

***McCurtain County Public Health Management
Authority
Idabel, Oklahoma***

***REPORT ON AUDIT OF FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION***

For the Year Ended June 30, 2013

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McCURTAIN COUNTY PUBLIC HEALTH MANAGEMENT AUTHORITY
Idabel, Oklahoma

(A Component Unit of McCurtain County, Oklahoma)

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June 30, 2013

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
McCurtain County Public Health Management Authority

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of McCurtain County Public Health Management Authority, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise McCurtain County Public Health Management 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 accounting principles generally accepted in the United States of America; this includes 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 opinions 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 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 opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities and each major fund of McCurtain County Public Health Management Authority as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 8 be presented to supplement the basic financial statements. Such 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 21, 2014 on our consideration of McCurtain County Public Health Management 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 the 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 McCurtain County Public Health Management Authority's internal control over financial reporting and compliance.

Saunders & Associates, PLLC

SAUNDERS & ASSOCIATES, PLLC
Certified Public Accountants
Ada, Oklahoma

January 21, 2014

McCURTAIN COUNTY PUBLIC HEALTH MANAGEMENT AUTHORITY
Idabel, Oklahoma

(A Component Unit of McCurtain County, Oklahoma)

June 30, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

(UNAUDITED)

Our discussion and analysis of the financial performance of McCurtain County Public Health Management Authority, a component unit of McCurtain County, Oklahoma, provides an overview of the Authority's activities for the fiscal year ended June 30, 2013. Please read it in conjunction with the Authority's financial statements, which begin on page 9.

FINANCIAL HIGHLIGHTS

The following represent the more significant highlights of the Authority's financial activity for the year.

Solid Waste:

- Sales tax receipts totaled \$1,430,813, up approximately \$46,000 over the prior year. Sales taxes comprised 98.9% of total revenues received by solid waste.
- Expenditures for solid waste operations decreased \$80,714 in fiscal year 2013 and equaled \$1,416,055. The decrease was due to decreases in maintenance and operations costs.
- Net position of the solid waste operations decreased \$35,317 for the year, as compared to the prior year decrease of \$62,567.

Landfill:

As discussed in Note 1, in June 2013, management voted to turn over operations and maintenance of the landfill to McCurtain County and all assets and liabilities related to the landfill were transferred out. Financial information for the current fiscal year is reported in the accompanying financial statements on page 15.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities (on pages 9 and 10) provide information about the activities of the Authority as a whole and present a longer-term view of the Authority's finances. Fund financial statements start on page 11. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the Authority's operations in more detail than the government-wide statements by providing information about the Authority's significant funds.

McCURTAIN COUNTY PUBLIC HEALTH MANAGEMENT AUTHORITY
Idabel, Oklahoma

(A Component Unit of McCurtain County, Oklahoma)

June 30, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

(UNAUDITED)

REPORTING THE AUTHORITY AS A WHOLE

The Statement of Net Position and the Statement of Activities report information about the Authority as a whole and about its activities in a way that helps the user determine whether the Authority is better off or worse off as a result of the year's activity. These statements include all assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Authority's *net position* and changes in them. You can think of the Authority's net position – the difference between assets and liabilities – as one way to measure its financial health, or *financial position*. Over time, *increases* and *decreases* in the Authority's net position are one indicator of whether its *financial health* is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in economic conditions that effect sales tax collection, age and condition of equipment, federal and state environmental regulations, and current or proposed plans for expansion.

In the Statement of Net Position and the Statement of Activities, we divide the Authority into two (2) kinds of activities:

- *Governmental funds* – The Authority's solid waste services are reported in a governmental fund, which focuses on how money flows into and out of the fund and the balance left at year-end that is available for spending. This fund is reported using an accounting method called *modified accrual* accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the Authority's solid waste operations. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance operations. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in a reconciliation at the bottom of the fund financial statements. These operations are funded primarily by a permanent one-half cent sales tax.
- *Proprietary funds* – When the Authority charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the Authority's enterprise funds (a component of proprietary funds) are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows for proprietary funds. In June 2013, the Authority's only proprietary fund, the landfill, was transferred to McCurtain County. Therefore, the Statement of Net Position does not report any account balances for this fund. Current year revenues and expenses, as well as the transfer are reported in the Statement of Activities.

McCURTAIN COUNTY PUBLIC HEALTH MANAGEMENT AUTHORITY
Idabel, Oklahoma

(A Component Unit of McCurtain County, Oklahoma)

June 30, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

(UNAUDITED)

NET POSITION

The analysis below focuses on net position and changes in net position of the Authority's governmental and business-type activities.

NET POSITION

	<u>Governmental</u>		<u>Business-Type</u>		<u>Total</u>	
	<u>Activities</u>		<u>Activities</u>			
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Current & Other Assets	\$ 298,416	\$ 322,671	\$ 0	\$ 724,986	\$ 298,416	\$ 1,047,657
Capital Assets, Net	<u>546,885</u>	<u>577,833</u>	<u>0</u>	<u>1,511,027</u>	<u>546,885</u>	<u>2,088,860</u>
Total Assets	<u>845,301</u>	<u>900,504</u>	<u>0</u>	<u>2,236,013</u>	<u>845,301</u>	<u>3,136,517</u>
Long-Term Debt	94,460	80,800	0	2,464,109	94,460	2,544,909
Other Liabilities	<u>7,909</u>	<u>41,455</u>	<u>0</u>	<u>275,701</u>	<u>7,909</u>	<u>317,156</u>
Total Liabilities	<u>102,369</u>	<u>122,255</u>	<u>0</u>	<u>2,739,810</u>	<u>102,369</u>	<u>2,862,065</u>
Net Position:						
Net Investment in Capital Assets	452,425	450,628	0	373,321	452,425	832,949
Restricted	0	0	0	(968,530)	0	(968,530)
Unrestricted (Deficit)	<u>290,507</u>	<u>318,621</u>	<u>0</u>	<u>91,412</u>	<u>290,507</u>	<u>410,033</u>
Total Net Position	<u>\$ 742,932</u>	<u>\$ 778,249</u>	<u>\$ 0</u>	<u>\$ (503,797)</u>	<u>\$ 742,932</u>	<u>\$ 274,452</u>

Total net position of the Authority's governmental activities decreased by \$35,317 over the prior year.

Unrestricted net position of our governmental activities, the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants or other legal requirements, decreased \$28,114 from the prior year.

