

**OKMULGEE GOVERNMENTAL BUILDING AUTHORITY**

ANNUAL FINANCIAL STATEMENTS  
AND ACCOMPANYING  
INDEPENDENT AUDITOR'S REPORT

FOR THE FISCAL YEAR ENDED  
OCTOBER 31, 2022



124 S. Main Street, Miami, Oklahoma 74354  
22 South Adair, Pryor, Oklahoma 74361  
918-542-4401

OKMULGEE COUNTY GOVERNMENTAL BUILDING AUTHORITY  
TABLE OF CONTENTS

---

Independent Auditor's Report	<u>PAGE</u> 1 - 2
Basic Financial Statements:	
Statement of Net Position	4
Statement of Revenues, Expenses and Changes in Net Position	5
Statement of Cash Flows	6
Notes to the Basic Financial Statements	7 - 13
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 <i>Government Auditing Standards</i>	14 - 15
Schedule of Findings and Responses	16 - 17



Certified Public Accountants, PLLC

124 S. Main Street, Miami, Oklahoma 74354  
22 South Adair, Pryor, Oklahoma 74361  
918-542-4401

## INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees  
Okmulgee County Governmental Building Authority  
Okmulgee, Oklahoma

### QUALIFIED OPINION

We have audited the accompanying financial statements of the business-type activities of Okmulgee County Governmental Building Authority (the "Authority"), as of and for the year ended October 31, 2022, 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, except for the possible effects of the matter discussed in the "Basis for Qualified Opinion" paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the component unit of the County of Okmulgee, Oklahoma, as of October 31, 2022, and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### BASIS FOR QUALIFIED OPINIONS

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*). 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 qualified audit opinions.

We were unable to obtain a listing of fixed assets. Depreciation has not been calculated or reported.

### 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 Okmulgee County Governmental Building Authority's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### 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 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, including omissions, 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.

To the Board of Trustees

Okmulgee County Governmental Building Authority

Page 2

- 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 Okmulgee County Governmental Building 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 Okmulgee County Governmental Building 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 Matters**

##### *Required Supplementary Information*

Management has omitted management's 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 opinion on the basic financial statements is not affected by the missing information.

#### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated April 5, 2023, on our consideration of the Okmulgee County Governmental Building 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 Okmulgee County Governmental Building 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 Okmulgee County Governmental Building Authority's internal control over financial reporting and compliance.



OBER & LITTLEFIELD  
CERTIFIED PUBLIC ACCOUNTANTS, PLLC  
Miami, Oklahoma

April 5, 2023

## **BASIC FINANCIAL STATEMENTS**

The basic financial statements include integrated sets of financial statements as required by the Governmental Accounting Standards Board. The sets of statements include:

- Statement of Net Position
- Statement of Revenue, Expenses, and Changes in Net Position
- Statement of Cash Flows

In addition, the notes to the financial statements are included to provide information that is essential to a user's understanding of the basic financial statements.

OKMULGEE COUNTY GOVERNMENTAL BUILDING AUTHORITY  
STATEMENT OF NET POSITION  
AS OF OCTOBER 31, 2022

---

	<u>2022</u>
Assets	
Current Assets:	
Cash and cash equivalents	\$ 166,075
Total Current Assets	<u>166,075</u>
Noncurrent Assets:	
Restricted assets:	
Cash and cash equivalents	658,430
Capital assets, net of accumulated depreciation	12,502,214
Total Noncurrent Assets	<u>13,160,644</u>
Total Assets	<u>13,326,719</u>
Deferred Outflows of Resources:	
Deferred amount on refunding bonds	<u>1,324,152</u>
Total deferred outflows of resources	<u>1,324,152</u>
Liabilities	
Current Liabilities:	
Accrued interest payable	378,233
Current portion of long term debt - refunding bonds	<u>540,000</u>
Total Current Liabilities	<u>918,233</u>
Non-Current Liabilities:	
Long term debt - refunding bonds	<u>14,430,000</u>
Total Liabilities	<u>15,348,233</u>
Net Position	
Invested in capital assets, net of related debt	(2,467,787)
Restricted	658,430
Unrestricted	<u>1,111,994</u>
Total Net Position	<u>(697,362)</u>
Total Liabilities and Net Position	<u>\$ 14,650,870</u>

