust Authority

We have audited 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, the financial statements of the business-type activities of Osage County Industrial Trust Authority "the Authority" as of and for the year ended June 30, 2022, and the related notes to the financial statements which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated August 3, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and management responses as items 2022-01 that we consider to be material weaknesses.

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 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 management responses as items 2022-02.

Osage County Industrial Trust Authority's Response to Findings

The Authority's response to the findings identified in our audit is described in the accompanying schedule of findings and management's responses. The 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 "David Chan". To the right of the signature, the text "CPA PLLC" is written in a similar handwritten style.

August 3, 2023

Osage County Industrial Trust Authority
Schedule of Findings and Management Responses
June 30, 2022

Finding 2022-01 Ineffective Internal Controls over Financial Reporting

CONDITION:

Internal controls were ineffective to detect material misstatements to the financial statements. Material adjusting journal entries were required by the auditor to arrive at a fully adjusted trial balance. Specifically, depreciation and accumulated depreciated had not been recorded for several years resulting in a prior period adjustment for fiscal year 2021 of approximately \$350,000 and current period adjustment of approximately \$44,000. Loan receivable balances were not recorded as a liability on the balance sheet resulting in an adjusting entry of approximately \$85,000.

CRITERIA:

Internal controls should be designed to properly record and reconcile financial transactions. A properly designed system of internal controls would contain monitoring activities to ensure compliance with internal controls over financial reporting.

CAUSE OF CONDITION:

The Authority's personnel do not possess suitable skills, knowledge and experience to accurately record financial transactions related to balance sheet transactions.

EFFECT OF CONDITION:

The Authority's trial balance was materially misstated and required adjustment by the auditing firm which could potentially impair auditor independence. Additionally, the Authority's management did not have an accurate balance sheet to assist with planning, budgeting, and making financial decisions for the Authority.

RECOMMENDATION:

The Authority should develop and implement a system of internal controls to effectively record, reconcile and monitor financial transactions.

MANAGEMENT'S RESPONSE:

The authority will develop and implement a system of controls to effectively record, reconcile, and monitor financial transactions.

Osage County Industrial Trust Authority
Schedule of Findings and Management Responses
June 30, 2022

Finding 2022-02 Performance of an Annual Audit

CONDITION:

The Authority's most recent annual audit was for the fiscal year ended June 30, 2012. Audits were not performed for fiscal years ending June 30, 2013 through June 30, 2020.

CRITERIA:

Oklahoma State Statute 60-180.1 requires the trustees of every trust created for the benefit and furtherance of any public function with the State of Oklahoma or any county or municipality as the beneficiary or beneficiaries thereof must cause an audit to be made of the financial statements of the trust, such audit to be ordered within thirty days of the close of each fiscal year of the trust and filed with the State Auditor and Inspector.

CAUSE OF CONDITION:

The trustees did not cause to be performed annual audits for fiscal years 2013 through 2020. The Authority retained an auditor for fiscal years 2021 and 2022 but did not provide sufficient information in a timely manner. Specifically, information to complete the fiscal year 2021 and 2022 audits was not provided to the audit firm until March 2023. Once received, the financial statements required material adjusting entries in order to properly reconcile account balances.

EFFECT OF CONDITION:

The Authority was not in compliance with Oklahoma State Statute 60-180.1.

RECOMMENDATION:

The Authority should develop and implement a plan to have an annual audit performed in accordance with Oklahoma State Statutes. This should include retaining an auditor for each fiscal period and providing sufficient, reconciled information to the auditor within 30 days of the Authority's year-end.

MANAGEMENT'S RESPONSE:

The Authority will ensure compliance with O.S. Section 1801 by retaining an auditor for each fiscal period and providing sufficient, reconciled information to the auditor within 30 days of the Authority's year-end.

Osage County Industrial Trust Authority
Statement of Net Position – Modified Cash Basis
June 30, 2022

ASSETS

Current Assets

Cash and Cash Equivalents	\$ 48,800.14
Current Portion of Notes Receivable	<u>26,770.00</u>
Total Current Assets	<u>75,570.14</u>

Noncurrent Assets

Capital Assets, net of Accumulated Depreciation	907,820.00
Notes Receivable, less Current Portion	<u>59,151.00</u>
Total NonCurrent Assets	<u>966,971.00</u>

TOTAL ASSETS	<u>1,042,541.14</u>
---------------------	---------------------

NET POSITION

Investment in Capital Assets	907,820.00
Unrestricted Net Position	<u>134,721.14</u>

TOTAL NET POSITION	<u><u>\$ 1,042,541.14</u></u>
---------------------------	-------------------------------

The accompanying Notes to the Financial Statements are an integral part of this statement.

