

**INDEPENDENT ACCOUNTANT'S
AUDIT REPORT**

**STEPHENS COUNTY GOVERNMENTAL
BUILDING AUTHORITY
(A Component Unit of Stephens County)**

JUNE 30, 2022

BY



Stephens County Governmental Building Authority
Duncan, Oklahoma
(A Component Unit of Stephens County)
Year Ended June 30, 2022

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INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
Stephens County Governmental Building Authority
Duncan, Oklahoma

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the business-type activities of Stephens County Governmental Building Authority (a component unit of Stephens County, Oklahoma), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Stephens County Governmental Building Authority's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Stephens County Governmental Building Authority as of June 30, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Stephens County Governmental Building Authority and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Stephens County Governmental Building Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Stephens 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 Stephens 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 things, the planned scope and timing of the audit, significant audit findings, and certain internal-control related matters that we identified during the audit.

Required Supplementary Information

Management has omitted the management’s discussion, and analysis, as well as the budgetary comparison information, that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Matters

Emphasis of Matter

As discussed in Note 1, the financial statements present only the Stephens County Governmental Building Authority and do not purport to, and do not present fairly the financial position of Stephens County, Oklahoma as of June 30, 2022, the changes in its financial position, or, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 31, 2023, on our consideration of Stephens 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 Stephens 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 Stephens County Governmental Building Authority’s internal control over financial reporting and compliance.

Furrh & Associates, PC

Lawton, Oklahoma

July 31, 2023

Stephens County Governmental Building Authority

Duncan, Oklahoma

(A Component Unit of Stephens County)

Statement of Net Position

June 30, 2022

ASSETS

Fixed Assets

School Building - Net	\$ 5,486,363	
Fairgrounds Building - Net	4,135,313	
Jail Building - Net	3,129,888	
Conservation Building - Net	66,749	
Total Fixed Assets		\$ 12,818,313

TOTAL ASSETS \$ 12,818,313

LIABILITIES AND NET POSITION

Net Position

Invested in Fixed Assets Net of Related Debt	\$ 12,818,313	
Unrestricted	0	
Total Net Position		\$ 12,818,313

TOTAL LIABILITIES AND NET POSITION \$ 12,818,313

Please see accompanying notes to the financial statements.

Stephens County Governmental Building Authority

Duncan, Oklahoma

(A Component Unit of Stephens County)

Statement of Revenues, Expenses, and Changes in Net Position

For the Year Ended June 30, 2022

Operating Revenues		
Rental Income	\$ 1,500	
Total Operating Revenues	<u> </u>	\$ <u>1,500</u>
Operating Expenses		
Depreciation	379,154	
Trustee Fees	2,200	
Administrative Fees	1,167	
Total Operating Expenses	<u> </u>	<u>382,521</u>
Net Income (Loss) from Operations		(381,021)
Non Operating Revenue (Expense)		
Transfer from Stephens County	973,157	
Interest Expense	<u>(6,000)</u>	
Total Non Operating Revenue (Expense)		<u>967,157</u>
Net Income (Loss)		586,136
Net Position, Beginning of Year		<u>12,232,177</u>
Net Position, End of Year		<u><u>\$ 12,818,313</u></u>

Please see accompanying notes to the financial statements.

Stephens County Governmental Building Authority
Duncan, Oklahoma
(A Component Unit of Stephens County)
Statement of Cash Flows
For the Year Ended June 30, 2022

Cash Flows from Operating Activities

Rental Income	\$	1,500	
Operating Expenses		(3,367)	
		(3,367)	
Net Cash Provided (Used) by Operating Activities	\$		(1,867)

Cash Flows from Capital and Related Financing Activities

Transfer from Stephens County		973,157	
Principal Payments on Outstanding Bonds		(960,000)	
Interest Expense		(18,000)	
		(978,000)	
Net Cash Provided (Used) by Capital and Related Financing Activities			(4,843)

Net Increase (Decrease) in Cash and Cash Equivalents (6,710)

Cash and Cash Equivalents - June 30, 2021 6,710

Cash and Cash Equivalents - June 30, 2022 \$ 0

Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities

Net Operating Income (Loss)		(381,021)	
Add: Depreciation		379,154	
		(2,867)	
Net Cash Provided (Used) by Operating Activities	\$		(1,867)

Please see accompanying notes to the financial statements.

