

INDEPENDENT AUDITOR'S REPORT

Grady County Fairgrounds Trust Authority

June 30, 2022

BY



Grady County Fairgrounds Trust Authority

For Year Ended June 30, 2022

Table of Contents

	<u>Page</u>
<u>INDEPENDENT AUDITOR'S REPORT</u>	1 - 3
<u>FINANCIAL STATEMENTS</u>	
Statement of Net Position (Modified Cash Basis)	4
Statement of Revenues, Expenses and Changes in Net Position (Modified Cash Basis).....	5
Statement of Cash Flows (Modified Cash Basis)	6
Notes to Financial Statements.....	7 - 10
<u>REQUIRED SUPPLEMENTAL INFORMATION</u>	
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>	11 - 12
Schedule of Findings.....	13



INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of
Grady County Fairgrounds Trust Authority
Chickasha, Oklahoma

Opinion

We have audited the accompanying modified cash basis financial statements of the Grady County Fairgrounds Trust Authority as of and for the twelve months then ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Fairground's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the Grady County Fairgrounds Trust Authority as of June 30, 2022, and the respective changes in modified cash basis financial position and, where applicable, cash flows thereof for the twelve months then ended in accordance with the modified cash basis of accounting as described in Note 1.

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 Grady County Fairgrounds Trust Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. 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 these financial statements in accordance with the modified cash basis of accounting described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in 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, which raise substantial doubt about Grady County Fairgrounds Trust 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 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 Western Plains Library System'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, which raise substantial doubt about Western Plains Library System'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.

Basis of Accounting

We draw attention to Note 1 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 other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

Other Matters

Supplementary Information

Management has omitted the management discussion and analysis and the budgetary comparison 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 November 5, 2022, on our consideration of the Grady County Fairgrounds Trust 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 control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Grady County Fairgrounds Trust Authority's internal control over financial reporting and compliance.

Furrh & Associates, PC

FURRH & ASSOCIATES, PC

Lawton, Oklahoma

November 5, 2022

Grady County Fairgrounds Trust Authority

Statement of Net Position For the Year Ended June 30, 2022 (Modified Cash Basis)

<u>ASSETS</u>		
Current Assets		
Cash and Cash Equivalents	\$ 3,958,222	
Accounts Receivable	248,451	
Total Current Assets		\$ 4,206,673
Fixed Assets		
Auto / Transport Equipment	31,927	
Improvements	99,415	
Furniture and Fixtures	107,450	
Land	462,443	
Equipment	1,426,863	
Construction In Progress	1,742,369	
Buildings	15,339,477	
Less Accumulated Depreciation	(8,844,703)	
Net Fixed Assets		<u>10,365,241</u>
TOTAL ASSETS		<u><u>\$ 14,571,914</u></u>
<u>LIABILITIES AND NET POSITION</u>		
Current Liabilities		
Current Portion of Bonds Payable	\$ 844,457	
Accounts Payable	523,795	
Accrued Salaries	23,861	
Unearned Income	10,225	
Compensated Absences Liability	9,389	
Payroll Liabilities	280	
Total Current Liabilities		\$ 1,412,007
Non-Current Liabilities		
Bonds Payable (net)	<u>5,509,943</u>	
Total Non-Current Liabilities		<u>5,509,943</u>
Total Liabilities		6,921,950
Net Position		
Net Investment in Capital Assets	4,010,841	
Net Position - Unrestricted	<u>3,639,123</u>	
Total Net Position		<u>7,649,964</u>
TOTAL LIABILITIES AND NET POSITION		<u><u>\$ 14,571,914</u></u>

Please see accompanying notes to the financial statements.

Grady County Fairgrounds Trust Authority
Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended June 30, 2022
(Modified Cash Basis)

OPERATING REVENUES

Tax Income	\$ 2,424,888	
Rental Receipts	245,569	
Fair Income	69,978	
Miscellaneous Receipts	<u>2,949</u>	
Total Operating Revenues		\$ 2,743,384

OPERATING EXPENSES

Maintenance and Operations	700,249	
Personal Services	664,596	
Depreciation	409,802	
Rental/Event Expense	<u>37,255</u>	
Total Operating Expenses		<u>1,811,902</u>

OPERATING INCOME		931,482
-------------------------	--	---------

NON-OPERATING REVENUES & EXPENSES

Interest Income	4,492	
Interest Expense	<u>(139,830)</u>	
Total Non-Operating Revenues & Expenses		<u>(135,338)</u>

NET INCOME		796,144
-------------------	--	---------

Net Position, as of July 1, 2021		<u>6,853,820</u>
---	--	------------------

Net Position, as of June 30, 2022		<u><u>\$ 7,649,964</u></u>
--	--	----------------------------

Please see accompanying notes to the financial statements.

