

LEFLORE COUNTY PUBLIC BUILDING AUTHORITY
POTEAU, OKLAHOMA

AUDITED FINANCIAL STATEMENTS AND NOTES
For the Year Ended June 30, 2023

Audited By:
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INDEPENDENT

AUDITOR'S

REPORTS

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Leflore County Public Building Authority
Poteau, Oklahoma

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying modified cash basis financial statements, the business-type activities of the Leflore County Public Building Authority (the "Authority"), of Leflore County, Oklahoma as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis net position of the business-type activities of the Authority, as of June 30, 2023, and the respective changes in modified cash basis financial position, and where applicable, cash flows thereof for the year then ended in accordance with the modified cash basis of accounting described in Note 1.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter—Basis of Accounting

We draw attention to Note B of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

As discussed in Note 1, the financial statements present only the Leflore County Public Building Authority and do not purport to, and do not, present fairly the financial position of the Leflore County, as of June 30, 2023, the changes in its financial position, or, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 1, and for determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Leflore County Public Building Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued the report dated **October 26, 2023**, on our 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 this 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 Leflore County Public Building Authority's internal control over financial reporting and compliance.

Robert St. Pierre

Robert St. Pierre C.P.A., P.C.
Stilwell, Oklahoma
October 26, 2023

FINANCIAL

SECTION

**LEFLORE COUNTY PUBLIC BUILDING AUTHORITY
A COMPONENT UNIT OF LEFLORE COUNTY, OKLAHOMA
STATEMENT OF NET POSITION - MODIFIED CASH BASIS**

As of June 30, 2023

	ASSETS	2023
CURRENT ASSETS		
Cash and Cash Equivalents (Note 2)		\$ 3,541,626
FIXED ASSETS (Note 3)		
Capital Assets		26,034,672
Less: Accumulated Depreciation		(10,624,989)
TOTAL FIXED ASSETS		15,409,683
 TOTAL ASSETS		 \$ 18,951,309
LIABILITIES AND NET POSITION		
CURRENT LIABILITIES		
Current Maturities of Long-Term Debt (Note 4)		\$ 1,375,000
LONG-TERM LIABILITIES		
Long-Term Liabilities (Note 4)		2,410,000
Original Issue Discount: Net of Amortization		(10,821)
TOTAL LIABILITIES		3,774,179
NET POSITION		
Invested in Capital Assets		11,613,862
Unrestricted Net Position		3,563,268
TOTAL NET POSITION		15,177,130
 TOTAL LIABILITIES AND NET POSITION		 \$ 18,951,309

LEFLORE COUNTY PUBLIC BUILDING AUTHORITY
A COMPONENT UNIT OF LEFLORE COUNTY, POTEAU, OKLAHOMA
STATEMENT OF REVENUES, EXPENSES, & CHANGES IN NET POSITION - MODIFIED CASH BASIS
For the Year Ended June 30, 2023

OPERATING REVENUES	2023
SPECIAL SALES TAX FOR JAIL FUND	\$ 2,355,996
RENTALS	155,328
TOTAL OPERATING REVENUES	2,511,324
OPERATING EXPENSES	
BANK SERVICE CHARGE	3,056
INSURANCE	200,806
PROFESSIONAL FEES	12,070
MAINTENANCE & OPERATIONS	30,712
DEPRECIATION EXPENSE	415,940
AMORTIZATION EXPENSE	7,214
TOTAL OPERATING EXPENSES	669,798
 OPERATING INCOME (LOSS)	 1,841,526
OTHER REVENUES & EXPENSE	
INTEREST EXPENSE	(139,200)
INTEREST INCOME	38,582
TOTAL OTHER REVENUES & EXPENSE	(100,618)
 CHANGE IN NET POSITION	 1,740,908
 NET POSITION BEGINNING OF YEAR	 \$ 13,436,222
 NET POSITION END OF YEAR	 \$ 15,177,130

LEFLORE COUNTY PUBLIC BUILDING AUTHORITY
A COMPONENT UNIT OF LEFLORE COUNTY, OKLAHOMA
STATEMENT OF CASH FLOWS - MODIFIED CASH BASIS
For the Year Ended June 30, 2023

	2023
CASH FLOWS FROM OPERATING ACTIVITIES	
CASH RECEIVED FROM SALES TAX COLLECTIONS	\$ 2,355,996
CASH RECEIVED FOR RENTALS AND OTHER	155,328
CASH PAID FOR MAINTENANCE AND OPERATIONS	(246,644)
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>2,264,680</u>
 CASH FLOWS FROM FINANCING ACTIVITIES	
INTEREST EXPENSE	(139,199)
RETIREMENT OF LONG TERM DEBT	(1,310,000)
NET CASH FLOWS FROM FINANCING ACTIVITIES	<u>(1,449,199)</u>
 CASH FLOWS FROM INVESTING ACTIVITIES	
PURCHASE CAPITAL ASSETS	(458,461)
INTEREST EARNINGS	38,581
NET CASH FLOWS FROM INVESTING ACTIVITIES	<u>(419,880)</u>
 NET INCREASE (DECREASE IN CASH AND CASH EQUIVALENTS)	<u>395,601</u>
 CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	<u>3,146,025</u>
CASH AND CASH EQUIVALENTS, END OF PERIOD	<u>\$ 3,541,626</u>
 RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
OPERATING INCOME (LOSS)	\$ 1,841,526
ADD: DEPRECIATION & AMORTIZATION EXPENSE	423,154
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>\$ 2,264,680</u>