Osage County Industrial Trust Authority
Statement of Revenues, Expenses and Changes in Net Position – Modified Cash Basis
For the Year Ended June 30, 2022

Operating Revenues:

Interest Income	\$ 1,205.92
Total Revenues	<u>1,205.92</u>

Operating Expenses:

Depreciation	44,969.00
Insurance	111.00
Memberships	77.85
Miscellaneous	614.17
Office Supplies	<u>149.90</u>
Total Expenditures	<u>45,921.92</u>

Net Operating Income (Loss)	(44,716.00)
-----------------------------	-------------

Net Position, Beginning of Year	<u>1,087,257.14</u>
Net Position, End of Year	<u><u>\$ 1,042,541.14</u></u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

Osage County Industrial Trust Authority
Statement of Cash Flows – Modified Cash Basis
For the Year Ended June 30, 2022

Cash Flows from Operating Activities

Cash Inflows:

Cash Payments Received	\$ 1,205.92
------------------------	-------------

Cash Outflows:

Payments to Suppliers for Goods and Services	952.92
--	--------

Total Cash Outflows from Operating Activities	952.92
---	--------

Net Cash Provided (Used) by Operating Activities	253.00
--	--------

Cash Flows from Capital and Related Financing Activities

Purchases of Capital Assets	-
-----------------------------	---

Net Cash Provided (Used) by Capital and Related Financing Activities	-
--	---

Cash Flows from Investing Activities

Issuance of Notes Receivable	(50,000.00)
------------------------------	-------------

Principal Payments from Notes Receivable	28,450.69
--	-----------

Net Cash Provided (Used) by Investing Activities	(21,549.31)
--	-------------

Net Cash Inflow (Outflow) from All Activities	(21,296.31)
--	-------------

Cash and Cash Equivalents at Beginning of Year	70,096.45
--	-----------

Cash and Cash Equivalents at End of Year	\$ 48,800.14
---	--------------

Reconciliation of Operating Income (Loss) to Net Cash

Provided by Operating Activities:

Operating Income (Loss)	\$ (44,716.00)
-------------------------	----------------

Depreciation	44,969.00
--------------	-----------

Net Cash Provided (Used) by Operating Activities	\$ 253.00
--	-----------

The accompanying Notes to the Financial Statements are an integral part of this statement.

Osage County Industrial Trust Authority
Notes to the Financial Statements
For the Year Ended June 30, 2022

I. Summary of Significant Accounting Policies

The following notes to the financial statements are an integral part of Osage County Industrial Trust Authority's financial statements.

The Osage County Industrial Trust Authority (the Authority) is a public trust created under the provisions of Title 60, Oklahoma Statutes 1961, Sections 176 to 180, inclusive as amended, the Oklahoma Trust Act, and other applicable laws and statutes of the state of Oklahoma. The purpose of the Authority is to promote the economic growth and development of Osage County. The Osage County Industrial Trust Authority is a component of Osage County, Oklahoma.

The Osage Industrial Trust Authority, as a public trust created under the provisions of Title 60, Oklahoma Statutes 1961, Sections 176 to 180, has the ability to issue tax exempt bonds directly to the public, the Authority is being reported on as a governmental organization.

The Authority's financial statements are prepared on the modified cash basis of accounting. The modified cash basis of accounting is based on the recording of cash and cash equivalents and changes therein, and only recognizes revenues, expenses, and liabilities resulting from cash transactions, adjusted for modifications that have substantial support in generally accepted accounting principles. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent sections of this report.

A. Financial Reporting Entity

The Authority defines component units as legally separate organizations for which the elected officials of the primary government are financially accountable and other organizations for which the nature and significance of their relationship with a primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The Authority considered all potential component units in determining what organizations should be included in the financial statements. Based on these criteria, there are no component units to include in the Authority's financial statements.

The Authority's fund is an enterprise fund. Enterprise funds are proprietary funds used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector.

B. Measurement Focus, Basis of Accounting, and Basis of Presentation

The accompanying financial statements have been prepared on the modified cash basis. Under the modified cash basis of accounting nearly all elements of the income statement are recorded using the cash basis, and accounts receivable and accounts payable are not recorded in the balance sheet.

Measurement focus is a term used to describe which transactions are recorded within the various financial statements. Basis of accounting refers to when transactions are recorded regardless of the measurement focus applied.

The proprietary funds utilize an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position and cash flows. Proprietary fund equity is classified as net position.

Osage County Industrial Trust Authority
Notes to the Financial Statements
For the Year Ended June 30, 2022

I. Summary of Significant Accounting Policies (continued)

C. Assets, Liabilities, Net Position and Revenues

1. Cash and Cash Equivalents

For purposes of the statement of cash flows, the Authority considers all cash on hand, demand deposits, and highly liquid investments, with an original maturity of three months or less when purchased, to be cash and cash equivalents.