Grady County Fairgrounds Trust Authority

Statement of Cash Flows For the Year Ended June 30, 2022

Cash Flows from Operating Activities

Operating Income		\$	931,482
Depreciation	\$	409,802	
(Increase)/Decrease in Accounts Receivable		(67,174)	
Increase/(Decrease) in Compensated Absences Liability		(4,417)	
Increase/(Decrease) in Payroll Liabilities		(2,519)	
Increase/(Decrease) in Accrued Salaries		4,352	
Increase/(Decrease) in Unearned Income		5,800	
Increase/(Decrease) in Accounts Payable		523,795	
Net Cash Provided by Operating Activities			1,801,121

Cash Flows from Investing Activities

Capital Assets Purchased		(1,934,954)	
Net Cash Used by Investing Activities			(1,934,954)

Cash Flows from Financing Activities

Interest Income		4,492	
Interest Expenses		(139,830)	
Increase/(Decrease) in Note Payable		348,630	
Increase/(Decrease) in Bonds Payable		(767,719)	
Net Cash Used by Financing Activities			(554,427)

Net Increase (Decrease) in Cash and Cash Equivalents (688,260)

Cash and Cash Equivalents - June 30, 2021 4,646,482

Cash and Cash Equivalents - June 30, 2022 \$ 3,958,222

Please see accompanying notes to the financial statements.

Grady County Fairgrounds Trust Authority

Notes to Financial Statements

June 30, 2022

Note 1 – Significant Accounting Policies

The Grady County Fairgrounds Trust Authority (the Authority) was established as a public trust organized in November 12, 2019 under 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. It was established for the purpose, among others, of constructing, owning, and operating the county fairgrounds within Grady County, Oklahoma.

The Authority operates as an autonomous proprietary fund and its bookkeeping accounts and financial statements are maintained and presented as enterprise fund accounts.

The Authority is exempt from federal and state income taxes.

The financial statements of the Fairgrounds have been prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The modified cash basis of accounting represents reporting on a cash basis modified to reflect certain accrual-basis accounting adjustments such as depreciation expense. Expenses incurred but unpaid at June 30, 2022, are recorded on a cash basis and are not reflected in the accompanying modified cash basis of accounting financial statements.

Statement of Cash Flows

Management has elected to include temporary investments in short-term certificates of deposit with a maturity or availability date of 90 days or less, when issued, and money market accounts as cash equivalents.

Inventory

The Fairgrounds record material and supply inventories as expenditures at the time the inventory is purchased and at year-end such inventories are not considered material in amount. Therefore, no inventory balances for materials and supplies not yet consumed are reported in the basic statement of assets, liabilities, and fund balance.

Advertising Costs

All costs associated with advertising are expensed as incurred.

Investments

Investments are stated at cost which approximates market.

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. The company bases its estimates on experience, where applicable and other assumptions management believe are reasonable under the circumstances. Actual results could differ from

Grady County Fairgrounds Trust Authority

Notes to Financial Statements

June 30, 2022

those estimates under different assumptions or conditions. Estimates are used when accounting for items such as revenues, allowance for doubtful accounts, useful lives of property, plant, and equipment, asset impairments, allocations, and evaluation of minimum lease terms for operating leases.

Note 2 – Change in Accounting Principles

Since the Authority is no longer under the umbrella of Grady County, the Authority no longer has obligation to the unfunded Pension Liability of the county. Therefore, we have recorded an adjustment to reflect the change.

Note 3 – Fixed Assets

The cost of fixed assets is capitalized and depreciated over the estimated useful life of the related asset. These assets are depreciated using the straight-line method over the useful lives ranging from 5 to 40 years. A summary of fixed assets at June 30, 2022, is as follows:

	Balance 06/30/2021	Additions	Disposals	Balance 06/30/2022
Fixed Assets				
Buildings & Improvements	\$ 15,304,366	\$ 134,526	\$ 0	\$ 15,438,892
Construction In Progress	0	1,742,369	0	1,742,369
Equipment	1,388,760	55,559	(17,456)	1,426,863
Land	462,443	0	0	462,443
Furniture & Fixtures	104,950	2,500	0	107,450
Auto / Transport Equipment	31,927	0	0	31,927
Total Fixed Assets	<u>\$ 17,292,446</u>	<u>\$ 1,934,954</u>	<u>\$ (17,456)</u>	<u>\$ 19,209,944</u>
Accumulated Depreciation				
Buildings & Improvements	\$ 7,704,276	\$ 248,413	\$ 0	\$ 7,952,689
Equipment	698,066	139,742	(17,444)	820,364
Furniture & Fixtures	32,976	15,262	0	48,238
Auto / Transport Equipment	17,027	6,385	0	23,412
Total Depreciation	<u>\$ 8,452,345</u>	<u>\$ 409,802</u>	<u>\$ (17,444)</u>	<u>\$ 8,844,703</u>
Total Fixed Assets, net of depreciation	<u>\$ 8,840,101</u>			<u>\$ 10,365,241</u>

Depreciation is charged to expense. Depreciation expense for the six months ended June 30, 2022 was \$409,802.