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

OKMULGEE COUNTY GOVERNMENTAL BUILDING AUTHORITY  
STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION  
FOR THE YEAR ENDED OCTOBER 31, 2022

---

Operating Revenues:	
Investment Income	\$ 2,621
Total Operating Revenues	<u>2,621</u>
Operating Expenses:	
Okmulgee County Criminal Justice Authority	968,072
Amortization	57,572
Professional fees	5,750
Trustee fees	<u>5,000</u>
Total Operating Expenses	1,036,394
Operating Income/(Loss)	(1,033,774)
Non-Operating Revenues/(Expenses):	
Sales tax from county	1,909,171
Interest expense	<u>(283,128)</u>
Total Non-Operating Revenues/(Expenses)	<u>1,626,042</u>
Change in Net Position	592,269
Total Net Position - Beginning	<u>(1,289,631)</u>
Total Net Position - Ending	<u>\$ (697,362)</u>

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

OKMULGEE COUNTY GOVERNMENTAL BUILDING AUTHORITY  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED OCTOBER 31, 2022

---

Cash flows from operating activities:	
Cash received from other revenues	\$ 2,621
Cash paid to suppliers for goods and services	<u>(1,036,394)</u>
Net cash provided/(used) by operating activities	<u>(1,033,774)</u>
 Cash flows from capital and related financing activities:	
Sales tax proceeds	1,909,170
Principal payments on capital debt	(85,000)
Deferred outflows - refunding bonds	57,572
Interest paid on capital debt	<u>(257,759)</u>
Net cash provided/(used) by capital and related financing activities	<u>1,623,982</u>
Net increase/(decrease) in cash and cash equivalents	590,208
 Beginning cash and cash equivalents	<u>234,297</u>
Ending cash and cash equivalents	<u><u>\$ 824,505</u></u>
  Reconciliation of operating income/(loss) to cash provided by operating activities:	
Operating Income/(Loss)	\$ <u>(1,033,774)</u>
Net cash provided/(used) by operating activities	<u><u>\$ (1,033,774)</u></u>
 Reconciliation of cash and cash equivalents to the Statement of Net Position:	
Cash and cash equivalents	\$ 166,075
Cash and cash equivalents - restricted	<u>658,430</u>
Total cash and cash equivalents	<u><u>\$ 824,505</u></u>

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



**Note 1 – Nature of the Organization**

Okmulgee County Governmental Building Authority, County of Okmulgee, Oklahoma (the "Authority") was established as a public trust on behalf of the County of Okmulgee, Oklahoma as the beneficiary. The trust was created to provide the County of Okmulgee with facilities and/or services of any kind necessary for the functioning of local government.

The Authority is a component unit of Okmulgee, County of Oklahoma. Statement No. 14 of the Government Accounting Standards Board "The Financial Reporting Entity" defines a component unit. That definition includes a legal entity that is a separate governmental organization but has the same board of trustees as the primary government.

The accounting policies of the Authority conform to generally accepted accounting principles applicable to governmental units. The Authority complies with generally accepted accounting principles and applies all relevant Government Accounting Standards Board (GASB) pronouncements.

**Note 2 -Summary of Significant Accounting Policies**

**Basis of Accounting**

Basis of accounting refers to "when" transactions are recorded, regardless of the measurement focus applied. In the statement of net position and statement of revenues, expenses, and changes in net position, activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned, and expenses are recorded when the liability is incurred, or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange, and exchange-like, transactions are recognized when the exchange takes place.

**Measurement Focus and Basis of Accounting**

Measurement focus is a term used to describe *which* transactions are recorded within the various financial statements.

In the statement of net position and statement of revenues, expenses, and changes in net position, activities 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. All assets and liabilities (whether current or noncurrent) associated with their activities are reported.

**Assets, Liabilities and Net Position**

**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.

**NOTE 2 -SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Investments

Investments represent debt and equity securities and are reported at fair value.

Accounts Receivable

Accounts receivable represent all revenues earned at year-end and not received. Receivable amounts are considered fully collectible; therefore, management has determined no allowance for doubtful collections is required.