Governmental activities unrestricted cash decreased by \$30,618.

McCURTAIN COUNTY PUBLIC HEALTH MANAGEMENT AUTHORITY
Idabel, Oklahoma

(A Component Unit of McCurtain County, Oklahoma)

June 30, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

(UNAUDITED)

CHANGE IN NET POSITION

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Revenues						
General Revenues:						
Sales Taxes	\$ 1,430,813	\$ 1,384,597	\$ 0	\$ 0	\$ 1,430,813	\$ 1,384,597
Interest	761	1,402	309	490	1,070	1,892
Other General Revenues	0	29,440	11,415	17,852	11,415	47,292
Program Revenues:						
Charges for Services	<u>14,840</u>	<u>18,763</u>	<u>249,538</u>	<u>352,619</u>	<u>264,378</u>	<u>371,382</u>
Total Revenues	<u>1,446,414</u>	<u>1,434,202</u>	<u>261,262</u>	<u>370,961</u>	<u>1,707,676</u>	<u>1,805,163</u>
Program Expenses						
Personnel Services	898,734	829,633	0	0	898,734	829,633
Maintenance and Operation	360,206	459,824	232,526	275,830	592,732	735,654
Tipping Fees	86,967	122,070	0	0	86,967	122,070
Testing and Fees	0	0	14,529	33,702	14,529	33,702
Closure/Post-Closure Costs	0	0	0	363,841	0	363,841
Depreciation	70,148	84,242	95,926	92,205	166,074	177,447
Interest	0	0	81,128	98,129	81,128	98,128
Loss on Disposal of Assets	0	0	<u>248,444</u>	<u>0</u>	<u>248,444</u>	<u>0</u>
Total Expenses	<u>1,416,055</u>	<u>1,496,769</u>	<u>672,553</u>	<u>830,707</u>	<u>2,088,608</u>	<u>2,360,476</u>
Increase (Decrease) in Net Position Before Extraordinary Item and Transfers	<u>30,359</u>	<u>(62,567)</u>	<u>(411,291)</u>	<u>(492,746)</u>	<u>(380,932)</u>	<u>(555,313)</u>
Extraordinary Item	0	0	849,412	0	849,412	0
Transfers	<u>(65,676)</u>	<u>0</u>	<u>65,676</u>	<u>0</u>	<u>0</u>	<u>0</u>
Increase (Decrease) in Net Position	<u>(35,317)</u>	<u>(62,567)</u>	<u>503,797</u>	<u>(492,746)</u>	<u>468,480</u>	<u>(555,313)</u>
Net Position, Beginning of Year	778,249	840,816	(503,797)	(27,769)	274,452	863,047
Prior Period Adjustment	<u>0</u>	<u>0</u>	<u>0</u>	<u>16,718</u>	<u>0</u>	<u>16,718</u>
Net Position, End of Year	<u>\$ 742,932</u>	<u>\$ 778,249</u>	<u>\$ 0</u>	<u>\$ (503,797)</u>	<u>\$ 742,932</u>	<u>\$ 274,452</u>

GOVERNMENTAL ACTIVITIES

Total revenues for governmental activities (solid waste operations) increased \$12,212 (.85%). Expenses decreased \$80,714 (5.4%).

BUSINESS-TYPE ACTIVITIES

Revenues of our business-type activities (the landfill) decreased \$109,699 (29.6%). Expenditures at the landfill decreased \$191,154 (from \$863,707 to \$672,553). As previously discussed, operation of the landfill was transferred to McCurtain County in June 2013.

McCURTAIN COUNTY PUBLIC HEALTH MANAGEMENT AUTHORITY
Idabel, Oklahoma

(A Component Unit of McCurtain County, Oklahoma)

June 30, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

(UNAUDITED)

CAPITAL ASSETS

Capital assets represent buildings and equipment used by the Authority to fulfill its mission of operating facilities to provide for the proper disposal of solid waste in the McCurtain County area.

CAPITAL ASSETS AT YEAR END

	Governmental Activities		Business-Type Activities		Total	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
	Land/Landfill	\$ 132,649	\$ 115,949	\$ 0	\$ 1,398,441	\$ 132,649
Buildings	441,787	441,787	0	0	441,787	441,787
Furniture and Equipment	1,165,484	1,368,244	0	597,928	1,165,484	1,966,172
Greenbox Equip. & Sites	<u>407,047</u>	<u>407,047</u>	<u>0</u>	<u>0</u>	<u>407,047</u>	<u>407,047</u>
Total	<u>\$ 2,146,967</u>	<u>\$ 2,333,027</u>	<u>\$ 0</u>	<u>\$ 1,996,369</u>	<u>\$ 2,146,967</u>	<u>\$ 4,329,396</u>
Accumulated Depreciation	<u>\$ 1,600,082</u>	<u>\$ 1,755,194</u>	<u>\$ 0</u>	<u>\$ 485,342</u>	<u>\$ 1,600,082</u>	<u>\$ 2,240,536</u>

Significant additions this year consisted of purchase of land for additional sites, fencing, and a dump truck.

OUTSTANDING DEBT

At June 30, 2013, Governmental Activities had outstanding debt of \$94,460, a net decrease of \$200,491. Long-term debt is discussed in detail at Note 6 to the financial statements.

OUTSTANDING DEBT AT YEAR END

	Governmental Activities		Business-Type Activities		Total	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
	Revenue bonds and notes (backed by specific revenues)	\$ 0	\$ 0	\$ 0	\$ 1,334,411	\$ 0
Promissory Notes	17,810	0	0	0	17,810	0
Capital Leases	<u>76,650</u>	<u>118,204</u>	<u>0</u>	<u>0</u>	<u>76,650</u>	<u>118,204</u>
Totals	<u>\$ 94,460</u>	<u>\$ 118,204</u>	<u>\$ 0</u>	<u>\$ 1,334,411</u>	<u>\$ 94,460</u>	<u>\$ 1,452,615</u>

ECONOMIC FACTORS AND NEXT YEAR'S PLANS

Sales tax collections, the Authority's primary source of funding, increased slightly over the prior year. We are optimistic that collections will continue to increase. Management constantly strives to find new areas of cost reduction and increased efficiency of operation. We also continue to increase and improve greenbox sites throughout the county.

