

**TAHLEQUAH INDUSTRIAL AUTHORITY  
FINANCIAL STATEMENTS  
JUNE 30, 2019**

# TAHLEQUAH INDUSTRIAL AUTHORITY

June 30, 2019

## Table of Contents

	Page
INDEPENDENT AUDITOR'S REPORT	1
INDEPENDENT AUDITOR REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF COMBINED FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	3
FINANCIAL STATEMENTS	
Statement of Net Position	5
Statement of Revenue and Expenses	6
Statement of Cash Flows	7
FINANCIAL STATEMENT NOTES	8

## **AUDITOR REPORTS**

**INDEPENDENT AUDITOR'S REPORT**

Board of Trustees  
Tahlequah Industrial Authority  
Tahlequah, Oklahoma

I have audited the accompanying financial statements of the Tahlequah Industrial Authority, a component unit of the City of Tahlequah as of June 30, 2019, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

**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; this includes 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.

**Auditor's Responsibility**

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my 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 I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit includes performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risk 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 entity'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 entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used, reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

## **Opinion**

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business activity of the Tahlequah Industrial Authority, as of June 30, 2019 and the changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### Required Supplementary Information

Management has omitted the management's discussion 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*, I have also issued my reported dated December 6, 2019, on my consideration of the Tahlequah Industrial Authority internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. The purpose of that report is to describe the scope of my 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 Tahlequah Industrial Authority's internal control over financial reporting and compliance.

December 6, 2019



Barry Spyres, CPA

**INDEPENDENT AUDITOR REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING  
AND COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF COMBINED  
FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Trustees  
Tahlequah Industrial Authority  
Tahlequah, Oklahoma

I 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 basic financial statements of Tahlequah Industrial Authority, a component unit of the City of Tahlequah and have issued my report thereon dated December 6, 2019.

**Internal Control Over Financial Reporting**

In planning and performing my audit of the financial statements, I considered Tahlequah Industrial Authority internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Tahlequah Industrial Authority internal control. Accordingly, I do not express an opinion on the effectiveness of Tahlequah Industrial Authority 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.

My 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 my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

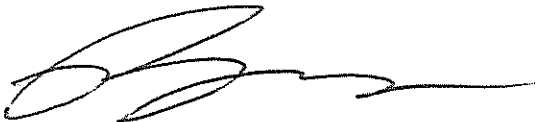
### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Tahlequah Industrial Authority financial statements are free from material misstatement, I 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my 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 organization'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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

December 6, 2019

A handwritten signature in black ink, appearing to read 'Barry Spyres', with a long horizontal flourish extending to the right.

Barry Spyres, CPA

## **FINANCIAL STATEMENTS**



**TAHLEQUAH INDUSTRIAL AUTHORITY**  
**STATEMENT OF NET POSITION**  
**June 30, 2019**

**ASSETS**

**CURRENT ASSETS**

Cash	\$ 957,284	
Accounts Receivable	-	
Total Current Assets		\$ 957,284

**PROPERTY AND EQUIPMENT**

Land	\$ 184,050	
Buildings	1,489,525	
Infrastructure Improvements	301,017	
Less Accumulated Depreciation	(883,559)	
Total Fixed Assets		1,091,033
Total Assets		\$2,048,317

**LIABILITIES AND NET POSITION**

**CURRENT LIABILITIES**

Accounts Payable	\$ 3,739	
Current Maturities of Long-Term Debt	20,000	
Total Current Liabilities		\$ 23,739

**LONG-TERM DEBT, NET**

Total Liabilities		43,332
		67,071

**NET POSITION**

Invested in Capital Assets, Net of Related Debt	\$ 1,027,701	
Unrestricted Net Position	953,545	
Total Net Position		1,981,246
Total Liabilities and Net Position		\$2,048,317

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

**TAHLEQUAH INDUSTRIAL AUTHORITY  
STATEMENT OF REVENUE, EXPENSES AND  
CHANGES IN NET POSITION  
FOR THE YEAR ENDED JUNE 30, 2019**