Property, Equipment and Depreciation

Property and equipment are recorded at acquisition cost. The Authority capitalizes fixed asset purchases of \$250 or more. Items considered works of art, or collection items, are capitalized in accordance with authoritative accounting standards. As such, these items are not used in the operations, and are not depreciated in accordance with the entity's policies for capital expenditures.

All reported capital assets are depreciated on the straight-line basis, over the following estimated useful lives:

The range of estimated useful life lives by type of asset is as follows

Buildings	40 years
Equipment	5 years

Income Taxes

As a public trust, the income of the Authority which, by definition, is derived from the exercise of any essential government function, is not subject to federal or state income taxes.

Equity Classifications

Equity is classified as net position, and 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 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 or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. *Unrestricted net position* --- All other net position that does not meet the definition of "restricted," or "invested in capital assets, net of related debt."

**NOTE 2 -SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Use of Estimates

The preparation of financial statements, in conformity with U.S. 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 3 - REVENUE BONDS**

Sales Tax Refunding Revenue Bonds Series 2015

On December 9, 2015, the Authority authorized the issuance and delivery of \$13,320,000 aggregate principal amount of The Okmulgee County Governmental Building Authority Sales Tax Refunding Revenue Bonds Series 2015 with an interest rate of 3% with a maturity date of December 1, 2045. Semi-annual interest is payable June 1 and December 1, beginning December 1, 2016. The bonds were issued for the purpose of providing funds to currently refund the First Mortgage Sales Tax Revenue Bonds, Series 2007 of the Authority dated January 1, 2007 (balance of \$4,685,000) and the Authority's Series 2015 Bond Anticipation Notes in the original principal amount of \$8,655,000. The bonds were issued to construct, acquire and equip a correctional jail facility and to pay all costs of their issuance. See Bond Defeasance note.

Sales Tax Revenue Bonds Series 2016

On September 1, 2016, the Authority authorized the issuance and delivery of \$800,000 aggregate principal amount of The Okmulgee County Governmental Building Authority Sales Tax Refunding Revenue Bonds Series 2016 with an interest rate of 2.75% with a maturity date of December 1, 2045. Semi-annual interest is payable June 1 and December 1, beginning December 1, 2016. The bonds were issued for the purpose of providing additional funds to construct, acquire, equip, operate and maintain the correctional jail facility, fund a sinking fund reserve fund, and to pay all costs of their issuance. See Bond Defeasance note.

Sales Tax Revenue Bonds Series 2019

On June 1, 2018, the Authority authorized the issuance and delivery of \$2,235,000 aggregate principal amount of The Okmulgee County Governmental Building Authority Sales Tax Revenue Bonds Series 2018 with a variable interest rate starting at 5% with a maturity date of June 1, 2038. Semi-annual interest is payable December 1 and June 1 beginning December 1, 2018. The bonds were issued for the purpose of providing fund for the Okmulgee County Criminal Justice Authority to operate the jail and jail annex, fund a sinking fund, bond fund, reserve fund, working capital fund and to pay all costs of their issuance. See Bond Defeasance note.

OKMULGEE COUNTY GOVERNMENTAL BUILDING AUTHORITY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED OCTOBER 31, 2022

---

**NOTE 3 – REVENUE BONDS (CONTINUED)**

**Bond Defeasance**

The face value of the remaining bonds was \$15,055,000, and the Authority has deposited \$15,813,856 in an escrow account with the fiscal agent for the bonds. These funds have been invested in U. S. Government Treasury securities that will provide the total principal and interest due on the remaining bonds as they mature over the next five years which will completely defease these bonds. The Authority has no additional financial responsibilities for these bonds. GASBS No. 86 requires that the Authority recognize a deferred gain on this defeasance of \$1,381,723 and will amortize that gain over the remaining term of the bonds.