Stephens County Governmental Building Authority
Duncan, Oklahoma
(A Component Unit of Stephens County)
Notes to the Financial Statements
June 30, 2022

Note 1 – Significant Accounting Policies

The Stephens County Governmental Building Authority (the Authority) was established as a public trust organized in April 17, 2000 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 public buildings and other facilities within Stephens County, Oklahoma. The Authority is a component unit of Stephens County, as its governing board is the County Commissioners of Stephens 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 Authority are prepared in accordance with generally accepted accounting principles (GAAP) of the United States of America. The Authority is considered a governmental entity as defined by the Governmental Accounting Standards Board (GASB) and applies all relevant GASB pronouncements.

The preparation of financial statements in conformity with generally accepted accounting principles of 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.

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

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

- a) Invested in capital assets, net of related debt—consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any mortgages, notes, or other borrowings 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.

Stephens County Governmental Building Authority
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June 30, 2022

- c) Unrestricted net position—all other assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt”.

Note 2 – Cash and Investments

Cash and cash equivalents include all unrestricted cash and investments with a maturity date of 90 days or less from date of issue.

Note 3 – Fixed Assets

Fixed assets are recorded at cost. The jail building, fairgrounds building, and the school building were completed, and depreciation is recorded for the year. The Authority purchased additional equipment with remaining school bond funds. The Authority purchased the Stephens County Soil Conservation Building for use as an office for the fairgrounds.

Depreciation is computed using the straight-line method, using estimated useful lives of 10 to 50 years. Total depreciation for the year was \$379,154, which was charged against current operations.

Current year changes to fixed assets were as follows:

<u>Fixed Assets</u>	Beginning			
	<u>Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
School Building	\$ 7,585,900	\$ 0	\$ 0	\$ 7,585,900
Fairgrounds Building	6,272,831	0	0	6,272,831
Jail Building	4,761,923	0	0	4,761,923
Conservation Building	111,261	0	0	111,261
Total	<u>\$ 18,731,915</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 18,731,915</u>

<u>Accumulated Depreciation</u>	Beginning			
	<u>Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
School Building	\$ 1,944,761	\$ 154,776	\$ 0	\$ 2,099,537
Fairgrounds Building	2,011,938	125,580	0	2,137,518
Jail Building	1,536,019	96,016	0	1,632,035
Conservation Building	41,730	2,782	0	44,512
Total	<u>\$ 5,534,448</u>	<u>\$ 379,154</u>	<u>\$ 0</u>	<u>\$ 5,913,602</u>

Stephens County Governmental Building Authority
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Notes to the Financial Statements
June 30, 2022

Note 4 – Long Term Leases

The Authority entered into a renewable annual lease with the Stephens County for the lease of the correctional jail facilities of the Stephens County jail. The lease calls for the payment of a sum equal to the amount last remitted to the County of the proceeds of a one-half percent sales tax approved by the voters of Stephens County, Oklahoma on August 22, 2000; provided, said rental shall in no event be less than the amount necessary to satisfy the principal and interest due on the bonds payable during the year.

The Authority entered into a long-term lease with the Comanche School District for the lease of the school buildings and fixtures to be constructed by the Authority. The lease calls for the payment of lease payments in an amount necessary to satisfy the principal and interest due on the bonds payable during the year.

Note 5 – Subsequent Events

Subsequent events were evaluated through July 31, 2023, which is the date the financial statements were available to be issued.

Note 6 – Going concern

As of September 1, 2021, the Stephens County Governmental Building Authority has paid the remainder balance of their Series 2011 Revenue Bond. This creates a going concern issue as to the future of the entity.



**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 Commissioners
Stephens County Governmental Building Authority
Duncan, Oklahoma

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business activities of Stephens County Governmental Building Authority (a discretely presented component unit of Stephens County, Oklahoma), 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 there on dated July 31, 2023.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority’s internal control over financial reporting (internal control) 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 trust Authority’s internal control. Accordingly, we do not express an opinion on the effectiveness of the trust Authority’s internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did

not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 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.

FURRH & ASSOCIATES, PC
Lawton, Oklahoma
July 31, 2023