

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

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

For the Year Ended June 30, 2014

SAUNDERS & ASSOCIATES, PLLC

Certified Public Accountants

630 East 17th Street

P. O. Box 1406

Ada, Oklahoma 74820

(580) 332-8548

FAX: (580) 332-2272

Website: www.saunderscpas.com

McCURTAIN COUNTY PUBLIC HEALTH MANAGEMENT AUTHORITY
Idabel, Oklahoma

(A Component Unit of McCurtain County, Oklahoma)

TABLE OF CONTENTS

June 30, 2014

	<u>Page</u>
Independent Auditor's Report	1
Management's Discussion and Analysis.....	3
BASIC FINANCIAL STATEMENTS:	
Statement of Net Position	9
Statement of Activities.....	10
Balance Sheet – Governmental Funds	11
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds.....	13
Notes to Financial Statements.....	15
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.....	24
Status of Prior Audit Findings	26
Schedule of Findings and Responses.....	27

Saunders & Associates, PLLC

Certified Public Accountants

630 East 17th Street * P. O. Box 1406 * Ada, Oklahoma 74820 * (580) 332-8548 * FAX: (580) 332-2272
Website: www.saunderscpas.com

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 and each major fund of McCurtain County Public Health Management Authority, a component unit of McCurtain County, Oklahoma, as of and for the year ended June 30, 2014, 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 and each major fund of McCurtain County Public Health Management Authority as of June 30, 2014, 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 April 24, 2015 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
Certified Public Accountants
Ada, Oklahoma

April 24, 2015

McCURTAIN COUNTY PUBLIC HEALTH MANAGEMENT AUTHORITY
Idabel, Oklahoma

(A Component Unit of McCurtain County, Oklahoma)

June 30, 2014

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, 2014. 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 \$1,490,994, up approximately \$60,000 over the prior year. Sales taxes comprised 97.4% of total revenues received by solid waste.
- Expenditures for solid waste operations increased \$38,595 in fiscal year 2014 and equaled \$1,454,650. The increase was due to increases in maintenance and operations costs.
- Net position of the solid waste operations increased \$75,775 for the year, as compared to the prior year decrease of \$35,317.

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, 2014

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 deferred outflows of resources and liabilities and deferred inflows of resources – 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.

The Authority has only one type of activity as noted below.

- *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.

McCURTAIN COUNTY PUBLIC HEALTH MANAGEMENT AUTHORITY
Idabel, Oklahoma

(A Component Unit of McCurtain County, Oklahoma)

June 30, 2014

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 activities.

NET POSITION

	Governmental Activities	
	<u>2014</u>	<u>2013</u>
Current & Other Assets	\$ 363,820	\$ 298,416
Capital Assets, Net	<u>502,230</u>	<u>546,885</u>
Total Assets	<u>866,050</u>	<u>845,301</u>
Total Deferred Outflows of Resources	<u>0</u>	<u>0</u>
Long-Term Liabilities	47,343	94,460
Other Liabilities	<u>0</u>	<u>7,909</u>
Total Liabilities	<u>47,343</u>	<u>102,369</u>
Total Deferred Inflows of Resources	<u>0</u>	<u>0</u>
Net Position:		
Net Investment in Capital Assets	454,887	452,425
Restricted	0	0
Unrestricted (Deficit)	<u>363,820</u>	<u>290,507</u>
Total Net Position	<u>\$ 818,707</u>	<u>\$ 742,932</u>

Total net position of the Authority's governmental activities increased by \$75,775 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, increased \$73,313 over the prior year.

Governmental activities unrestricted cash increased by \$89,855.