	<b><u>Beginning Balance</u></b>	<b><u>Proceeds</u></b>	<b><u>Redemption</u></b>	<b><u>Defeased</u></b>	<b><u>Ending Balance</u></b>
2021 Refunding Revenue Bonds	\$ 15,055,000	\$ -	\$ (85,000)	\$ -	\$ 14,970,000
	<u>\$ 15,055,000</u>	<u>\$ -</u>	<u>\$ (85,000)</u>	<u>\$ -</u>	<u>\$ 14,970,000</u>

**Redemption and Debt Service Schedule**

Bonds are subject to the following mandatory sinking fund redemption prior to maturity out of any available funds, on any June 1st• Shown are the maturities and annual debt service. The schedule below includes the Sales Tax Refunding Revenue Bonds Series 2022 total redemption.

<b><u>Year ending June 30,</u></b>	<b><u>Principal</u></b>	<b><u>Interest</u></b>
2023	535,000	383,259
2024	540,000	377,451
2025	545,000	374,658
2026-2030	2,295,000	2,364,623
2031-2035	2,490,000	2,012,020
2036-2040	4,690,000	1,019,080
2041-2045	3,335,000	466,748
Totals	<u>\$ 14,970,000</u>	<u>\$ 7,375,919</u>

OKMULGEE COUNTY GOVERNMENTAL BUILDING AUTHORITY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED OCTOBER 31, 2022

---

**NOTE 4 – CUSTODIAL CREDIT RISK**

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 does not have a deposit policy for custodial credit risk. As of October 31, 2022, the Authority's bank balances were fully insured by the FDIC.

**NOTE 7 – CAPITAL ASSETS**

The changes in property and equipment, for the year ended October 31, 2022, were as follows:

	2021	Additions	Deletions	2022
Non-depreciable assets				
Land	105,000	-	-	105,000
Total non-depreciable assets	105,000	-	-	105,000
Depreciable assets				
Buildings	16,186,229	-	-	16,186,229
Equipment	439,537	-	-	439,537
Legal and Engineering	71,307	-	-	71,307
Total depreciable assets	16,697,073	-	-	16,697,073
Total capital assets, at cost	16,802,073	-	-	16,802,073
Less: accumulated depreciation	(4,299,859)	-	-	(4,299,859)
Capital assets, net	\$ 12,502,214	\$ -	\$ -	\$ 12,502,214

**NOTE 9 – RISK MANAGEMENT**

The Authority is exposed to various risks of loss related to torts, theft of, damage to, or destruction of assets, errors and omissions, and natural disasters.

The Authority manages these various risks of loss as follows:

<u>Type of Loss</u>	<u>Method Managed</u>	<u>Risk of Loss Retained</u>
a. Torts and errors and omissions, health and life	Purchased commercial insurance	None
c. Physical property loss and natural disasters	Purchased commercial insurance	None

Management believes such coverage is sufficient to preclude any significant uninsured losses to the Authority. Settled claims have not exceeded this insurance coverage in any of the past three fiscal years.

**NOTE 10 - TRANSFERS**

The Building Authority had \$1,909,171 in sales tax revenue transferred from Okmulgee County, Oklahoma during the fiscal year. The sales tax revenue is used to pay the bond payments (\$368,128) and the balance of (\$968,073) goes to Okmulgee County Criminal Justice Authority operating the jail.

**NOTE 11 – SUBSEQUENT EVENTS**

Subsequent events have been evaluated through April 5, 2023, the date of the independent auditor's report, which is the date that the financials were available to be issued, and no additional disclosures are required.

## **INTERNAL CONTROL AND COMPLIANCE**



Certified Public Accountants, PLLC

124 S. Main Street, Miami, Oklahoma 74354

22 South Adair, Pryor, Oklahoma 74361

918-542-4401

**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  
Okmulgee County Governmental Building Authority  
Okmulgee, Oklahoma

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 Okmulgee County Governmental Building Authority, as of and for the year ended October 31, 2022, and the related notes to the financial statements, which collectively comprise the Okmulgee County Governmental Building Authority's basic financial statements and have issued our report thereon dated April 5, 2023.

**Internal Control over Financial Reporting**

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

A *deficiency* in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of 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 have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2022-1 and 2022-2 that we consider to be material weaknesses.



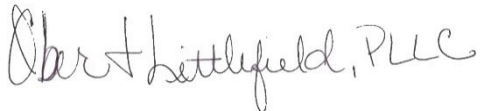
To the Board of Trustees  
Okmulgee County Governmental Building Authority  
Page 2

### **Compliance and Other Matters**

As a part of obtaining reasonable assurance about whether Okmulgee County Governmental Building 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 determination of financial statement amounts. 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.