2. Fair Value of Financial Instruments

The Authority's financial statements include cash on deposit at a bank. The Authority's estimates of the fair value of all financial instruments do not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying balance sheet. The carrying amount of these financial instruments approximates fair value because of the short maturity of these instruments.

3. Notes Receivable

The Authority has notes receivable due to loan agreements with individuals with the purpose of financing business start up costs for businesses located in Osage County. The loans are secured by various collateral including equipment and real estate. See Note II.B.

4. Capital Assets

All fixed assets are valued at historical cost or estimated historical cost if actual is unavailable, except for donated fixed assets which are recorded at their estimated fair value at the date of donation. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The Authority's depreciable assets include a building with an estimated with an estimated useful life of 30 years.

5. Statement of Net Position

Equity is classified as net position and displayed in three components:

- a. Net Investment in Capital Assets – Consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are 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 other net assets that do not meet the definition of "restricted" or "net investment in capital assets."

6. Revenues and Expenses

The Authority's revenues consist of interest income from Notes Receivables described in Notes I.3 and II.B. Expenses consist of depreciation and administrative operating expenses.

Osage County Industrial Trust Authority
Notes to the Financial Statements
For the Year Ended June 30, 2022

I. Summary of Significant Accounting Policies (continued)

D. Use of Estimates

The preparation of financial statements in conformity with modified cash basis financial statements requires management to make estimates and assumptions that affect certain 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.

II. Detailed Notes Concerning the Fund

A. Cash

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, including interest-bearing certificates of deposit, are maintained in financial institutions. As of June 30, 2022, none of the Authority's deposits were exposed to custodial credit risk.

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.

B. Notes Receivable

Summary of Notes Receivable at June 30, 2022 is presented below:

Original Balance	Term	Interest	Monthly Payment	Origination Date	Collateral
\$ 23,648.00	60 Months	2%	\$ 414.50	12/31/2019	Vehicle
23,647.00	60 Months	2%	414.88	12/31/2019	Equipment
24,600.00	60 Months	2%	431.18	8/10/2018	Real Estate
24,600.00	60 Months	2%	430.99	10/1/2019	Real Estate
50,000.00	41 Months	5%	1,300.15	6/6/2022	Real Estate

Notes Receivables for the year was as follows:

	Balance June 30, 2021	Additions	Retirements	Balance June 30, 2022	Current Portion
Note #1	\$ 17,569	\$ -	\$ 4,663	\$ 12,906	\$ 4,759
Note #2	18,347	-	5,049	13,298	5,152
Note #3	12,195	-	12,195	-	-
Note #4	16,261	-	6,544	9,717	3,338
Note #5	-	50,000	-	50,000	13,521
	<u>\$ 64,372</u>	<u>\$ 50,000</u>	<u>\$ 28,451</u>	<u>\$ 85,921</u>	<u>\$ 26,770</u>

Osage County Industrial Trust Authority
Notes to the Financial Statements
For the Year Ended June 30, 2022

II. Detailed Notes Concerning the Fund (continued)

C. Changes in Capital Assets

Capital asset activity for the year was as follows:

	Balance June 30, 2021	Additions	Disposals	Balance June 30, 2022
Governmental Activities:				
Non-depreciable assets:				
Land	\$ 8,430	\$ -	\$ -	\$ 8,430
Depreciable assets:				
Buildings	1,349,083	-	-	1,349,083
Total Depreciable assets	1,349,083	-	-	1,349,083
Total Capital Assets	1,357,513	-	-	1,357,513
Accumulated Depreciation:				
Buildings	(404,724)	(44,969)		(449,693)
Total Accum Depreciation	(404,724)	(44,969)	-	(449,693)
Net Capital Assets	\$ 952,789	\$ (44,969)	\$ -	\$ 907,820

III. Other Information

A. Risk Management

The Authority is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; or acts of God. The Authority purchases commercial insurance to cover these risks, including general and auto liability, property damage, and public officials' liability.

B. Commitments and Contingencies

The Authority is not aware of any pending or threatened legal actions against it.

C. Subsequent Events

In March 2023 the Authority entered into an agreement whereby the Authority loaned \$25,000 to individuals for the purpose of making improvements to a commercial property in Osage County. Payments are due in monthly installments, including interest of 7.5%, and the loan is secured by real property.

Management has evaluated subsequent events through the date of this report, which is the date the financial statements were available to be issued and, other than the item noted in the preceding paragraph, have determined that no additional information needs to be added to the financial statements.