McCURTAIN COUNTY PUBLIC HEALTH MANAGEMENT AUTHORITY
Idabel, Oklahoma

(A Component Unit of McCurtain County, Oklahoma)

June 30, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

(UNAUDITED)

CONTACTING THE AUTHORITY'S MANAGEMENT

This financial report is designed to provide citizens, taxpayers, customers, and creditors with a general overview of the Authority's finances and to show the Authority's accountability for the money it receives. If you have questions about this report, or need additional financial information, contact James Womack, Manager, at P. O. Box 653, Idabel, OK 74745.

BASIC FINANCIAL STATEMENTS

McCURTAIN COUNTY PUBLIC HEALTH MANAGEMENT AUTHORITY
Idabel, Oklahoma

(A Component Unit of McCurtain County, Oklahoma)

STATEMENT OF NET POSITION

June 30, 2013

	Governmental Activities	Business-type Activities	Total
<u>ASSETS:</u>	Solid Waste	Landfill	
Current Assets			
Cash and Cash Equivalents	\$ 168,363	\$ 0	\$ 168,363
Accounts Receivable: Sales Tax	124,325	0	124,325
Other	5,728	0	5,728
Prepaid Expenses	0	0	0
Total Current Assets	298,416	0	298,416
Noncurrent Assets			
Restricted Assets:			
Cash - Reserved for Closure/Postclosure Costs	0	0	0
Deferred Expenses - Unamortized Debt Refinance Costs	0	0	0
Capital Assets, (Net of Accumulated Depreciation)	546,885	0	546,885
Total Noncurrent Assets	546,885	0	546,885
Total Assets	845,301	0	845,301
 <u>LIABILITIES:</u>			
Current Liabilities			
Accounts Payable	7,909	0	7,909
Lease Payable - Current Portion	46,709	0	46,709
Note Payable - Current Portion	0	0	0
Total Current Liabilities	54,618	0	54,618
Noncurrent Liabilities			
Long-term Debt - Noncurrent Portion	47,751	0	47,751
Accrued Liability for Landfill Closure/Postclosure Costs	0	0	0
Total Noncurrent Liabilities	47,751	0	47,751
Total Liabilities	102,369	0	102,369
 <u>NET POSITION:</u>			
Net Investment in Capital Assets	452,425	0	452,425
Restricted	0	0	0
Unrestricted	290,507	0	290,507
Total Net Position	\$ 742,932	\$ 0	\$ 742,932

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

McCURTAIN COUNTY PUBLIC HEALTH MANAGEMENT AUTHORITY
Idabel, Oklahoma

(A Component Unit of McCurtain County, Oklahoma)

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2013

Program Activities	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Assets		
		Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities:							
<u>Public Services</u>							
Solid Waste Management	\$ 1,416,055	\$ 14,840	\$ 0	\$ 0	\$ (1,401,215)	\$ 0	\$ (1,401,215)
Total Governmental Activities	1,416,055	14,840	0	0	(1,401,215)	0	(1,401,215)
<u>Business-type Activities</u>							
Landfill	424,109	249,538	0	0	0	(174,571)	(174,571)
Total Business-type Activities	424,109	249,538	0	0	0	(174,571)	(174,571)
Total Government	\$ 1,840,164	\$ 264,378	\$ 0	\$ 0	(1,401,215)	(174,571)	(1,575,786)
General Revenues:							
Taxes:							
Sales					1,430,813	0	1,430,813
Interest Earnings					761	309	1,070
Miscellaneous					0	11,415	11,415
Loss on Disposal of Capital Assets					0	(248,444)	(248,444)
Extraordinary Item					0	849,412	849,412
Transfers					(65,676)	65,676	0
Total General Revenues, Extraordinary Items, and Transfers					1,365,898	678,368	1,443,298
Change in Net Position					(35,317)	503,797	468,480
Net Position at Beginning of Year					778,249	(503,797)	274,452
Net Position at End of Year					\$ 742,932	\$ 0	\$ 742,932

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

McCURTAIN COUNTY PUBLIC HEALTH MANAGEMENT AUTHORITY
Idabel, Oklahoma

(A Component Unit of McCurtain County, Oklahoma)

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2013

	<u>Solid Waste</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>		
Cash and Cash Equivalents	\$ 168,363	\$ 168,363
Accounts Receivable: Sales Tax	124,325	124,325
Other	5,728	5,728
Prepaid Expenses	<u>0</u>	<u>0</u>
TOTAL ASSETS	<u>\$ 298,416</u>	<u>\$ 298,416</u>
<u>LIABILITIES</u>		
Accounts Payable	<u>\$ 7,909</u>	<u>\$ 7,909</u>
Total Liabilities	<u>7,909</u>	<u>7,909</u>
<u>FUND EQUITY</u>		
Fund Balance:		
Unassigned	<u>290,507</u>	<u>290,507</u>
Total Fund Equity	<u>290,507</u>	<u>290,507</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 298,416</u>	<u>\$ 298,416</u>

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

McCURTAIN COUNTY PUBLIC HEALTH MANAGEMENT AUTHORITY
Idabel, Oklahoma

(A Component Unit of McCurtain County, Oklahoma)

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO STATEMENT OF NET POSITION

June 30, 2013

Total Fund Equity - Total Governmental Funds	\$ 290,507
Amounts reported for governmental activities in the Statement of Activities are different because:	
Land and capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds balance sheet. This amount represents capital assets (\$2,146,967) net of related depreciation (\$1,600,082).	546,885
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of:	
Capital Lease Payable	(76,651)
Note Payable	<u>(17,809)</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 742,932</u>

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

McCURTAIN COUNTY PUBLIC HEALTH MANAGEMENT AUTHORITY
Idabel, Oklahoma

(A Component Unit of McCurtain County, Oklahoma)

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

For the Year Ended June 30, 2013

	<u>Solid Waste</u>	<u>Total Governmental Funds</u>
REVENUES:		
Sales tax	\$ 1,430,813	\$ 1,430,813
Interest	761	761
Recycling	2,445	2,445
Tipping Fees	<u>12,395</u>	<u>12,395</u>
Total Revenues	<u>1,446,414</u>	<u>1,446,414</u>
EXPENDITURES:		
Personnel Services	898,734	898,734
Maintenance and Operation	368,890	368,890
Tipping Fees	86,967	86,967
Capital Outlay	<u>54,260</u>	<u>54,260</u>
Total Expenditures	<u>1,408,851</u>	<u>1,408,851</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	37,563	37,563
OTHER FINANCING SOURCES (USES)		
Operating Transfers Out	<u>(65,676)</u>	<u>(65,676)</u>
Excess of Revenues Over (Under) Expenditures	(28,113)	(28,113)
Fund Balance - June 30, 2012	<u>318,620</u>	<u>318,620</u>
FUND BALANCE, JUNE 30, 2013	<u>\$ 290,507</u>	<u>\$ 290,507</u>