FINANCIAL

STATEMENT

NOTES

LEFLORE COUNTY PUBLIC BUILDING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2023

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES

A. REPORTING ENTITY

The LeFlore County Public Building Authority, a component unit of LeFlore County, Poteau, Oklahoma, (the "Authority"). It was established the 24th day of May 1971, to finance, operate, construct, and administer any public works, improvements or facilities, and for the public purposes hereinafter set forth, under the provisions of Title 60, Oklahoma Statutes 1961, Sections 176 to 180, inclusive, the Oklahoma Authority Act and other applicable statutes of the State of Oklahoma. The Authority is a legal separate component unit of LeFlore County, Poteau, Oklahoma (the primary government).

B. BASIS OF PRESENTATION

The financial statements of the Authority, a separate legal component unit of LeFlore County, Poteau, Oklahoma (the primary government), were prepared in accordance with accounting principles of an other comprehensive basis of accounting (OCBOA).

The Authority's basic financial statements consist of a statement of net position, a statement of revenue, expenses and changes in net position, and a statement of cash flows. The basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. The financial statements are prepared using the modified cash basis of accounting.

The Authority's financial statements are prepared using the modified cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the Authority's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred. Any such modifications made by the Authority are described in the appropriate section in this note.

As a result of the use of this modified cash basis of accounting, certain assets, and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

C. ASSETS, LIABILITIES, AND FUND EQUITY

CASH AND CASH EQUIVALENTS - For the purpose of financial reporting, "cash and cash equivalents" includes all demand and savings accounts and certificates of deposit or short-term investments with an original maturity of three months or less.

The County Treasurer is the custodian for the Authority's cash and investments. The County's cash and investment pool holds the Authority's cash and investments, which are reported at the County Treasurer's carrying amount. Deposits and investments disclosures for the County as a whole may be obtained from the Leflore County Treasurer's office, located at 100 S. Broadway St, Poteau, OK 74953.

RESTRICTED ASSETS - Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the assets. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments, or are imposed by law through constitutional provisions or enabling legislation.

INVENTORY AND PREPAID ITEMS - The Authority reports disbursements for inventory and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

INVESTMENTS - Investments are carried at fair market value.

CAPITAL ASSETS - The Authority's modified cash basis of accounting reports capital assets resulting from cash transactions and reports depreciation when appropriate. The accounting treatment over property, plant, and equipment (capital assets) recognizes the assets over their useful lives using the straight-line method of depreciation. A capitalization threshold of \$25,000 is used to report capital assets.

The Authority reports capital assets at cost value. All capital assets are depreciated except for land and construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure were based on the Authority's historical records of necessary improvements and replacement. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Buildings	40 Years
Building Improvements	40 Years
Furniture & Equipment	7 Years
Vehicles	5 Years

INTERFUND RECEIVABLES AND PAYABLES - The Authority reports advances-in and advances-out for interfund loans. These items are not reflected as assets and liabilities in the accompanying financial statements and there were none outstanding at year end.

ACCUMULATED LEAVE - In certain circumstances, such as upon leaving employment or retirement, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Authority's modified cash basis of accounting.

EMPLOYER CONTRIBUTIONS TO PENSION PLANS - The Authority recognizes the disbursements for employer contributions to cost-sharing pension plans when they are paid. The employer contributions include portions for pension benefits and for other postemployment benefits (OPERS).

LONG-TERM DEBT - All long-term debt arising from cash basis transactions to be repaid from business-type resources is reported as liabilities in financial statements and separated between the long-term debt due within one year (current portion) and long-term debt due in more than one year.

NET POSITION

Net Position is classified as net assets and displayed in three components:

- a. Invested in capital assets, net of related debt – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.
- b. Restricted net position - Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position - All other net position that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

NOTE 2: DEPOSITS AND INVESTMENTS

The Leflore County Treasurer is custodian for the Authority's deposits. The County's deposit and investment pool holds the Authority's assets, valued at the Treasurer's reported carrying amount.

The Authority's cash deposits, including interest-bearing certificates of deposit, are entirely covered by Federal Depository Insurance (FDIC) or direct obligation of the U.S. Government insured or collateralized with securities held by the Authority or by its agent in the Authority's name.