**Revenues:**

Rent	\$ 89,000
Other Income	6,511
<b>Total Operating Income</b>	<b>95,511</b>

**Expenditures:**

Salaries and Wages	1,469
Professional Fees	64,506
Site Maintenance	3,337
Depreciation	41,910
Advertising	-
Utilities	125
Other Expenses	65
Building Improvements	9,020
<b>Total Operating Expenses</b>	<b>120,432</b>

<b>Operating Income (Loss)</b>	<b>(24,921)</b>
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**Non-Operating Income (Expense):**

Interest Revenue	10,906
Transfers From Oversight Unit	-
<b>Total Non-Operating Income (Expense)</b>	<b>10,906</b>

<b>Net Income or (Loss)</b>	<b>\$ (14,015)</b>
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<b>Net Position, Beginning of Year</b>	<b>1,995,261</b>
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<b>Net Position, End of Year</b>	<b>\$1,981,246</b>
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The accompanying notes and auditors report are an integral part of these financial statements.

**TAHLEQUAH INDUSTRIAL AUTHORITY**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

**Cash Flows from Operating Activities**

Cash received from Customers	\$ 96,605
Cash paid to Employees	(1,469)
Cash paid to Suppliers	(73,314)
Net Cash Provided by Operations	<u>\$ 21,822</u>

**Cash Flows from Financing Activities**

Transfers from Oversight Unit	-
Payment of Principal on Long-Term Debt	(20,000)
Net Cash Used in Capital and Related Financing Activities	<u>(20,000)</u>

**Cash Flows from Non Financing Activities**

Interest Revenue	10,906
Purchase of Fixed Assets	-
	<u>10,906</u>

Net Increase in Cash and Cash Equivalents	12,728
Beginning Cash and Cash Equivalents	944,556
Ending Cash and Cash Equivalents	<u><u>957,284</u></u>

**Reconciliation of Operating Income to Net Cash**

Provided by Operating Activities	
Operating Income (Loss)	(24,921)
Adjustment to Reconcile Operating Income to Net Cash	
Provided by Operating Activities	
Depreciation	41,910
Decrease in Accounts Receivable	1,094
Increase in Accounts Payable	3,739
Net Cash Provided by Operating Activities	<u><u>\$ 21,822</u></u>

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

## **NOTES**

**TAHLEQUAH INDUSTRIAL AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**Note 1: Description of Reporting Entity and Summary of Significant Accounting Policies**

**Report Entity**

The Tahlequah Industrial Authority (the Authority) is a public trust created on September 8, 1981, under the provisions of Title 60, Oklahoma Statutes, the Oklahoma Trust Act, and other applicable laws and statutes of the State of Oklahoma. The City of Tahlequah, Oklahoma, is the beneficiary, and will receive all residual trust funds and assets upon termination of the trust.

The general purposes of the Authority are to assist the Beneficiary, the State of Oklahoma, its governmental agencies, and the private entities, agencies and citizens in making the most efficient use of all of their economic resources and powers in accordance with the needs and benefits of the Beneficiary in order to:

- Lessen the burdens on government and to stimulate economic growth and development
- Inventory the services, facilities and resources of the entire Beneficiary City
- Promote, stimulate, encourage and finance the growth and development of the agriculture, commerce and industry of the Beneficiary City as a whole, all in order to achieve maximum utilization of the Beneficiary's human, economic and natural resources and tourist attractions
- Foster and promote an industrial climate and the payroll of the Beneficiary City, to otherwise promote its general economic welfare, prosperity, and to finance any and all programs, facilities or resources promoting or intending to promote any of the foregoing.

The Industrial Authority is considered a component unit of the City of Tahlequah, and its financial information is included in the General Purpose Financial Statements of the City of Tahlequah each year.