McCURTAIN COUNTY PUBLIC HEALTH MANAGEMENT AUTHORITY
Idabel, Oklahoma

(A Component Unit of McCurtain County, Oklahoma)

June 30, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

(UNAUDITED)

CHANGE IN NET POSITION

	Governmental Activities	
	<u>2014</u>	<u>2013</u>
Revenues		
General Revenues:		
Sales Taxes	\$ 1,490,994	\$ 1,430,813
Interest	1,251	761
Other General Revenues	1,857	0
Program Revenues:		
Charges for Services	<u>36,323</u>	<u>14,840</u>
Total Revenues	<u>1,530,425</u>	<u>1,446,414</u>
Program Expenses		
Personnel Services	749,001	898,734
Maintenance and Operation	410,570	360,206
Tipping Fees	241,054	86,967
Depreciation	<u>54,025</u>	<u>70,148</u>
Total Expenses	<u>1,454,650</u>	<u>1,416,055</u>
Increase (Decrease) in Net Position Before Extraordinary Item and Transfers	<u>75,775</u>	<u>30,359</u>
Extraordinary Item	0	0
Transfers	<u>0</u>	<u>(65,676)</u>
Increase (Decrease) in Net Position Net Position, Beginning of Year	<u>75,775</u>	<u>(35,317)</u>
	<u>742,932</u>	<u>778,249</u>
Net Position, End of Year	<u>\$ 818,707</u>	<u>\$ 742,932</u>

GOVERNMENTAL ACTIVITIES

Total revenues for governmental activities increased \$84,011 (5.8%). Expenses increased \$38,595 (2.7%).

McCURTAIN COUNTY PUBLIC HEALTH MANAGEMENT AUTHORITY
Idabel, Oklahoma

(A Component Unit of McCurtain County, Oklahoma)

June 30, 2014

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	
	2014	2013
Land	\$ 68,844	\$ 68,344
Buildings	506,091	506,091
Furniture and Equipment	1,090,628	1,165,485
Greenbox Equip. & Sites	<u>415,917</u>	<u>407,047</u>
Total	<u>\$ 2,081,480</u>	<u>\$ 2,146,967</u>
Accumulated Depreciation	<u>\$ 1,579,250</u>	<u>\$ 1,600,082</u>

Significant additions this year consisted of purchase of land for additional sites and greenboxes.

OUTSTANDING DEBT

At June 30, 2014, Governmental Activities had outstanding debt of \$47,343, a net decrease of \$47,117. Long-term debt is discussed in detail at Note 7 to the financial statements.

OUTSTANDING DEBT AT YEAR END

	Governmental Activities	
	2014	2013
Promissory Notes	\$ 10,346	\$ 17,810
Capital Leases	<u>36,997</u>	<u>76,650</u>
Totals	<u>\$ 47,343</u>	<u>\$ 94,460</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, 2014

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, 2014

	Governmental Activities Solid Waste	Total
<u>ASSETS:</u>		
Current Assets		
Cash and Cash Equivalents	\$ 258,218	\$ 258,218
Accounts Receivable: Sales Tax	100,218	100,218
Other	5,384	5,384
Total Current Assets	363,820	363,820
Noncurrent Assets		
Capital Assets, (Net of Accumulated Depreciation)	502,230	502,230
Total Noncurrent Assets	502,230	502,230
Total Assets	866,050	866,050
<u>DEFERRED OUTFLOWS OF RESOURCES</u>		
Total Deferred Outflows of Resources	0	0
<u>LIABILITIES:</u>		
Current Liabilities		
Accounts Payable	0	0
Lease Payable - Current Portion	36,997	36,997
Note Payable - Current Portion	7,592	7,592
Total Current Liabilities	44,589	44,589
Noncurrent Liabilities		
Long-term Debt - Noncurrent Portion	2,754	2,754
Total Noncurrent Liabilities	2,754	2,754
Total Liabilities	47,343	47,343
<u>DEFERRED OUTFLOWS OF RESOURCES</u>		
Total Deferred Inflows of Resources	0	0
<u>NET POSITION:</u>		
Net Investment in Capital Assets	454,887	454,887
Restricted	0	0
Unrestricted	363,820	363,820
Total Net Position	\$ 818,707	\$ 818,707

