

ADAIR COUNTY COURTHOUSE
AUTHORITY

**FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS REPORT**

FOR THE YEAR ENDED JUNE 30, 2019

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MICHAEL W. GREEN
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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Adair County Courthouse Authority
Stilwell, Oklahoma

I have audited the accompanying financial statements of the business-type activities of the Adair County Courthouse Authority (the Authority), a component unit of the County of Adair, Oklahoma, as of and for the year then ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my 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 I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business type activities of the Adair County Courthouse Authority as of June 30, 2019, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, I have also issued my report dated October 29, 2019, on my consideration of the Authority's internal control over financial reporting and on my 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 my 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 the Authority's internal control over financial reporting and compliance.

Regards,

A handwritten signature in black ink, appearing to read "Mike Green", with a stylized flourish at the end.

Michael Green, CPA
Stilwell, OK

October 29, 2019

ADAIR COUNTY COURTHOUSE AUTHORITY
STATEMENT OF NET POSITION
June 30, 2019

ASSETS

CURRENT ASSETS

Cash	\$ 84,535
Accounts Receivable	<u>86,255</u>
Total Current Assets	<u>170,790</u>

PROPERTY AND EQUIPMENT

Courthouse Construction	7,187,675
Accumulated Depreciation	<u>(329,929)</u>
Total Fixed Assets	<u>6,857,746</u>

Net Property and Equipment	<u>6,857,746</u>
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Total Assets	<u><u>\$ 7,028,536</u></u>
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LIABILITIES AND NET POSITION

CURRENT LIABILITIES

Current Portion of Long-Term Debt	\$ 201,739
Total Current Liabilities	<u>201,739</u>

NON CURRENT LIABILITIES

Note Payable - Armstrong bank	<u>4,628,132</u>
Total Non-Current Liabilities	<u>4,628,132</u>

Total Liabilities	<u><u>\$ 4,829,871</u></u>
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NET POSITION

Unrestricted Net Position	170,789
Net Investment in Capital Assets	<u>2,027,876</u>
Total Net Position	<u>2,198,665</u>

Total Liabilities and Net Position	<u><u>\$ 7,028,536</u></u>
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The accompanying notes and auditors report are an integral part of these financial statements.

**ADAIR COUNTY COURTHOUSE AUTHORITY
STATEMENT OF REVENUE, EXPENSES AND
CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2019**

Revenues:

Sales Tax	\$ 536,738
Adair County Contributions	156,679
All Other Contributions	<u>2,000</u>
Total Operating Income	695,417

Operating Expenses:

Repairs & Maintenance	5,400
Trustee Fees	3,000
Contract Labor	2,000
Depreciation	179,692
Interest Expense	<u>198,845</u>
Total Operating Expenses	<u>388,937</u>

Operating Income (Loss)	<u>306,480</u>
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Non-Operating Income (Expense):

Interest Revenue	<u>735</u>
Total Non-Operating Income (Expense)	<u>735</u>

Net Position, Beginning of Year	1,891,450
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Excess Revenues over Expenses	<u>\$ 307,215</u>
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Net Position, End of Year	<u><u>\$2,198,665</u></u>
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The accompanying notes and auditors report are an integral part of these financial statements.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2019

Cash Flows from Operating Activities

Cash received from Sales Tax	\$ 533,850
Cash received from Contributions	158,679
Cash paid for Courthouse Operations	(5,400)
Interest Expense	(198,845)
Contract Labor	(2,000)
Net Cash Provided by Operations	<u>\$ 486,284</u>

Cash Flows from Investing Activities

Interest Income	735
Capital Expenditures	23,694
Net Cash Used in Investing Activities	<u>24,429</u>

Cash Flows from Financing Activities

Trustee Fees and Expenses	(3,000)
Payments Made on Notes Payable	(507,469)
Net Cash Used in Capital and Related Financing Activities	<u>(510,469)</u>

Net Increase in Cash and Cash Equivalents	244
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Beginning Cash and Cash Equivalents	84,291
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Ending Cash and Cash Equivalents	<u><u>84,535</u></u>
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Reconciliation of Operating Income to Net Cash

Provided by Operating Activities	
Operating Income (Loss)	307,215
Adjustment to Reconcile Operating Income to Net Cash	
Provided by Operating Activities	
Depreciation	176,692
Increase (Decrease) in Receivables	2,377
Net Cash Provided by Operating Activities	<u><u>\$ 486,284</u></u>

The accompanying notes and auditors report are an integral part of these financial statements.