The Board of Trustees are citizens and residents of the Beneficiary appointed by the Mayor and confirmed by a majority vote of the City Council of the City of Tahlequah. All Trustees must reside within the Beneficiary City.

**Proprietary Fund Accounting**

The Authority uses the proprietary fund method of accounting whereby revenues and expenses are recognized on the accrual basis. The governing body has decided the periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

**TAHLEQUAH INDUSTRIAL AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**Accounting Standards**

Pursuant to Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the Authority has elected to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board (FASB), including those issued after November 30, 1989, that do not conflict with or contradict GASB pronouncements.

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

**Risk Management**

The Authority is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets, business interruption; errors and omissions, employee injuries and illnesses, and natural disasters. To cover exposure of these risks, the Authority is listed as an additional named plan member on the City of Tahlequah's municipal liability protection plan. The Authority does not carry insurance separately under its own name. Settled claims have not exceeded this commercial coverage in any of the two preceding years.

**Cash Equivalents**

The Authority considers all liquid investments which have original maturities of three months or less to be cash equivalents.

**Property and Equipment**

Property and equipment acquisitions are recorded at cost. Depreciation is provided over the estimated useful life of each class of depreciable assets and is computed using the straight line method. The range of such useful lives are as follows:

Land Improvements:	25 years
Equipment/Signs	10 years
Buildings	50 years

**Income Taxes**

The Authority is exempt from federal income taxes under Section 115 of the Internal Revenue Code as a political subdivision of the State of Oklahoma and is exempt from state income taxes under a similar provision of Oklahoma State Statutes.

**TAHLEQUAH INDUSTRIAL AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

**Budgets**

Under Title 60, Section 176(g) Public Trusts created pursuant to this section shall file annually, with their respective Beneficiaries copies of financial documents and reports sufficient to demonstrate the fiscal activity of such trust, including, but not limited to, budgets, financial reports, bond indentures and audits. Amendments to the adopted budget shall be approved by the trustees of the public trust and recorded as such in the official's minutes of such trust.

1. A proposed operating budget is submitted to the Authority Board for the fiscal year commencing July 1. The operating budget includes proposed expenditures and the means of financing them.
2. Prior to July 1, the budget is legally enacted by the Authority Board through passage of a resolution.
3. Any revisions that alter the total expenditures must be approved by the Authority Board. The following budgeted amounts include transfers and revisions to the original appropriations resolution.
4. The budget of expenditures cannot exceed the estimated revenues. Budgetary control is maintained by the following categories of expenditures: personal services, materials and supplies, other services and charges and capital outlay.

The following is presented on the budgetary basis to provide a comparison of actual results with the budget.

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
<b><u>Revenues:</u></b>			
Investment Income	\$ 10,000	\$ 10,906	\$ 906
Other Income	3,000	5,650	2,650
Lease Income	78,000	89,000	11,000
Total Revenues	\$ 91,000	\$ 105,556	\$ 14,556
 <b><u>Expenditures:</u></b>			
Personal Services	\$ 1,469	\$ 1,469	\$ -
Materials & Supplies	260	20	\$ 240
Other Services & Charges	102,271	118,082	\$(15,811)
Total Expenditures	\$ 104,000	\$ 119,571	\$(15,571)
 Excess (Deficiency) Revenues over (Under) expenditures			
	\$ (13,000)	\$ (14,015)	\$ (1,015)
 <b><u>Other Financing Sources (Uses):</u></b>			
Transfer from Oversight Unit	\$ 40,000	\$ -	\$ 40,000
 Excess (Deficiency) of Revenues and Other Resources Over (Under) Expenditures And Other Uses			
	\$ 27,000	\$ (14,015)	\$ 38,985

**TAHLEQUAH INDUSTRIAL AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

**Note 2: Cash and Investments**

The Authority operated one commercial checking account at the Bank of Cherokee County. The checking account pays a variable rate of interest. Interest earned on the account is automatically credited to the account at the end of the month. As of June 30, 2019 the bank balance was \$957,284.