McCURTAIN COUNTY PUBLIC HEALTH MANAGEMENT AUTHORITY
Idabel, Oklahoma

(A Component Unit of McCurtain County, Oklahoma)

STATEMENT OF ACTIVITIES

June 30, 2014

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	Total
Governmental Activities:						
<u>Public Services</u>						
Solid Waste Management	\$ 1,454,650	\$ 36,323	\$ 0	\$ 0	\$ (1,418,327)	\$ (1,418,327)
Total Governmental Activities	<u>1,454,650</u>	<u>36,323</u>	<u>0</u>	<u>0</u>	<u>(1,418,327)</u>	<u>(1,418,327)</u>
Total Government	\$ <u>1,454,650</u>	\$ <u>36,323</u>	\$ <u>0</u>	\$ <u>0</u>	<u>(1,418,327)</u>	<u>(1,418,327)</u>
General Revenues:						
Taxes:						
Sales						
					1,490,994	1,490,994
Interest Earnings						
					1,251	1,251
Miscellaneous						
					1,857	1,857
Extraordinary Item						
					0	0
Transfers						
					<u>0</u>	<u>0</u>
Total General Revenues, Extraordinary Items, and Transfers					<u>1,494,102</u>	<u>1,494,102</u>
Change in Net Position					75,775	75,775
Net Position at Beginning of Year					<u>742,932</u>	<u>742,932</u>
Net Position at End of Year					\$ <u>818,707</u>	\$ <u>818,707</u>

10

* 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, 2014

	<u>Solid Waste</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>		
Cash and Cash Equivalents	\$ 258,218	\$ 258,218
Accounts Receivable: Sales Tax	100,218	100,218
Other	<u>5,384</u>	<u>5,384</u>
 <u>DEFERRED OUTFLOWS OF RESOURCES</u>		
Total Deferred Outflows of Resources	<u>0</u>	<u>0</u>
 TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	 \$ <u><u>363,820</u></u>	 \$ <u><u>363,820</u></u>
 <u>LIABILITIES</u>		
Accounts Payable	\$ <u>0</u>	\$ <u>0</u>
Total Liabilities	<u>0</u>	<u>0</u>
 <u>DEFERED INFLOWS OF RESOURCES</u>		
Total Deferred Inflows of Resources	<u>0</u>	<u>0</u>
 <u>FUND EQUITY</u>		
Fund Balance:		
Unassigned	<u>363,820</u>	<u>363,820</u>
Total Fund Equity	<u>363,820</u>	<u>363,820</u>
 TOTAL LIABILITIES, DEFERRED INFLOWS, AND FUND EQUITY	 \$ <u><u>363,820</u></u>	 \$ <u><u>363,820</u></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	\$ 363,820
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 (\$2,081,480) net of related depreciation (\$1,579,250).	502,230
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	(36,997)
Note Payable	<u>(10,346)</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 818,707</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, 2014

	<u>Solid Waste</u>	<u>Total Governmental Funds</u>
REVENUES:		
Sales tax	\$ 1,490,994	\$ 1,490,994
Interest	1,251	1,251
Recycling	3,404	3,404
Tipping Fees	32,919	32,919
Other	<u>7,358</u>	<u>7,358</u>
 Total Revenues	 <u>1,535,926</u>	 <u>1,535,926</u>
EXPENDITURES:		
Personnel Services	749,001	749,001
Maintenance and Operation	655,848	655,848
Capital Outlay	<u>57,764</u>	<u>57,764</u>
 Total Expenditures	 <u>1,462,613</u>	 <u>1,462,613</u>
 Excess (Deficiency) of Revenues Over (Under) Expenditures	 73,313	 73,313
OTHER FINANCING SOURCES (USES)		
Operating Transfers Out	<u>0</u>	<u>0</u>
 Excess of Revenues Over (Under) Expenditures	 73,313	 73,313
 Fund Balance - June 30, 2013	 <u>290,507</u>	 <u>290,507</u>
 FUND BALANCE, JUNE 30, 2014	 <u>\$ 363,820</u>	 <u>\$ 363,820</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, 2014

Net Change in Fund Balances - Total Governmental Funds	\$ 73,313
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	
	(54,025)
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	14,870
Principal payments on capital lease	39,653
Principal payments on capital note payable	7,464
Disposition of capital assets	<u>(5,500)</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 75,775</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)

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2014

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, 2014

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. The authority has no business-type activities.

