

Independent Auditor's Report

Garvin County Finance Authority

Year Ended June 30, 2022

**GARVIN COUNTY FINANCE AUTHORITY
PAULS VALLEY, OKLAHOMA
June 30, 2022**

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinion

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, 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, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the business-type activities of Garvin County Finance Authority, Pauls Valley, Oklahoma, as of June 30, 2022, and the respective 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 on 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 Garvin County Finance Authority, Pauls Valley, Oklahoma 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 opinions.

Emphasis of Matter – 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.

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, and for 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.

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 the 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 judgement 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:

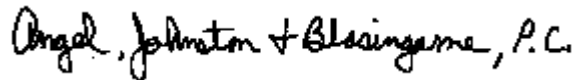
- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatements of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include 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 the 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 judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the 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 Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 4, 2023, 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 4, 2023

GARVIN COUNTY FINANCE AUTHORITY
Statement of Net Position
Modified Cash Basis
June 30, 2022

ASSETS

Current Assets

Cash and cash equivalents	\$ 782,317
<i>Total Current Assets</i>	782,317

Non Current Assets

Land	69,784
Other capital assets, net of depreciation	210
<i>Total Non Current Assets</i>	69,994
 <i>Total Assets</i>	 852,311

LIABILITIES

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

Net investment in capital assets	69,994
Unrestricted	782,317
 <i>Total Net Position</i>	 \$ 852,311

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, 2022

Operating Revenues	
<i>Total Operating Revenues</i>	-
Operating Expenses	
Professional Fees	4,100
Insurance	4,680
Depreciation expense	503
<i>Total Operating Expenses</i>	9,283
<i>Operating Income (Loss)</i>	(9,283)
Non Operating Revenues (Expenses)	
Interest income	1,242
Building rent	2,410
<i>Total Non Operating Revenues (Expenses)</i>	3,652
<i>Change in Net Position</i>	(5,631)
<i>Net Position - Beginning of Year</i>	857,942
<i>Net Position - End of Year</i>	\$ 852,311

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, 2022

Cash flows from operating activities

Payment to vendors	(8,780)
<i>Net cash provided by (used for) operating activities</i>	(8,780)

Cash flows from investing activities

Building rent	2,410
Interest received	1,242
<i>Net cash provided by (used for) investing activities</i>	3,652

<i>Net increase (decrease) in cash and cash equivalents</i>	(5,128)
<i>Cash and cash equivalents at beginning of year</i>	787,445
<i>Cash and cash equivalents at end of year</i>	\$ 782,317

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

Operating income (loss)	\$ (9,283)
Adjustment to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	503
<i>Net cash provided by (used for) operating activities</i>	\$ (8,780)

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, 2022

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, 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, 2022

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	7 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, 2022

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, 2022, the Authority was not exposed to custodial credit risk.

GARVIN COUNTY FINANCE AUTHORITY
Notes to Basic Financial Statements
For the Year Ended June 30, 2022

Note 3 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2022 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
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>2,810</u>	<u>503</u>	-	<u>3,313</u>
Total accumulated depreciation	<u>2,810</u>	<u>503</u>	<u>-</u>	<u>3,313</u>
Net depreciable assets	<u>713</u>	<u>(503)</u>	<u>-</u>	
Net capital assets	<u>\$ 70,497</u>	<u>\$ (503)</u>	<u>\$ -</u>	<u>\$ 69,994</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, 2022

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



CERTIFIED PUBLIC ACCOUNTANTS

**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, 2022, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated, January 4, 2023. 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.

Report on 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 audit procedures that are appropriate in the circumstances for the purpose of expressing our 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 were not identified. We identified certain deficiencies in internal

control, described in the accompanying schedule of findings and responses as items 2022-001 that we consider to be material weaknesses.

Report on Compliance and Other Matters

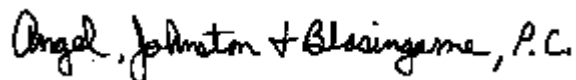
As part of obtaining reasonable assurance about whether Garvin County Finance Authority, Pauls Valley, Oklahoma's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance 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 2022-001.

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

Government Auditing Standards requires the auditor to perform limited procedures on the Garvin County Finance Authority, Pauls Valley, Oklahoma's response to the findings identified in our audit and described in the accompanying corrective action plan. The Authority's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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 4, 2023

GARVIN COUNTY FINANCE AUTHORITY
Schedule of Findings and Responses
For the Year Ended June 30, 2022

2022-001 *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.

GARVIN COUNTY FINANCE AUTHORITY
Schedule of Prior Year Audit Findings
For the Year Ended June 30, 2022

2021-001 *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.

Current Status – Condition still exists.

2021-002 *Condition* – The Authority did not file annual budgets with Garvin County.

Current Status – Condition has been resolved.

AUTHORITY'S CORRECTIVE ACTION PLAN

AUDIT FINDINGS
CORRECTIVE ACTION PLAN

AUDIT YEAR 2022

AUDIT FINDING REFERENCE NUMBER: 2021-001

MANAGEMENT RESPONSE: Authority does not believe it
would be cost effective to hire outside employee.
County Clerk provides service for free. Purchasing Agent
checks deposits and Treasurer's office takes deposit to
the bank.

Draft

Cliff Peol

Board Chairman

1-4-23

Date