The Authority held the following cash and cash equivalents at June 30, 2023:

	2023
Jail Bond	\$ 1,612,553
CNB (xxx934)	99,555
TCSB (xxxx125)	448,047
Bancfirst (xx-xxxx-03-6)	561,840
Bancfirst (xx-xxxx-02-8)	753,710
BOK (xx-xxx-02-5)	15,250
BOK (xx-xxx-03-3)	50,671
	<hr/>
Total Cash and Cash Equivalents	\$ 3,541,626
	<hr/> <hr/>

NOTE 3: FIXED ASSETS

Fixed asset activity, resulting from modified cash basis transactions, for the fiscal year ended June 30, 2023, was as follows:

<i>Business-type activities:</i>	Balance at			Balance at
	7/1/2022	Additions	Retirements	6/30/2023
Capital assets -				
Land	\$ 100,000	-	-	\$ 100,000
Land Improvements	140,241	-	-	140,241
Building	25,335,970	458,461	-	25,794,431
Equipment	-	-	-	-
Total capital assets	<hr/> 25,576,211	<hr/> 458,461	<hr/> -	<hr/> 26,034,672
<i>Less accumulated depreciation for:</i>				
Land Improvements	(4,676)	(7,812)	-	(12,488)
Building (40 years, S/L)	(10,204,373)	(408,128)	-	(10,612,501)
Equipment (7 years, S/L)	-	-	-	-
Total accumulated depreciation	<hr/> (10,209,049)	<hr/> (415,940)	<hr/> -	<hr/> (10,624,989)
Capital assets, net	<hr/> \$ 15,367,162	<hr/> 42,521	<hr/> -	<hr/> \$ 15,409,683

NOTE 4: LONG-TERM DEBT

The issuer is an Oklahoma public Authority and was formed under the provisions of 60 O.S. Section 176, et. Seq., for the benefit of LeFlore County, Oklahoma, and the instruments creating such Authority have been hereto filed with and the Secretary of State of Oklahoma; in addition, notice of filing such instrument with the Secretary of State has been given to the office of the State Auditor and Inspector. The Trustees of the LeFlore County Public Buildings Authority, in conformity with 60 O.S. Section 176(d), have heretofore approved the issuance of the afore described Bonds and such body has competitively bid such Bonds, all in conformity with requirements of 60 O.S. Section 176(e).

Long-term debt consists of two (2) gross lease revenue bonds. The following is a summary of the changes in general long-term debt of the Authority for the fiscal year ending June 30, 2023:

- Gross Lease Revenue Refunding Bonds, Series 2012A, totaling \$2,380,000, for the Leflore County Health Department Building Project, interest rate of 1.00%-3.375%, annual principal and interest payments beginning Aug. 1, 2012 for various amounts; final payment due Feb. 1, 2032.

The Series 2012A bond principal and interest payments are as follows:

Year ending June 30	Principal	Interest	Total
2024	\$ 120,000	\$ 36,280	\$ 156,280
2025	125,000	33,280	158,280
2026	125,000	29,906	154,906
2027	130,000	26,405	156,405
2028	135,000	22,505	157,505
2028-2032	575,000	47,480	622,480
Total	<u>\$ 1,210,000</u>	<u>\$ 195,856</u>	<u>\$ 1,405,856</u>

- Gross Lease Revenue Refunding Bonds, Series 2014, totaling \$5,675,000, for refinancing of 2005 County Jail/Courthouse Expansion Project, Interest rate of 2.00-3.25%, annual principal and interest payments beginning June 1, 2015 for various amounts; final payment due December 1, 2024.

The Series 2014 bond principal and interest payments are as follows:

Year ending June 30	Principal	Interest	Total
2024	\$ 1,255,000	\$ 62,509	\$ 1,317,509
2025	1,320,000	21,450	1,341,450
2026	-	-	-
Total	<u>\$ 2,575,000</u>	<u>\$ 83,959</u>	<u>\$ 2,658,959</u>

NOTE 6: RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts: theft of, damage to and destruction of assets; errors and omissions; injuries to employees; or acts of God. The Authority purchases commercial insurance to cover these risks, including general and auto liability, property damage, and public officials' liability. Settled claims resulting from these risks have not exceeded the commercial insurance coverage in any of the past three fiscal years.

NOTE 7: COMMITMENTS AND CONTINGENCIES

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. These programs are subject to financial and compliance audits by the grantors or their representatives. Such audits could lead to requests for reimbursement to the grantor agency for expenditures disallowed under terms of the grant. The amount for expenditures that may be disallowed by the granting agencies cannot be determined at this time although it is believed by the Authority that the amount, if any, would not be significant.

NOTE 8: SUBSEQUENT EVENTS

The Authority has evaluated subsequent events through **October 26, 2023**, the date on which the financial statements were available to be issued.

SUPPLEMENTARY

INFORMATION

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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
Leflore County Public Building Authority
Poteau, Oklahoma

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Leflore County Public Building Authority (a component unit of Leflore County, Oklahoma) which comprise the statement of financial position-modified cash basis as of June 30, 2023, and the respective changes in modified cash basis financial statements, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated **October 26, 2023**.

Report on Internal Control Over Financial Reporting

In planning and performing our audit, we considered Leflore County Public Building Authority internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Leflore County Public Building Authority internal control. Accordingly, we do not express an opinion on the effectiveness of Leflore County Public Building Authority's internal control.

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Leflore County Public Building Authority financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters 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 our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Robert St. Pierre

Robert St. Pierre, C.P.A., P.C.
Stilwell, Oklahoma
October 26, 2023