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

McCURTAIN COUNTY PUBLIC HEALTH MANAGEMENT AUTHORITY
Idabel, Oklahoma

(A Component Unit of McCurtain County, Oklahoma)

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2013

Net Change in Fund Balances - Total Governmental Funds	\$ (28,113)
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Amounts reported for governmental activities in the
Statement of Activities are different because:

Depreciation expense on capital assets is reported in the statement of activities and changes in net position, but does not require the use of current financial resources. Therefore, depreciation expense is not reported as an expenditure in the governmental funds	(70,148)
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Capital asset acquisitions are reported in the fund financial statements as a use of current financial resources and expensed. Such acquisitions are current year acquisitions and are capitalized in the government-wide financial statements and depreciated over their estimated useful lives. This is the amount of capital asset acquisitions in the current fiscal year which consist of:

Equipment	16,700
Principal payments on capital lease	41,554
Principal payments on capital note payable	<u>4,690</u>

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$ <u><u>(35,317)</u></u>
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* The accompanying notes are an integral part of the financial statements.

McCURTAIN COUNTY PUBLIC HEALTH MANAGEMENT AUTHORITY
Idabel, Oklahoma

(A Component Unit of McCurtain County, Oklahoma)

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS

For the Year Ended June 30, 2013

	Enterprise Funds Landfill	Total Enterprise Funds
<u>Operating revenues:</u>		
Charges for Services	\$ 249,538	\$ 249,538
Other	11,415	11,415
Total Operating Revenues	260,953	260,953
<u>Operating Expenses:</u>		
Personnel Services	0	0
Maintenance and Operation	232,526	232,526
Disposal Fees	14,529	14,529
Depreciation	95,926	95,926
Total Operating Expenditures	342,981	342,981
Income (Loss) From Operations	(82,028)	(82,028)
<u>Non-Operating Revenues (Expenses):</u>		
Interest Revenue	309	309
Interest Expense	(81,128)	(81,128)
Loss on Disposal of Capital Assets	(248,444)	(248,444)
Total Non-Operating Revenues (Expenses)	(329,263)	(329,263)
Income (Loss) Before Other Financing Sources and (Uses)	(411,291)	(411,291)
<u>Other Financing Sources and (Uses)</u>		
Extraordinary Item	849,412	849,412
Operating Transfers In	65,676	65,676
Total Other Financing Sources and (Uses)	915,088	915,088
Change in Net Position	503,797	503,797
Net Position at Beginning of Year	(503,797)	(503,797)
NET POSITION AT END OF YEAR	\$ 0	\$ 0

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

McCURTAIN COUNTY PUBLIC HEALTH MANAGEMENT AUTHORITY
 Idabel, Oklahoma
 (A Component Unit of McCurtain County, Oklahoma)

STATEMENT OF CASH FLOWS
 Proprietary Funds

For the Year Ended June 30, 2013

<u>Cash Flows From Operating Activities:</u>	
Cash Received from Customers	\$ 283,667
Cash Payments to Vendors and Suppliers	(234,347)
Net Cash Provided (Used) by Operating Activities	49,320
 <u>Cash Flows From Noncapital Financing Activities:</u>	
Operating Transfers In	65,676
Cash Transferred to McCurtain County	(514,006)
Net Cash Provided (Used) by Noncapital Financing Activities	(448,330)
 <u>Cash Flows From Capital and Related Financing Activities:</u>	
Acquisition and Construction of Capital Assets	(38,125)
Proceeds From Long-Term Debt	188,250
Interest Expense	(81,128)
Retirement of Debt Principal	(100,785)
Net Cash Provided (Used) by Capital and Related Financing Activities	(31,788)
 <u>Cash Flow From Investing Activities:</u>	
Interest Earnings	309
Net Increase (Decrease) in Cash and Cash Equivalents	(430,489)
Cash and Cash Equivalents, June 30, 2012	430,489
CASH AND CASH EQUIVALENTS, JUNE 30, 2013	\$ 0
 <u>Reconciliation of Income (Loss) From Operations to Net Cash Provided (Used) by Operating Activities:</u>	
Income (Loss) From Operations	\$ (82,028)
Adjustments to Reconcile Income (Loss) From Operations to Net Cash Provided (Used) by Operating Activities:	
Depreciation	95,926
(Increase) Decrease in Current Year Receivables	22,714
(Increase) Decrease in Prepaid Expenses	(1,348)
Increase (Decrease) in Accounts Payable	(646)
Increase (Decrease) in Deferred Expenses	14,702
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 49,320
 <u>Reconciliation of Cash and Cash Equivalents</u>	
Current Assets - Cash	\$ 0
Restricted Assets - Cash	0
Total Cash and Cash Equivalents	\$ 0

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

McCURTAIN COUNTY PUBLIC HEALTH MANAGEMENT AUTHORITY
Idabel, Oklahoma

(A Component Unit of McCurtain County, Oklahoma)

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2013

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Authority's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations).

The more significant accounting policies established in GAAP and used by the Authority are discussed below.

A. Reporting Entity

The McCurtain County Public Health Management Authority, (the "Authority"), a component unit of McCurtain County, Oklahoma, is a public trust created pursuant to Title 60 of Oklahoma Statutes for the purpose of, among other things, acquiring, constructing and maintaining property and facilities for use as collection centers, maintenance centers, administration facilities, greenbox sites, transfer stations, recycling centers, or other facilities concerned with the management and proper disposal of solid waste in McCurtain County.

The Authority is governed by a Board of Trustees ("Board") comprised of three individuals appointed by the McCurtain County Commissioners. The County Clerk serves as Secretary of the Authority and the County Treasurer serves as Treasurer of the Authority.

The Board of Trustees annually appoints the Chairperson of the Board from existing board members. The Chair responsibilities are to preside at all meetings of the Board; be the chief officer of the Authority, perform all duties commonly incident to the position of presiding officer of a board, commission or business organization and exercise supervision over the business of the Authority, its officers, and employees.

The Board of Trustees appoints a Director. The position of the Director is a non-voting position on the Board, and the Director receives annual compensation for his duties. The compensation package of the Director is passed by resolution of the Board. The Director's main responsibility is acting as chief executive officer of the Authority as prescribed by the Board of Trustees.