In the government-wide Statement of Net Position, the governmental activities columns are presented on a consolidated basis 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; 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 the Authority's functions. 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 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 of the governmental entity. 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 and has no non-major funds.

McCURTAIN COUNTY PUBLIC HEALTH MANAGEMENT AUTHORITY
Idabel, Oklahoma

(A Component Unit of McCurtain County, Oklahoma)

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2014

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.

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 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, 2014

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 \$258,218 on June 30, 2014.

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, 2014.

C. 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

D. Compensated Absences

The Authority does not report 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, 2014

NOTE 2: FINANCIAL STATEMENT AMOUNTS, CONTINUED

E. 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 plus deferred outflows of resources less deferred inflows of resources related to 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.

F. 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

(A Component Unit of McCurtain County, Oklahoma)

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2014

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, 2014 were as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities				
Capital assets not being depreciated:				
Land	\$ 68,344	\$ 6,000	\$(5,500)	\$ 68,844
Total Capital Assets Not Being Depreciated	<u>68,344</u>	<u>6,000</u>	<u>(5,500)</u>	<u>68,844</u>
Other Capital Assets:				
Buildings & Improvements	506,091	0	0	506,091
Furniture & Equipment	1,165,485	0	(74,857)	1,090,628
Greenbox Equipment & Sites	<u>407,047</u>	<u>8,870</u>	<u>0</u>	<u>415,917</u>
Total Other Capital Assets	<u>2,078,623</u>	<u>8,870</u>	<u>(74,857)</u>	<u>2,012,636</u>
Less Accumulated Depreciation for:				
Buildings & Improvements	(277,129)	(17,418)	0	(294,547)
Furniture & Equipment	(1,041,221)	(28,676)	74,857	(995,040)
Greenbox Equipment & Sites	<u>(281,732)</u>	<u>(7,931)</u>	<u>0</u>	<u>(289,663)</u>
Total Accumulated Depreciation	<u>(1,600,082)</u>	<u>(54,025)</u>	<u>74,857</u>	<u>(1,579,250)</u>
Other Capital Assets, Net	<u>478,541</u>	<u>(45,155)</u>	<u>0</u>	<u>433,386</u>
Governmental Activities Capital Assets, Net	<u>\$ 546,885</u>	<u>\$(39,155)</u>	<u>\$(5,500)</u>	<u>\$ 502,230</u>

NOTE 5: DEFERRED OUTFLOWS OF RESOURCES

The Authority reports decreases in net assets that relate to future periods as deferred outflows of resources in a separate section of its government-wide statement of net position. No deferred outflows of resources affect the financial statements in the current year.

NOTE 6: DEFERRED INFLOWS OF RESOURCES

The Authority's governmental funds report a separate section for deferred inflows of resources. This separate financial statement element reflects an increase in net position that applies to a future period. The Authority will not recognize the related revenues until a future event occurs. The Authority did not have deferred inflows of resources to report in its financial statements for the current year.

McCURTAIN COUNTY PUBLIC HEALTH MANAGEMENT AUTHORITY
Idabel, Oklahoma

(A Component Unit of McCurtain County, Oklahoma)

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2014

NOTE 7: LONG-TERM LIABILITIES

Long-term liability activity for the year ending June 30, 2014 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	\$ 17,810	\$ 0	\$(7,464)	\$ 10,346	\$ 7,592
Other Liabilities:					
Capital Lease – Equipment	<u>76,650</u>	<u>0</u>	<u>(39,653)</u>	<u>36,997</u>	<u>36,997</u>
Governmental Activities Long-Term Liabilities	<u>\$ 94,460</u>	<u>\$ 0</u>	<u>\$(47,117)</u>	<u>\$ 47,343</u>	<u>\$ 44,589</u>

Governmental Activities debt will be liquidated using the Authority's sales tax revenues. Interest expense reported for governmental funds equaled \$4,284.

