

*Independent Auditor's Report*

***Garvin County Finance Authority***

*Year Ended June 30, 2021*

**GARVIN COUNTY FINANCE AUTHORITY**  
**PAULS VALLEY, OKLAHOMA**  
**June 30, 2021**

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## INDEPENDENT AUDITOR'S REPORT

The Honorable Board of Trustees  
Garvin County Finance Authority  
Pauls Valley, Oklahoma

### Report on the Financial Statements

We have audited the accompanying modified cash basis financial statements of the business-type activities of Garvin County Finance Authority, Pauls Valley, Oklahoma, a component unit of Garvin County as of and for the year ended June 30, 2021, and the related notes to the financial statements, 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 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 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.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks 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, we express no such opinion. An audit also includes evaluating the appropriateness

of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

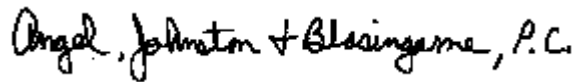
In our opinion, the financial statements referred to above present fairly, in all material respects, the modified cash basis financial position of the business-type activities of the Garvin County Finance Authority, Pauls Valley, Oklahoma as of June 30, 2021, and the changes in modified cash basis financial position, and cash flows thereof for the year then ended in accordance with the modified cash basis of accounting described in Note 1.

### **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 of accounting other than 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 January 18, 2022, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 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 Authority's internal control over financial reporting and compliance.



Chickasha, Oklahoma  
January 18, 2022

**GARVIN COUNTY FINANCE AUTHORITY**  
**Statement of Net Position**  
**Modified Cash Basis**  
**June 30, 2021**

**ASSETS**

**Current Assets**

Cash and cash equivalents	\$ 787,445
<i>Total Current Assets</i>	<u>787,445</u>

**Non Current Assets**

Land	69,784
Other capital assets, net of depreciation	<u>713</u>
<i>Total Non Current Assets</i>	<u>70,497</u>
 <i>Total Assets</i>	 <u><u>857,942</u></u>

**LIABILITIES**

<i>Total Liabilities</i>	<u><u>-</u></u>
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**NET POSITION**

Net investment in capital assets	70,497
Unrestricted	<u>787,445</u>
 <i>Total Net Position</i>	 <u><u>\$ 857,942</u></u>

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

**GARVIN COUNTY FINANCE AUTHORITY**  
**Statement of Revenues, Expenses, and Changes in Net Position**  
**Modified Cash Basis**  
**For the Year Ended June 30, 2021**

<b>Operating Revenues</b>	
<i>Total Operating Revenues</i>	-
<b>Operating Expenses</b>	
Professional Fees	8,200
Insurance	4,457
Depreciation expense	503
<i>Total Operating Expenses</i>	13,160
<i>Operating Income (Loss)</i>	(13,160)
<b>Non Operating Revenues (Expenses)</b>	
Interest income	1,877
Building rent	2,410
<i>Total Non Operating Revenues (Expenses)</i>	4,287
<i>Change in Net Position</i>	(8,873)
<i>Net Position - Beginning of Year</i>	866,815
<i>Net Position - End of Year</i>	\$ 857,942

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

**GARVIN COUNTY FINANCE AUTHORITY**  
**Statement of Cash Flows**  
**Modified Cash Basis**  
**For the Year Ended June 30, 2021**

**Cash flows from operating activities**

Payment to vendors	(12,657)
<i>Net cash provided by (used for) operating activities</i>	<u>(12,657)</u>

**Cash flows from investing activities**

Building rent	2,410
Interest received	1,877
<i>Net cash provided by (used for) investing activities</i>	<u>4,287</u>

<i>Net increase (decrease) in cash and cash equivalents</i>	(8,370)
<i>Cash and cash equivalents at beginning of year</i>	795,815
<i>Cash and cash equivalents at end of year</i>	<u><u>\$ 787,445</u></u>

**Reconciliation of operating income (loss) to net cash provided (used) by operating activities**

Operating income (loss)	\$ (13,160)
Adjustment to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	<u>503</u>
<i>Net cash provided by (used for) operating activities</i>	<u><u>\$ (12,657)</u></u>

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

**GARVIN COUNTY FINANCE AUTHORITY**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2021**

**Note 1 – Summary of Significant Accounting Policies**

**1.A. Financial Reporting Entity**

Garvin County Finance Authority, a public trust, was organized in March 1989 to assist Garvin County, the State of Oklahoma, Governmental Agencies municipalities and 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 benefit of the State of Oklahoma and Garvin County in order to lessen the burdens on government and to stimulate economic growth and development of Garvin County. The Authority accomplishes its mission through various economic development loans and grants.

**Related Organizations**

**Garvin County** Garvin County is the beneficiary of this public trust. The elected Garvin County commissioners are the Authority's trustees in addition to six appointed trustees. Therefore, the Authority is considered to be a component unit of Garvin County.