Operation of the Authority is primarily through a permanent ½ cent sales tax dedicated to providing a solid waste facility. The Authority is a component unit of McCurtain County, which is the Trust beneficiary and exercises oversight authority over activities of the Trust.

McCURTAIN COUNTY PUBLIC HEALTH MANAGEMENT AUTHORITY
Idabel, Oklahoma

(A Component Unit of McCurtain County, Oklahoma)

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2013

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

B. Basic Financial Statements – Government-Wide Statements

The Authority's basic financial statements include both government-wide (reporting the Authority as a whole) and fund financial statements (reporting the Authority's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. The activities of the solid waste facility are classified as a governmental activity. Activities related to the authority's landfill operations are classified as business-type activities.

In the government-wide Statement of Net Position, both the governmental and business-type activities columns are presented on a consolidated basis by column, and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Authority's net position is reported in three parts: net investment in capital assets, net of related debt; restricted net position; and unrestricted net position. The Authority first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the Authority's functions and business-type activities. The functions are also supported by general government revenues (sales taxes). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

The net costs (by function or business-type activity) are normally covered by general revenue (sales taxes, interest income, etc.).

The government-wide focus is more on the sustainability of the Authority as an entity and the change in the Authority's net position resulting from the current year's activity.

C. Basis of Presentation – Fund Financial Statements

The financial transactions of the Authority are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses.

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Nonmajor funds by category are summarized into a single column. GASB No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds. The Authority maintains the following funds:

McCURTAIN COUNTY PUBLIC HEALTH MANAGEMENT AUTHORITY
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NOTES TO THE FINANCIAL STATEMENTS

June 30, 2013

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

C. Basis of Presentation – Fund Financial Statements, Continued

- 1. Governmental Funds** – The focus of the governmental funds measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The Authority has only one governmental fund which is used to account for activities related to handling of solid waste. The activity in this fund is reported as governmental activities in the government-wide financial statements.
- 2. Proprietary Funds** – The focus of proprietary fund measurement is upon determination of operating income, changes in net position, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The Authority has one proprietary fund which is used to account for activities of its landfill and is an enterprise fund. Enterprise funds are required to be used to account for operations for which a fee is charged to external users for goods or services and the activity is financed with debt that is solely secured by a pledge of the net revenues. The activity in these funds is reported as business-type activities in the government-wide financial statements. As discussed in Note 1, item E, in June 2013, all assets of the proprietary fund were transferred to McCurtain County.

D. Basis of Accounting

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

- 1. Accrual** – The government-wide statements and fund financial statements for proprietary funds are reported using the *accrual basis of accounting*. Under the accrual basis of accounting, revenues are recognized when earned, and expenses are recognized at the time the liability is incurred.
- 2. Modified Accrual** – Governmental fund financial statements are reported using the *modified accrual basis of accounting*. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e., when they become both measurable and available. “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The Authority considers sales taxes as available if they are collected within 30 days after year end. Expenditures are recorded when the related fund liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences are recorded only when payment is due. The revenue susceptible to accrual are sales taxes, charges for services, interest income, and intergovernmental revenues. All other governmental fund revenues are recognized when received.

McCURTAIN COUNTY PUBLIC HEALTH MANAGEMENT AUTHORITY
Idabel, Oklahoma

(A Component Unit of McCurtain County, Oklahoma)

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2013

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

E. Extraordinary Item

In June 2013, the Board voted to transfer operations of the landfill to McCurtain County. All records were turned over to the County Commissioners of McCurtain County and all assets and liabilities of the landfill were transferred as follows:

	<u>Balance</u>
Cash - Unrestricted	\$ 84,088
Cash - Restricted	429,918
Accounts Receivable – Tipping Fees	40,779
Prepaid Insurance	20,409
Equipment	245,483
Furniture and Fixtures	4,252
Landfill	1,398,441
Accumulated Depreciation	(443,394)
Deferred Debt Conversion Expense	197,240
Accounts Payable	(27,090)
Disbursement Loan/LOC 1 st State Bank	(159,627)
Liability for Landfill Closure costs	(1,377,662)
Note Payable – IPWA	(1,087,319)
Note Payable – Excavator	(33,628)
Note Payable – FSB #394332	(141,302)
Opening Equity/Transfer Out	<u>849,412</u>
	\$ <u>0</u>

A detailed description of current year activity related to these balances can be found in the following footnotes.

NOTE 2: FINANCIAL STATEMENT AMOUNTS

A. Cash and Cash Equivalents

Governmental Activities:

Cash received by the Authority for its solid waste operations is pooled with that of the County. The Authority's equity interest in the pool is presented as "*Cash and Cash Equivalents*" on the statement of net position and governmental fund balance sheet and equaled \$168,363 on June 30, 2013.

McCURTAIN COUNTY PUBLIC HEALTH MANAGEMENT AUTHORITY
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NOTES TO THE FINANCIAL STATEMENTS

June 30, 2013

NOTE 2: FINANCIAL STATEMENT AMOUNTS, CONTINUED

A. Cash and Cash Equivalents, Continued

Business Type Activities:

Cash received from landfill operations was held in a separate operating account and was not pooled with County funds. The amount transferred to McCurtain County in June 2013 equaled \$84,088.

Restricted – The Authority’s proprietary fund had also established a reserve account for accumulation of funds to meet landfill closure and post closure costs as required by federal and state regulatory bodies. This account had a balance of \$429,918 in June 2013 and was transferred to McCurtain County.

All deposits of the Authority were covered by depository insurance.

B. Receivables

Accounts receivable, reported by governmental activities, consist of June sales tax collections, tipping fees, and recycling receipts which were received by the Authority in July, 2013.

C. Accounts Payable

Accounts payable for governmental activities consist of amounts due to vendors.

D. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the governmental activities columns in the government-wide financial statements and in the fund financial statements. All capital assets are valued at historical cost or estimated historical cost if purchased or constructed. The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized. Renewals and betterments are capitalized.

Assets capitalized, not including infrastructure assets, have an original cost of \$300 or more and an estimated useful life exceeding one year. Depreciation has been calculated using the straight-line method. Estimated useful lives are as follows:

Furniture	5 – 10 Years
Equipment	7 – 25 Years
Landfill	30 Years

E. Compensated Absences

The Authority does not accrue a liability for compensated absences and management believes any liability resulting from earned and unpaid leave would not be material to the financial statements. Employees earn ten (10) days each of vacation and sick leave per year. Up to five (5) days’ vacation and ten (10) days of unused sick leave can be carried over to the next year on an individual basis.