A handwritten signature in dark ink that reads "Ober & Littlefield, PLLC". The signature is written in a cursive, flowing style.

OBER & LITTLEFIELD  
CERTIFIED PUBLIC ACCOUNTANTS, PLLC

April 5, 2023

**Audit Findings - Prior Year**

**2021-1 – Financial Reporting and Preparation of Year-End Trial Balance**

*Condition* – The Authority presented a check register. The Authority was unable to present a year-end trial balance, including required accruals which are necessary for the financial statements to be in accordance with generally accepted accounting principles (GAAP).

*Recommendation* – We recommend that the Authority take the necessary steps to be able to provide financial data such as trial balances and financial statements by implementing an accounting system, recording financial transactions and record accruals in accordance with GAAP or hire an external accounting firm to perform these tasks.

*Current Status*– Repeat finding in current year audit. (Refer to finding 2022-01)

**2021-2– Maintenance and Safeguarding of Capital Assets**

*Condition* – Internal controls over property accountability were inadequate or nonexistent for capital assets. The Authority has no written policies or procedures on recording, adjusting or inventorying capital assets, does not adequately monitor or inventory capital assets, does not record transactions in required general ledger accounts, and does not record capital assets in an approved capital asset inventory system that includes records for all assets that can be inventoried.

*Recommendation* – We recommend the Authority implement internal controls in its property accountability by developing written policies and procedures that describe how capital assets will be recorded and managed, post transactions affecting capital assets to an approved capital asset inventory system and perform timely inventories of capital assets.

*Current Status* – Repeat finding in current year audit. (Refer to finding 2022-02)

**Audit Findings - Current Year**

**2022-1 – Financial Reporting and Preparation of Year-End Trial Balance**

*Criteria or specific requirement* – The Authority’s system of internal control should allow it to prepare a properly adjusted trial balance at year end. This would include making year-end accounting entries to convert from a cash basis financial statement to an accrual basis financial statement in accordance with generally accepted accounting principles (GAAP).

*Condition* – The Authority presented a check register. The Authority was unable to present a year-end trial balance, including required accruals which are necessary for the financial statements to be in accordance with generally accepted accounting principles (GAAP). This finding was previously reported 2021-1.

*Cause* – The Authority does not maintain accounting records that appropriately capture accounting transactions by classification, account balances, or record accruals required by generally accepted accounting principles (GAAP).

*Effect* – Without the proper accruals at year end, financial statements could be materially misstated and potential accounting errors would not be detected by accounting personnel in a timely manner.

*Recommendation* – We recommend that the Authority take the necessary steps to be able to provide financial data such as trial balances and financial statements by implementing an accounting system, recording financial transactions and record accruals in accordance with GAAP or hire an external accounting firm to perform these tasks.

*Managements Response* – The Authority understands and will take appropriate steps to remedy the finding.

**2022-2– Maintenance and Safeguarding of Capital Assets**

*Criteria or Specific Requirement* – The Authority is required to maintain adequate controls to safeguard and account for its capital assets.

*Condition* – Internal controls over property accountability were inadequate or nonexistent for capital assets. The Authority has no written policies or procedures on recording, adjusting or inventorying capital assets, does not adequately monitor or inventory capital assets, does not record transactions in required general ledger accounts, and does not record capital assets in an approved capital asset inventory system that includes records for all assets that can be inventoried. This finding was previously reported 2021-02.

*Cause* – There are no written policies or procedures for the recording, maintenance, and safeguarding of capital assets.

*Effect* – Without adequate internal controls to ensure proper safeguarding, assets are at risk and vulnerable to misappropriation, misuse or loss, which would not be detected in a timely manner, if at all. Financial information is also inaccurately recorded for capitalized assets.

*Recommendation* – We recommend the Authority implement internal controls in its property accountability by developing written policies and procedures that describe how capital assets will be recorded and managed, post transactions affecting capital assets to an approved capital asset inventory system and perform timely inventories of capital assets.

*Managements Response* – The Authority understands and will take appropriate steps to remedy the finding.