The accompanying financial statements include all functions and activities over which the Authority exercises financial accountability. Garvin County Finance Authority is a component unit of the governmental entity of Garvin County, Oklahoma. Garvin County's financial information is not presented in these financial statements. Garvin County financial audits are readily obtainable at, [www.sai.ok.gov](http://www.sai.ok.gov), the State Auditor's website.

**1.B. Basis of Presentation**

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

**1.C. Measurement Focus and Basis of Accounting**

Measurement focus refers to how transactions are recorded within the various financial statements. Basis of accounting refers to when transactions are recognized and recorded in the financial statements regardless of the measurement focus applied.

The Authority's financial statements use the economic resources measurement focus and are presented on the modified cash basis of accounting. Revenues are recognized when they are received and expenses are recorded when paid with the following modifications:

**GARVIN COUNTY FINANCE AUTHORITY**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2021**

**Note 1 - Summary of Significant Accounting Policies, (continued)**

**1.C. Measurement Focus and Basis of Accounting, (continued)**

- Capital assets and the depreciation of those assets, where applicable.

This basis is a basis of accounting other than accounting principles generally accepted in the United States of America. If the Authority utilized the basis of accounting recognized as generally accepted, the financial statements would use 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.

**1.D. Assets, Liabilities and Net Position**

Cash & Cash Equivalents - The Authority considers all cash on hand, demand deposit accounts, interest bearing checking accounts and time deposit accounts including certificates of deposit and U.S. Treasury bills with maturities of three months or less to be cash and cash equivalents.

Land - The Authority currently owns 90.17 acres of land, valued at \$69,783, located by the Wal-Mart Distribution Center in Pauls Valley, Oklahoma.

Capital Assets – The Authority’s assets are capitalized and stated at cost. Depreciation of exhaustible capital assets is recorded as an expense over the estimated useful lives using the straight-line method.

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

Improvements	10 to 40 years
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Net Position – Net Position is divided into three components:

- a. *Net Investment in Capital Assets* – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributed to the acquisition, construction, or improvements 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 and regulations of other governments, or 2) law through constitutional provisions or enabling legislation.
- c. *Unrestricted net position* – All other net assets that do not meet the definition of “restricted” or “net investment in capital assets.”

**GARVIN COUNTY FINANCE AUTHORITY**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2021**

**Note 1 - Summary of Significant Accounting Policies, (continued)**

**1.D. Assets, Liabilities and Net Position, (continued)**

It is the Authority's policy to first use restricted net position prior to the use of unrestricted net position when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

**1.E. Revenues and Expenses**

Operating and Nonoperating Revenues - Operating revenues are considered those whose cash flows are related to operating activities, while revenues related to financing, capital and investing activities are reported as non-operating.

Expenses - The Authority reports expenses relating to the use of economic resources.

**1.F Estimates**

Certain estimates are made in the preparation of the modified cash basis financial statements, such as estimated lives for capital assets depreciation. Estimates are based on management's best judgments and may vary from actual results.

**Note 2 - Deposits, Investments and Collateral**

Deposits and Investments - The Authority does not have a written investment policy that limits its investment choices. Investments are limited by *Oklahoma Statute* and declaration of trust.

Custodial Credit Risk- Deposits - Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. The Authority does not have a written policy for custodial risk, but *Oklahoma Statutes* require collateral for all uninsured deposits of public trust funds in financial institutions. At June 30, 2021, the Authority was not exposed to custodial credit risk.

**GARVIN COUNTY FINANCE AUTHORITY**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2021**

**Note 3 - Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2021 was as follows:

	<b>Restated Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
Non-depreciable assets:				
Land	\$ 69,784	-	-	\$ 69,784
Total non-depreciable assets	<u>69,784</u>	<u>-</u>	<u>-</u>	<u>69,784</u>
Depreciable assets:				
Fencing	<u>3,523</u>	-	-	<u>3,523</u>
Total depreciable assets	<u>3,523</u>	<u>-</u>	<u>-</u>	<u>3,523</u>
Less accumulated depreciation:				
Fencing	<u>2,307</u>	<u>503</u>	-	<u>2,810</u>
Total accumulated depreciation	<u>2,307</u>	<u>503</u>	<u>-</u>	<u>2,810</u>
Net depreciable assets	<u>1,216</u>	<u>(503)</u>	-	<u>713</u>
Net capital assets	<u>\$ 71,000</u>	<u>\$ (503)</u>	<u>\$ -</u>	<u>\$ 70,497</u>

**Note 4 - 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; injuries to employees; employee health; and acts of God. The Authority manages these various risks of loss by securing surety bonds and property insurance. The Authority carries a policy with the Association of County Commissioners of Oklahoma Self-Insurance Group (ACCO-SIG) consisting of the following coverage:

Blanket Bond Coverage -	\$100,000
Casualty (General Liability) -	\$1,000,000
Public Officials Wrongful Act -	\$2,000,000

Coverage is subject to a \$10,000 deductible. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years

**Note 5 - Commitments and Contingencies.**

The Authority is not involved with any legal proceedings, which normally occur in the course of governmental operations at this time. While legal proceedings cannot be foreseen, the Authority feels that any settlement or judgment not covered by insurance would not have a material effect on the financial condition of the Authority.