**Deposits**

The Authority's cash deposits as of June 30, 2019, are categorized to give an indication of the level of risk assumed by the Authority at year end as follows:

**Deposit Categories of Credit Risk**

- A. Insured through FDIC Insurance in the Authority's name.
- B. Collateralized with securities held by the pledging financial institution's trust department or agent in the Authority's name.
- C. Uncollateralized.

	Category			Bank Balance	Carrying Amount	Market Value
	(A)	(B)	(C)			
Bank of Cherokee County	\$ 250,000	\$ 707,284	\$ -	\$ 957,284	\$ 957,284	\$ 957,284
TOTAL	\$ 250,000	\$ 707,284	\$-	\$ 957,284	\$ 957,284	\$ 957,284

**Note 3: Fixed Assets**

**Schedule of Changes in Fixed Asset Accounts**

	Beginning Balance	Additions	Deductions	Ending Balance
Land	\$ 184,050	\$ -	\$ -	\$ 184,050
Buildings	\$ 1,489,525	\$ -	\$ -	\$ 1,489,525
Land Improvements	\$ 301,017	\$ -	\$ -	\$ 301,017
Total	\$ 1,974,592	\$ -	\$ -	\$ 1,974,592
Accumulated Depreciation	\$ 841,649	\$ 41,910	\$ -	\$ 883,559
Net Book Value	\$ 1,132,943	\$ (41,910)	\$ -	\$ 1,091,033

In accordance with the Depreciation of Fixed Assets Policy adopted by the Authority, the building is being depreciated over a 50 year life span. The parking, paving, asphalt and infrastructure are being depreciated over 25 years. The addition of equipment and signs will be depreciated over 10 years.



**TAHLEQUAH INDUSTRIAL AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**Note 4: Long-Term Debt**

Note Payable, Department of Commerce #10182	\$ 63,332
Less Current Maturities	<u>(20,000)</u>
Total Long-term Debt	<u>\$ 43,332</u>

Due August 2022, payable in the following monthly payments with zero interest, the original principal balance amount of \$400,000.00.

Payable as follows:

- Total payments are 240.
- Payments 1-239 are \$1,666.67 per month
- Payment 240 is \$1,665.87
- Payments of \$1,666.67 began on September 1, 2002
- This is a zero interest loan.
- This note is collateralized by a pledge of sales tax from the City of Tahlequah.

The annual maturities of long-term debt at June 30, 2019, are as follows:

2020	\$ 20,000
2021	20,000
2022	20,000
2023	<u>3,332</u>
Total	<u>\$ 63,332</u>

**Note 5: Industrial Park**

The Industrial Authority owns and operates an industrial park west of the City of Tahlequah with entrances on Highway 51 and West Allen Road. The following entities are located there:

**Northeastern Oklahoma Public Facilities Authority-** On February 6, 1995 an agreement was made between the Authority and NOPFA to transfer 3.7 acres of land into NOPFA's name. NOPFA was to construct a warehouse facility on the property deeded to them within three years. The transfer by deed was to take place upon finalization of the park plat. The deed was signed on November 15, 2000 and filed on December 7, 2000 and contains a revisionary clause that should the property cease to be used for NOPFA warehouse facility purposes in the future that the land shall revert to the grantor.

**TAHLEQUAH INDUSTRIAL AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**Indian Capitol Vo-Tech School** - On February 6, 1995, a deed was signed from the Authority to the Vo-Tech School deeding them approximately 50 acres of land situated in the Industrial Park. The deed specified that construction of a school was to begin within 10 years, and has a reversion clause specifying that if the property should cease to be used for Vo-Tech purposes in the future, the land shall revert to the grantor. The Vo-Tech facility has been constructed and has been placed in use.