**ADAIR COUNTY COURTHOUSE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. GENERAL

Under the provision of the Oklahoma Trust Act, the Adair County Courthouse Authority (hereinafter referred to as the "Authority") was established August 11th, 2008, to promote, finance, and develop any and all public facilities or public works projects of any type or description including, but not limited to, administrative office buildings, court buildings, storage buildings, equipment barns, and maintenance buildings and all facilities and services ancillary thereto.

B. REPORTING ENTITY

The Adair County Courthouse Authority is a component unit of Adair County and for the purpose of this report is considered to be a proprietary fund. A proprietary fund is used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Goods or services from such activities can be provided either to outside parties (enterprise funds) or to other departments or agencies primarily within the governmental unit (internal service funds).

C. BASIS OF ACCOUNTING

Basis of Accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of Accounting relates to the timing of the measurements made, regardless of the measurement focus applied. The financial statements have been adjusted at year-end to reflect the accrual basis of accounting, revenues are recognized when they are measurable and susceptible to accrual and expenses are recognized when they are incurred, in accordance with accounting principles generally accepted in the United States of America.

D. PROPERTY, PLANT, AND EQUIPMENT Depreciation is provided in the-Trust Fund in amounts sufficient to relate the cost of depreciable assets to operations over their estimated useful lives computed on the straight-line method.

Those rates are as follows:	Rates
Buildings	2.5%
Furniture, Fixtures, and Equipment	20%

One of the primary purposes for the establishment of the Adair County Courthouse Authority was for the reconstruction of the County Courthouse. The amounts disclosed in the financial statements represent the construction costs of this facility.

E. INVENTORY AND PREPAID EXPENSES

Supplies purchased are consumed in operations and expensed as incurred. As of June 30, 2019, there were no Prepaid Expenses.

F. CASH AND INVESTMENTS

The Authority's investment policies are governed by state statute. Permissible investments include direct obligations of the United States Government and Agencies; certificates of deposit of savings and loan associations, and bank and trust companies; and savings accounts or savings certificates of savings and loan associations, and trust companies; collateral is required for demand deposits and certificates of deposit for all amounts not covered by federal deposit insurance. For the purposes of the statement of cash flows, the Authority considers all cash on hand, demands deposits and highly liquid investments, with an original maturity of twelve months or less when purchased, to be cash and cash equivalents.

Deposit Categories of Credit Risk

- (A) Insured or collateralized with securities.
- (B) Collateralized with securities held by the pledging financial institutions trust department.
- (C) Uncollateralized.

	(A)	(B)	(C)	Bank Balance	Carrying Amount
2019					
Armstrong Bank	250,000	-	-	60,002	60,002
BOK Financial	250,000	-	-	24,533	24,533

G. LONG TERM DEBT

On July 20, 2015 the Authority committed to a Sales Tax Revenue Note, Series 2015, in the original aggregate principal amount of \$6,000,000. On May 1, 2017 the Authority committed to a supplemental note to finish the courthouse project in the original amount of 225,000. (See Note 3)

H. INCOME TAXES

The Authority is a political subdivision of Adair County organized under the laws of the State of Oklahoma and is not subject to Federal or State income taxes.

I. BUDGETS

The Adair County Courthouse is required to legally adopt a formal operating budget as required by State Statute.

J. SALES TAX REVENUE

The Authority's major source of revenue is a sales tax of one-half of one percent (1/2%) upon the gross proceeds or gross receipts derived from all sales or services in the County of Adair, State of Oklahoma, upon which a consumer's sales tax is levied by the State of Oklahoma.

K. ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results differ from those estimates.

NOTE 2: CONTINGENCIES

None.

NOTE 3: NOTES PAYABLE

SALES TAX REVENUE NOTE

A note payable for renovation of the Adair County Courthouse was indentured June, 2015, in the amount of \$6,000,000.00, provided by Armstrong Bank, to be used for the remodeling, and equipping of The Adair County Courthouse in Adair County, Oklahoma. The balance at June 30, 2019, is \$4,760,122. The Note bears interest at the rate of 3.85% and was scheduled to mature on February 15, 2041. The Authority has been making accelerated payments and the estimated maturity date is April 15, 2037. Principal and interest payments are made monthly on the fifteenth of each month, beginning December 15, 2015. The note is secured by the 1/2 percent sales tax levied by the State of Oklahoma on all gross proceeds or gross receipts from all sales or services in Adair County subject to the Tax.

SUPPLEMENTAL NOTE

A Series 2017 Supplemental Note dated May 1, 2017 for \$225,000 was indentured by the Adair County Courthouse Authority to complete the renovation of the courthouse. The balance at June 15, 2019 was \$69,747. The Note bears interest at the rate of 3.85% and was scheduled to mature on February 15th, 2041. The Authority has been making accelerated payments and the estimated maturity date is October 15, 2025. Principal and interest payments are made monthly on the fifteenth of each month, beginning June 15, 2017.

Schedule of Maturity for the next five years and in five-year increments after that are as follows:

	Sales Tax Note		Supplemental Note		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
Current Portion	190,002	179,935	11,736	2,944	201,738	381,673
2021	197,448	172,490	12,668	2,011	210,116	382,606
2022	205,185	164,752	13,164	1,515	218,349	383,101
2023	213,225	156,712	13,680	999	226,905	383,617
2024	221,581	148,356	14,216	463	235,797	384,153
2025 - 2030	1,245,159	604,527	4,283	32	1,249,442	1,853,969
2031 - 2035	1,509,012	340,674			1,509,012	1,849,686
2036 - 2037	978,509	55,154			978,509	1,033,663
Totals	4,760,121	1,822,600	69,747	7,964	4,829,868	6,652,468

NOTE 4: PROPERTY AND EQUIPMENT

Property and Equipment consist of remodeling of the Adair County Courthouse, at June 30, 2019 all costs of the remodel are capitalized and being depreciated effective September 2017, the date depreciation started.

Capital asset activity for governmental activities for the year ended June 30, 2018 was as follows:

	Balance June 30, 2018	Additions	Reductions	Balance June 30, 2019
Capital Assets being Depreciated				
Buildings and Building Improvements	7,211,368	-	23,693	7,187,675
Total Capital Assets being Depreciated	7,211,368	-	23,693	7,187,675
Less Accumulated Depreciation				
Buildings & Improvements	150,237	179,692	-	329,929
Total Accumulated Depreciation	150,237	179,692	-	329,929
Governmental Activities, Capital Assets, Net	7,061,131	(179,692)	23,693	6,857,746

NOTE 5: SUBSEQUENT EVENTS

Management has evaluated subsequent events through the date of the auditor's report which is the date the financial statements were available to be issued.

MICHAEL W. GREEN
Certified Public Accountant
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STILWELL, OK. 74960
(918) 696-6298

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*

Board of Trustees
Adair County Courthouse Authority
Stilwell, Oklahoma

I have audited the financial statements of the business-type activities of the Adair County Courthouse Authority, a component unit of Adair County, as of and for the year then ended June 30, 2019, which collectively comprise the Authority's basic financial statements and have issued my report thereon dated October 29, 2019. I conducted the audit in accordance with 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.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered Adair County Courthouse Authority's (the Authority) internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, I do not express an opinion on the effectiveness of the Authority's internal control.

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

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Adair County Courthouse Authority's financial statements are free of material misstatement, I 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 my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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 the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Regards,

A handwritten signature in black ink, appearing to read "Michael Green", with a stylized, cursive script.

Michael Green, CPA
Stilwell, OK

October 29, 2019