**GARVIN COUNTY FINANCE AUTHORITY**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2021**

**Note 6 - Subsequent Events**

Management has evaluated subsequent events through the date of the audit report, which is the date the financial statements were available to be issued, and has determined that no additional information needs to be added to the financial statements.

# *Report on Internal Control and Compliance*

**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***

The Honorable Board of Trustees  
Garvin County Finance Authority  
Pauls Valley, 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 the Garvin County Finance Authority, Pauls Valley, Oklahoma, a component unit of Garvin County, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated, TBD. Our report on the financial statements disclosed, that, as described in Note 1 to the financial statements, the Authority prepares its financial statements on a modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Garvin County Finance Authority, Pauls Valley, Oklahoma's internal control over financial reporting (internal control) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 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 that we consider to be material weaknesses. 2021-001

### **Compliance and Other Matters**

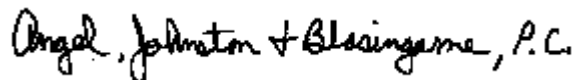
As part of obtaining reasonable assurance about whether Garvin County Finance Authority, Pauls Valley, Oklahoma's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2021-002.

### **Garvin County Finance Authority, Pauls Valley, Oklahoma's, Response to Findings**

Garvin County Finance Authority, Pauls Valley, Oklahoma's response to the findings identified in our audit is described in the attached corrective action plan. The Authority's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.



Chickasha, Oklahoma  
January 18, 2022

**GARVIN COUNTY FINANCE AUTHORITY**  
**Schedule of Findings and Responses**  
**For the Year Ended June 30, 2021**

**2021-001**     *Criteria* – The segregation of duties and responsibilities between different individuals for custody of assets, record keeping for those assets, and reconciliation of those asset accounts is an important control activity needed to adequately protect the Authority’s assets and ensure accurate financial reporting.

*Condition* – The same individual performs all accounting functions; receives checks, makes bank deposits, writes checks and reconciles the monthly bank statements and prepares monthly financial summaries.

*Cause* – The Authority’s limited size and staffing resources have made it difficult for management to provide sufficient staffing to fully segregate incompatible duties in a cost-effective manner.

*Effect or Potential Effect* – Without sufficient segregation of duties, the risk significantly increases that errors and fraud related to the accounting functions, including misappropriation of assets, could occur and not be detected within a timely basis.

*Recommendation* – While it may not be cost effective to hire the additional administrative staff that would be necessary in order to adequately segregate the responsibilities, the Board should consider a formal evaluation of their risks associated with this lack of segregation of duties. In response to the identified risks, consideration should be given to identifying and implementing controls that could help mitigate the risks associated with lack of segregation of duties.

*Management Response* – See Corrective Action Plan.

**2021-002**     *Criteria* - In accordance with State Statutes (O.S. 60-176(H)) 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.

*Condition* – The Authority did not file annual budgets with Garvin County.

*Cause* – Oversight by management.

*Effect or Potential Effect* – The Authority is in violation of State Statutes.

*Recommendation* – The Authority trustees should ensure budgets are filed annually with the County.

*Management Response* – See Corrective Action Plan.

**GARVIN COUNTY FINANCE AUTHORITY**  
**Schedule of Prior Year Audit Findings**  
**For the Year Ended June 30, 2021**

**2020-001** *Condition* – Presently, the same individual performs all accounting functions; receives cash payments, makes bank deposits, writes checks and reconciles the monthly bank statements and prepares monthly financial summaries.

*Current Status* – Condition still exists.

## ***AUTHORITY'S CORRECTIVE ACTION PLAN***

**AUDIT FINDINGS  
CORRECTIVE ACTION PLAN**

**AUDIT YEAR 2021**

**AUDIT FINDING REFERENCE NUMBER: 2021-0001**

**MANAGEMENT RESPONSE:** Garvin County Finance Authority does not see the cost effectiveness to hire outside administrative staff. The County Clerk/ Secretary to the Authority makes out the deposit slips and the County Purchasing Agent verify the funds received, the checks are deposited at the bank by the Garvin County Treasurer's Office. All checks are signed by two parties on the bank account when issued.

**AUDIT FINDING REFERENCE NUMBER: 2021-0002**

**MANAGEMENT RESPONSE:** Garvin County Finance Authority was unaware of the need to prepare an annual budget. In the future, the Authority will prepare and approve an annual budget in the June meeting.



Chris Pool, Chairman of the Authority

January 18, 2021  
Date