McCURTAIN COUNTY PUBLIC HEALTH MANAGEMENT AUTHORITY
Idabel, Oklahoma

(A Component Unit of McCurtain County, Oklahoma)

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2013

NOTE 2: FINANCIAL STATEMENT AMOUNTS, CONTINUED

F. Components of Net Position/Fund Balance

Government-wide net position is divided into three components:

- Net Investment in Capital Assets – consists of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets.
- Restricted Net Position – consists of net assets that are restricted by the Authority's creditors (for example, through debt covenants), by state enabling legislation, by grantors (both federal and state), or by other contributors.
- Unrestricted – all other net position are reported in this category.

In the governmental fund financial statements, fund balances are classified as follows:

- **Nonspendable** – Amounts that cannot be spent either because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.
- **Restricted** – Amounts that can be spent only for specific purposes because of state or federal laws, or externally imposed conditions by grantors or creditors.
- **Committed** – Amounts that can be used only for specific purposes determined by a formal action by Board resolution.
- **Assigned** – Amounts are designated by the Manager for a particular purpose but are not spendable until there is a majority vote approval by the Board of Directors.
- **Unassigned** – All amounts not included in other spendable classifications.

G. Use of Restricted Resources

When an expense is incurred that can be paid using either restricted or unrestricted resources (net position), the Authority's policy is to first apply the expense toward restricted resources and then toward unrestricted resources. In governmental funds, the Authority's policy is to first apply the expenditure toward restricted fund balance and then to other, less-restrictive classifications – committed and then assigned fund balances before using unassigned fund balances.

McCURTAIN COUNTY PUBLIC HEALTH MANAGEMENT AUTHORITY
Idabel, Oklahoma

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NOTES TO THE FINANCIAL STATEMENTS

June 30, 2013

NOTE 2: FINANCIAL STATEMENT AMOUNTS, CONTINUED

H. Interfund Activity

Interfund activity is reported as either loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or between proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

NOTE 3: ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

NOTE 4: CAPITAL ASSETS

Changes in capital assets for the year ended June 30, 2013 were as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases(1)</u>	<u>Ending Balance</u>
Governmental Activities				
Capital assets not being depreciated:				
Land	\$ 115,949	\$ 16,700	\$ 0	\$ 132,649
Total Capital Assets Not Being Depreciated	<u>115,949</u>	<u>16,700</u>	<u>0</u>	<u>132,649</u>
Other Capital Assets:				
Buildings & Improvements	441,787	0	0	441,787
Furniture & Equipment	1,368,244	22,500	(225,260)	1,165,484
Greenbox Equipment & Sites	407,047	0	0	407,047
Total Other Capital Assets	<u>2,217,078</u>	<u>22,500</u>	<u>0</u>	<u>2,014,318</u>
Less Accumulated Depreciation for:				
Buildings & Improvements	(253,941)	(20,209)	0	(274,150)
Furniture & Equipment	(1,222,840)	(43,640)	225,260	(1,041,220)
Greenbox Equipment & Sites	(278,413)	(6,299)	0	(284,712)
Total Accumulated Depreciation	<u>(1,755,194)</u>	<u>(70,148)</u>	<u>225,260</u>	<u>(1,600,082)</u>
Other Capital Assets, Net	<u>461,884</u>	<u>(47,648)</u>	<u>0</u>	<u>414,236</u>
Governmental Activities Capital Assets, Net	<u>\$ 577,833</u>	<u>\$ (30,948)</u>	<u>\$ 0</u>	<u>\$ 546,885</u>

(1) \$4,682 of decrease represents assets transferred to the landfill.

McCURTAIN COUNTY PUBLIC HEALTH MANAGEMENT AUTHORITY
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NOTES TO THE FINANCIAL STATEMENTS

June 30, 2013

NOTE 4: CAPITAL ASSETS, CONTINUED

	<u>Beginning Balance</u>	<u>Increases(2)</u>	<u>Decreases</u>	<u>Transferred to McCurtain County</u>	<u>Ending Balance</u>
Business-Type Activities					
Capital Assets Not Being Depreciated:					
Land	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Total Capital Assets Not Being Depreciated	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Other Capital Assets:					
Furniture & Equipment	597,928	81,807	(430,000)	(249,735)	0
Landfill	<u>1,398,441</u>	<u>0</u>	<u>0</u>	<u>1,398,441</u>	<u>0</u>
Total Other Capital Assets at Historical Costs	<u>1,996,369</u>	<u>81,807</u>	<u>(430,000)</u>	<u>1,996,369</u>	<u>0</u>
Less Accumulated Depreciation for:					
Furniture & Equipment	(208,162)	(92,992)	181,555	(208,162)	0
Landfill	<u>(277,180)</u>	<u>(46,615)</u>	<u>0</u>	<u>(277,180)</u>	<u>0</u>
Total Accumulated Depreciation	<u>(485,342)</u>	<u>(139,607)</u>	<u>181,555</u>	<u>(485,342)</u>	<u>0</u>
Other Capital Assets, Net	<u>1,511,027</u>	<u>(57,800)</u>	<u>(248,555)</u>	<u>1,511,027</u>	<u>0</u>
Business-type Activities Capital Assets, Net	<u>\$ 1,511,027</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,511,027</u>	<u>\$ 0</u>

Depreciation expense was charged to functions as follows:

Governmental Activities:	
Solid Waste	<u>\$ 70,148</u>
Business-type Activities	<u>\$ 95,925</u>

(2) \$4,682 of increase represents assets transferred from solid waste.

NOTE 5: LANDFILL CLOSURE AND POSTCLOSURE COSTS

Until June 2013, the Authority operated one active landfill site. State and federal laws and regulations require the Authority to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and post-closure care costs will be paid only near or after the date that the landfill stops accepting waste, a portion of these closure and post-closure care costs are reported as an operating expense in each period based on landfill capacity used as of each balance sheet date. The \$1,377,663 reported as landfill closure and post-closure care liability at June 30, 2012, represents the cumulative expenses reported to date based on the percentage of usage of the estimated capacity of operating Phases I and II of the landfill. Updated data related to percentage of use, estimated capacity, and estimated closure and post-closure costs was not available at June 30, 2013. Therefore, no current year adjustment to this liability was made prior to transfer. Upon transfer to the County, the County assumed all liability for these costs and any future costs related to operation and closure of the site.