**State Department of Central Services** – (On behalf of the Oklahoma State Bureau of Investigation) On April 24, 1997 a lease agreement was made for a 4.7 acre site. The lease term is for 99 years beginning January 30, 1997 and ending January 30, 2096. The rental of \$5.00 per year or a total of \$495.00 for the entire term was paid on the date of the lease agreement. A building housing the OSBI local division has been built on the site.

**C3/Customer Contacts Channels, Inc.** On October 17, 2018 a lease agreement was signed between C3/Customer Contact Channels, Inc. and the Tahlequah Industrial Authority lease payments of \$6,875 due monthly starting on November 1<sup>st</sup> 2018 and ending October 1<sup>st</sup> 2022.

**RBSC Oklahoma, LLC** – The Authority entered into a commercial lease on 12/01/2013 with RBSC Oklahoma, LLC an Oklahoma limited liability Company 100% owned by Rural Broadband Services to lease five (5) Acres south of the OSBI Building located at 1995 Airport Parkway, Tahlequah, OK 74464. Tenant shall pay to the Authority (Landlord) annual installments of \$0.00 in years 1-2; \$18,000 in years 3-5; \$20,400 in years 6-10; \$24,000 in years 11-15, \$26,400 in years 16-20 and \$30,600 in years 21-25. RBSC has been in a negotiation process with a company called Fair Point concerning the sale of RBSC.

**Backwoods Food Mfg., Inc.**- The Authority entered into a commercial lease with Backwoods Foods Mfg on 09-06-2013 for a tract of land in the W2W2NW4 of Sec 29 and in the E2E2NE4 of Sec 30 T17N R22E, Cherokee County, Oklahoma. The lease was modified to begin on the date of groundbreaking 10-30-13. The tenant agrees to build a 14,400 square foot steel frame metal warehouse facility with an attached one-story 4,200 square foot brick façade office facility and adjacent parking lot. Tenant shall pay to the Authority (Landlord) annual installments of \$9,600.00 in years 1-5, \$11,000.00 in years 6-10, \$12,700 in years 11-15, \$14,600 in years 16-20, and \$16,800 in years 21-25. All annual installments shall be paid in twelve (12) consecutive equal monthly payments. Should tenant complete the building project within 18 months after the signage date of lease, landlord will waive the annual payment for the first 5 years of lease. Should tenant go out of business or decide to sell the building, Landlord has the option to buy the building at an agreed upon price.

**TAHLEQUAH INDUSTRIAL AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**Note 6: Concentration of Risk**

The Authority formal source of income in the form of monthly lease received from C3/Customer Contact Channels, Inc. pursuant to the 5 year lease of the building which they occupy as a reservation center. Another formal source of income is \$1,500.00 monthly lease received from RBSC. The Authority also receives a monthly payment of \$312.50 on the accounts receivable from DTG Operations, Inc. Final payments were made on the notes relating to the construction of the building occupied by DTG in July 2008, to Bank of America, and in October 2008, to the Oklahoma Department of Commerce. Interest Income on the carrying balance in the checking account will vary greatly from year to year. The only other source of income has been from the sale of hay baled on the property. The loan payment # 10182 with the Oklahoma Department of Commerce is secured by an agreement with the City of Tahlequah to provide \$20,000 per year from City Sales Tax collections for the annual payments. These sources of income are more than adequate to provide for current needs.

**Note 7: Employee Benefits**

The Authority does not have any formal employees all staff are employed by the City of Tahlequah and are paid by the Tahlequah Industrial Authority through an inter-local agreement between the City of Tahlequah and Tahlequah Industrial Authority. These employees are covered by the City's health, retirement, and worker's compensations plans.

**Note 8: Commitments and Contingencies**

The Authority has sufficient insurance coverage and/or tort immunity in effect to protect the Authority from any material loss or liability due to pending claims or litigation. Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability. The amount, if any of expenditures which may be disallowed by the grantor cannot be determined at this time although the Authority expects such amounts if any, to be immaterial.

**Note 9: Subsequent Events**

Subsequent events have been evaluated through the date of the Auditor's report which is the date the financial statements were available to be issued.