Description of Debt

	<u>Balance 06/30/14</u>
Governmental Activities:	
Capital lease for equipment payable to Empire Financial Services, Inc. dated April 19, 2010 in the original amount of \$192,120. This is a 5 year lease and bears an interest rate of 4.99%.	\$ 36,997
Note payable on a dump truck dated October 9, 2013 in the original amount of \$22,635. This is a 3-year note and bears an interest rate of 3.2% fixed.	<u>10,346</u>
Total Governmental Activities Long-Term Liabilities	<u>\$ 47,343</u>

Debt Maturity

Governmental Activities:

Year Ending <u>June 30</u>	<u>Leases</u>		<u>Notes</u>		<u>Total</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2015	\$ 36,997	\$ 2,858	\$ 7,592	\$ 331	\$ 44,589	\$ 3,189
2016	<u>0</u>	<u>0</u>	<u>2,754</u>	<u>29</u>	<u>2,754</u>	<u>29</u>
Total	<u>\$ 36,997</u>	<u>\$ 2,858</u>	<u>\$ 10,346</u>	<u>\$ 360</u>	<u>\$ 47,343</u>	<u>\$ 3,218</u>

McCURTAIN COUNTY PUBLIC HEALTH MANAGEMENT AUTHORITY
Idabel, Oklahoma

(A Component Unit of McCurtain County, Oklahoma)

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2014

NOTE 8: CONCENTRATIONS

Approximately 97.4% (\$1,490,994) of total revenues received by the Authority's solid waste operations were derived from a dedicated sales tax.

NOTE 9: CONTINGENCIES

As of June 30, 2014, 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 10: 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.

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.

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 2014, the Authority paid 10% of total employee salary and employees paid 3.5% of salary. Current year contributions totaled \$81,536 by the Authority and \$17,569 by employees on an annual payroll of \$499,419.

McCURTAIN COUNTY PUBLIC HEALTH MANAGEMENT AUTHORITY
Idabel, Oklahoma

(A Component Unit of McCurtain County, Oklahoma)

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2014

NOTE 11: 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.

NOTE 12: 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 13: SUBSEQUENT EVENTS

Management has evaluated subsequent events through April 24, 2015, which is the date the financials were available to be issued.

Saunders & Associates, PLLC

Certified Public Accountants

630 East 17th Street * P. O. Box 1406 * Ada, Oklahoma 74820 * (580) 332-8548 * FAX: (580) 332-2272
Website: www.saunderscpas.com

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 and each major fund of McCurtain County Public Health Management Authority, a component unit of McCurtain County, Oklahoma, as of and for the year ended June 30, 2014, which collectively comprise McCurtain County Public Health Management Authority's basic financial statements and have issued our report thereon dated April 24, 2015. 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

April 24, 2015

McCURTAIN COUNTY PUBLIC HEALTH MANAGEMENT AUTHORITY
Idabel, Oklahoma

(A Component Unit of McCurtain County, Oklahoma)

STATUS OF PRIOR AUDIT FINDINGS

June 30, 2014

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

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 2014, 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.

Current Status: No change. The Authority's current accounting system only provides information on amounts which have been budgeted, encumbered, and paid as well as remaining cash available. The current accounting system provides no controls over, or reporting mechanism for, any other assets or liabilities, nor does it provide traditional financial statements. See current Schedule of Findings and Responses.

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, 2014

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 2014, 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: Management is of the opinion that financial information provided by the Kel-Pro software is sufficient to meet our needs.