McCURTAIN COUNTY PUBLIC HEALTH MANAGEMENT AUTHORITY
Idabel, Oklahoma

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NOTES TO THE FINANCIAL STATEMENTS

June 30, 2013

NOTE 6: LONG-TERM LIABILITIES

Long-term liability activity for the year ending June 30, 2013 is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Governmental Activities					
Bonds and Notes Payable:					
Promissory Notes	\$ 0	\$ 22,635	\$(4,825)	\$ 17,810	\$ 7,056
Other Liabilities:					
Capital Lease – Equipment	<u>118,204</u>	<u>0</u>	<u>(41,554)</u>	<u>76,650</u>	<u>39,654</u>
Governmental Activities Long-Term Liabilities	<u>\$ 118,204</u>	<u>\$ 22,635</u>	<u>\$(46,379)</u>	<u>\$ 94,460</u>	<u>\$ 46,710</u>
Business-Type Activities					
Bonds and Notes Payable:				Transferred to McCurtain Co.	
Line of Credit	\$ 196,705	\$ 0	\$(37,078)	\$ 159,627	\$ 0
Promissory Note	<u>1,137,706</u>	<u>188,250</u>	<u>(63,706)</u>	<u>1,262,250</u>	<u>0</u>
Total Bonds and Notes Payable	<u>1,334,411</u>	<u>188,250</u>	<u>(100,784)</u>	<u>1,421,877</u>	<u>0</u>
Business-Type Activities Long-Term Liabilities	<u>\$ 1,334,411</u>	<u>\$ 188,250</u>	<u>\$(100,784)</u>	<u>\$ 1,421,877</u>	<u>\$ 0</u>

Governmental Activities debt will be liquidated using the Authority's sales tax revenues. Long-term liabilities of the business-type activities were transferred to McCurtain County which assumed all liability for this debt. Interest expense reported for governmental funds equaled \$2,516.

Description of Debt

	<u>Balance 06/30/13</u>
Governmental Activities:	
Capital lease for equipment payable to Empire Financial Services, Inc. dated April 19, 2013 in the original amount of \$192,120. This is a 5 year lease and bears an interest rate of 4.99%.	\$ 76,650
Note payable on a dump truck dated October 9, 2012 in the original amount of \$22,635. This is a 3-year note and bears an interest rate of 3.2% fixed.	<u>17,810</u>
Total Governmental Activities Long-Term Liabilities	<u>\$ 94,460</u>

Business-Type Activities:

Line of credit in the amount of \$173,133 with First State Bank of Valliant. This line of Credit bears an interest rate of 4.85%, has maturity date of January 11, 2014 and is renewed annually.	\$ 159,627
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McCURTAIN COUNTY PUBLIC HEALTH MANAGEMENT AUTHORITY
Idabel, Oklahoma

(A Component Unit of McCurtain County, Oklahoma)

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2013

NOTE 6: LONG-TERM LIABILITIES, CONTINUED

Description of Debt

Balance
06/30/12

Business-Type Activities, Continued:

Promissory note held by the Idabel Public Works Authority with an original issue balance of \$1,254,313. This notes bears a fixed interest rate of 5.8% and is a 17 year note with a maturity date of December 10, 2026. Proceeds were used to fund construction of the landfill.	1,087,319
Note payable to First State Bank. Original issue balance of \$38,125, bearing an interest rate of 3.2% fixed. Maturity date is November 13, 2016. Proceeds were used to purchase equipment for the landfill.	33,628
Note payable to First State Bank. Original issue balance of \$150,125, bearing an interest rate of 4.85% fixed. Maturity date is October 16, 2015. Proceeds were used to fund construction at the landfill.	<u>141,303</u>
Total Business-Type Activities Long-Term Liabilities	<u>1,421,877</u>
Debt transferred to McCurtain County	<u>(1,421,877)</u>
Balance	\$ <u> 0</u>

Debt Maturity

Governmental Activities:

Year Ending <u>June 30</u>	Leases		Notes		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2014	\$ 39,654	\$ 3,825	\$ 7,056	\$ 867	\$ 46,710	\$ 4,692
2015	36,996	2,858	7,476	447	44,472	3,305
2016	<u>0</u>	<u>0</u>	<u>3,278</u>	<u>24</u>	<u>3,278</u>	<u>24</u>
Total	<u>\$ 76,650</u>	<u>\$ 6,683</u>	<u>\$ 17,810</u>	<u>\$ 1,338</u>	<u>\$ 94,460</u>	<u>\$ 8,021</u>

McCURTAIN COUNTY PUBLIC HEALTH MANAGEMENT AUTHORITY
Idabel, Oklahoma

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NOTES TO THE FINANCIAL STATEMENTS

June 30, 2013

NOTE 7: CONCENTRATIONS

Approximately 98.9% (\$1,430,813) of total revenues received by the Authority's solid waste operations were derived from a dedicated sales tax.

NOTE 8: CONTINGENCIES

As of June 30, 2013, the Authority did not have any pending litigation or potential non-disclosed liabilities that management believes would have a material effect on the financial statements.

NOTE 9: EMPLOYEE PENSION PLAN

Plan Description – Employees of the Authority participate through McCurtain County in the Oklahoma Public Employees Retirement System, which is a multiple employer – defined benefit plan. Their most current Comprehensive Annual Financial Report can be obtained by contacting the Oklahoma Public Employees Retirement System at P O Box 53007, Oklahoma City, OK 73152-3007 or by phone at (405) 858-6737.

Members qualify for full retirement benefits at their specified normal retirement age or, for any person who became a member prior to July 1, 1992, when the sum of member's age and years of credit service equals or exceeds 80 (Rule of 80), and for any person who became a member after June 30, 1992, when the member's age and years of credited service equals or exceeds 90 (Rule of 90).

Normal retirement date is further qualified to require that all members employed on or after January 1, 1983, must have six or more years of full-time equivalent employment with a participating employer before being eligible to receive benefits. Credited service is the sum of participating and prior service. Prior service includes nonparticipating service before January 1, 1975, or the entry date of the employer and active wartime military service.

Benefits are determined at 2% of the average annual salary received during the highest three of the last ten years of participating service, but not to exceed the applicable annual salary cap, multiplied by the number of years of credited service. Normal retirement age under the Plan is 62 or Rule of 80/90.