Grady County Fairgrounds Trust Authority

Notes to Financial Statements

June 30, 2022

Note 4 – Cash and Cash Equivalents

The following is a recap of the Fairgrounds’ bank accounts:

Sales Tax Revenue Account	\$ 3,595,414
Revolving Account	233,150
Free Fair Checking	129,443
Petty Cash	215
	\$ 3,958,222

The Fairgrounds’ cash, deposits, and investments are classified in the following categories:

- A. Insured or collateralized with securities held by the entity or by its agent in the entity’s name.
- B. Collateralized with securities held by the pledging financial institution’s trust department or agent in the entity’s name.
- C. Uncollateralized.

	A	B	C	Total
Cash in Bank	\$ 3,958,007	\$ 0	\$ 215	\$ 3,958,222
Total	\$ 3,958,007	\$ 0	\$ 215	\$ 3,958,222

Note 5 – Pension

The Fairgrounds established a Defined Contribution Plan through the Oklahoma Public Employees Retirement System. The Plan started in January 2022. The plan allows the employee to contribute 3.5% and the Fairgrounds to contribute 16.5% of covered payroll.

	Employer Portion 16.5%	Employee Portion 3.5%	Covered Payroll	Non-Covered Payroll
FYE June 30, 2022	\$ 61,722	\$ 17,084	\$ 374,073	\$ 51,342

Note 6 – Lease of County Fairgrounds

On October 22, 2014, the Grady County Industrial Authority leased from Grady County certain real properties located at the Grady County Fairgrounds in order to use it as collateral for the

Grady County Fairgrounds Trust Authority
Notes to Financial Statements
June 30, 2022

County Fairgrounds Facilities Lease Revenue Note, Series 2014 and 2015. The funds from these revenue notes will be used for construction projects at the Grady County Fairgrounds.

Grady County leased the real and personal property back from the Industrial Authority for a period of 14 years. In May 2013, the citizens of Grady County voted for a ¼% sales tax to finance this long-term lease. The Grady County Fairgrounds pays regular monthly lease payments of \$75,630.

Grady County Industrial Authority is reporting this debt as a conduit debt and not reporting it on their financial statements. Therefore, Grady Fairgrounds will report it on their financial statements.

The bonds are payable on the following terms:

<u>Year Ending</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
June 30, 2023	\$ 907,560	\$ 729,805	\$ 177,755
June 30, 2024	907,560	752,339	155,221
June 30, 2025	907,560	776,410	131,150
June 30, 2026	907,560	800,823	106,737
June 30, 2027	907,560	828,109	79,451
June 30, 2028 +	4,084,294	2,118,284	1,966,010
	<u>\$ 8,622,094</u>	<u>\$ 6,005,770</u>	<u>\$ 2,616,324</u>

Note 7 – Compensated Absences

The amount of earned unpaid vacation time at June 30, 2022, was approximately \$9,389 and was accrued since the policy states that it will be paid upon termination. Sick leave is not paid upon termination, so it was not calculated.

Note 8 – Commitments and Contingencies

The Fairgrounds receive the resources primarily from sources within Grady County. Consequentially, the Fairgrounds’ ability to operate as a going concern is dependent on the economic conditions of this area.

Note 9 – Subsequent Events

In preparing the accompanying audited financial statements, management reviewed all known events that have occurred after June 30, 2022 and through November 5, 2022, the date the financial statements were available for issuance, for inclusion in the financial statements and footnotes.



**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***

Board of Trustees
Grady County Fairgrounds Trust Authority
Chickasha, 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 modified cash basis financial statements of the business-type activities of Grady County Fairgrounds Trust Authority, as of June 30, 2022, and the related notes to the financial statements, which collectively comprise the Fairground's basic financial statements, and have issued our report thereon dated November 5, 2022. Our report included a basis of accounting paragraph related to the Fairground's use of a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Fairground'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 Fairground's internal control. Accordingly, we do not express an opinion on the effectiveness of the Fairground'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. We consider the deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies; 2022-1.

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 Grady County Fairgrounds Trust 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 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 Fairground'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.

Furrh & Associates, PC

FURRH & ASSOCIATES, PC

Lawton, Oklahoma

November 5, 2022

Grady County Fairgrounds Trust Authority
Schedule of Findings and Responses
Year Ended June 30, 2022

Reportable Conditions of Internal Control, Compliance and Other Matters

2022-1 Lack of Control in the Purchasing Procedure

Condition – During our testing of the expenses of Grady County Fairgrounds, it was noted that purchase orders are not being used to initiate the purchasing procedure. Also, invoices or delivery notices are not being properly signed to denote the receipt of goods or services.

Effect – Purchases are not being properly started or accounted for.

Cause – The Fairground was not properly following the approved purchasing procedures.

Criteria – Per the Policies and Procedures booklet, under the section for Purchasing and Procurement, it states that “Each specific procurement procedure process is initiated by the Purchasing Request Form (PR) to the Accounting Manager from the requesting individual or group and should show detailed specifications and requirements for the item(s) being requested.”

Recommendation – We recommend that staff complete a review of their policies and procedures and make appropriate changes to reflect the updated policies.