McCURTAIN COUNTY PUBLIC HEALTH MANAGEMENT AUTHORITY
Idabel, Oklahoma

(A Component Unit of McCurtain County, Oklahoma)

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2013

NOTE 9 EMPLOYEE PENSION PLAN, CONTINUED

Members become eligible to vest fully upon termination of employment after attaining eight years of credited service, or the member's contributions may be withdrawn upon termination of employment.

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a/c))
07/01/08	\$ 6,491,928,362	\$ 8,894,287,254	\$ 2,402,358,892	73.0%	\$ 1,682,663,413	142.8%
07/01/09	6,208,245,334	9,291,457,837	2,083,212,503	66.8%	1,732,975,532	177.9%
07/01/10	6,348,416,407	9,622,627,833	3,274,211,427	66.0%	1,683,697,139	194.5%
07/01/11	6,598,627,939	8,179,767,661	1,581,139,722	80.7%	1,570,500,148	100.7%
07/01/12	6,682,200,296	8,334,637,900	1,652,437,604	80.2%	1,633,837,374	101.1%
07/01/13	6,978,873,421	8,556,121,906	1,577,248,485	81.6%	1,695,347,809	93.0%

Schedule of Employer Contributions

Year Ended June 30	Annual Required Contribution	Percentage Contributed
2008	\$ 363,914,352	60.5%
2009	323,104,773	75.2%
2010	389,155,339	66.8%
2011	402,011,633	62.9%
2012	240,131,738	109.4%
2013	256,596,988	105.2%

The contribution rates for each member category of the Plan are established by the Oklahoma Legislature after recommendation by the Board based on an actuarial calculation, which is performed to determine the adequacy of such contribution rates. In 2013, the Authority paid 10% of total employee salary and employees paid 3.5% of salary. Current year contributions totaled \$91,723 by the Authority and \$19,560 by employees on an annual payroll of \$568,261.

NOTE 10: RISK MANAGEMENT

The Authority is exposed to various risks of loss related to tort; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees, employees health and life; and natural disasters. The Authority manages these various risks of loss through participation in the Association of County Commissioners of Oklahoma Self-Insurance Group and various other insurance policies

McCURTAIN COUNTY PUBLIC HEALTH MANAGEMENT AUTHORITY
Idabel, Oklahoma

(A Component Unit of McCurtain County, Oklahoma)

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2013

NOTE 11: BUDGET-TO-ACTUAL COMPARISON

The Authority does not operate under a legally adopted budget. Therefore, a budget-to-actual comparison has not been presented.

NOTE 12: SUBSEQUENT EVENTS

Management has evaluated subsequent events through January 21, 2014, which is the date the financials were available to be issued.

Saunders & Associates, PLLC
Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Trustees
McCurtain County Public Health Management Authority

We have audited the financial statements of the governmental activities, the business-type activities, and each major fund of McCurtain County Public Health Management Authority as of and for the year ended June 30, 2013, which collectively comprise McCurtain County Public Health Management Authority's basic financial statements and have issued our report thereon dated January 21, 2014. 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 of America.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered McCurtain County Public Health Management 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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of McCurtain County Public Health Management Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of McCurtain County Public Health Management Authority's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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 and were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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. We consider the deficiency 13-1 described in the accompanying schedule of findings and responses to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether McCurtain County Public Health Management 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*.

McCurtain County Public Health Management Authority's Response to Findings

McCurtain County Public Health Management Authority's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. McCurtain County Public Health Management 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 our testing, and not to provide an opinion on the effectiveness of McCurtain County Public Health Management Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering McCurtain County Public Health Management Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



SAUNDERS & ASSOCIATES, PLLC
Certified Public Accountants
Ada, Oklahoma

January 21, 2014

McCURTAIN COUNTY PUBLIC HEALTH MANAGEMENT AUTHORITY
Idabel, Oklahoma

(A Component Unit of McCurtain County, Oklahoma)

STATUS OF PRIOR AUDIT FINDINGS

June 30, 2013

None reported.

McCURTAIN COUNTY PUBLIC HEALTH MANAGEMENT AUTHORITY
Idabel, Oklahoma

(A Component Unit of McCurtain County, Oklahoma)

SCHEDULE OF FINDINGS AND RESPONSES

For the Year Ended June 30, 2013

13-01 CHANGE TO ACCOUNTING SOFTWARE THAT IS INSUFFICIENT TO MEET THE NEEDS OF THE AUTHORITY

Criteria: It is management's responsibility to ensure that financial information is collected and recorded in a manner that ensures that financial reports generated from the general ledger are complete and accurate, and that the financial information is sufficient to meet the reporting needs of the financial statement users.

Condition: During fieldwork, we noted that the Authority had discontinued using QuickBooks accounting software. This software generated financial statements (e.g. a balance sheet and statement of revenues, expenses, and changes in fund balance) and provided line-item descriptions of revenues and expenses by type. In June 2013, the Authority stopped using this software and converted to Kel-Pro software which is designed for county governments which do not rely on traditional financial statements as noted above. Kel-Pro provides a monthly Appropriations Ledger which reports only the amount of cash available to be spent. This software does not provide information by line item classification, and provides no control at all over any asset other than cash.

Cause/Effect: The Appropriations Ledger does not provide management with financial information sufficient to manage the organization. It is impossible to determine trends in revenues and expenses or to identify unusual increases or decreases in specific types of revenues or expenses, nor does it provide financial information sufficient to prepare financial statements. This last item is critical in that the Authority is required by its Trust Indenture (Article VI (10)) to have an annual audit. Kel-Pro does not provide the required financial information. In addition, it does not provide financial information sufficient to prepare the Authority's annual Form 990 which is required by the Internal Revenue Service. Failure to file this form will result in significant penalties and interest to the Authority. Financial information for the year will need to be reposted to obtain financial information sufficient to prepare financial statements and obtain the information required to prepare the Authority's annual Form 990.

Recommendation: SAUNDERS & ASSOCIATES, PLLC recommends that the Authority resume using QuickBooks or some other software that will generate reports that provide a general ledger and line-item information as in the past. If management wants to have the additional Appropriations Ledger report then we would recommend that an additional set of books be kept, although this would be the least desirable approach, as it would require duplication of work and would be very inefficient.

Response: We would like for SAUNDERS & ASSOCIATES, PLLC to give us a breakdown of what they are needing from Kellpro. We are not completely understanding what SAUNDERS & ASSOCIATES, PLLC is needing. If not, we will have to get with the board members to see what they want done.