

**ADAIR COUNTY COURTHOUSE
AUTHORITY**

**FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S
REPORT**

FOR THE YEAR ENDED JUNE 30, 2021

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DRAFT

MICHAEL W. GREEN
Certified Public Accountant

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INDEPENDENT AUDITOR'S REPORT

The Board of Trustees
Adair County Courthouse Authority
Stilwell, Oklahoma

I have audited the accompanying financial statements of the Adair County Courthouse Authority (the Authority), a component unit of Adair County, Oklahoma, as of and for the year ended June 30, 2021, 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 opinions 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 Authority'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 Authority'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 opinions.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business type activities, of the Authority as of June 30, 2021, 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.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the Authority and do not purport to, and do not present fairly the financial position of Adair County, as of June 30, 2021, 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. My opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Management has omitted the Management Discussion and Analysis Report 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 January 11, 2022, 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 solely 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 effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Regards,

Michael Green
Certified Public Accountant
Stilwell, Oklahoma

January 11, 2022

ADAIR COUNTY COURTHOUSE AUTHORITY
STATEMENT OF NET POSITION
JUNE 30, 2021

ASSETS

CURRENT ASSETS

Cash	\$ 98,785
Accounts Receivable	114,648
Total Current Assets	<u>213,433</u>

PROPERTY AND EQUIPMENT

Courthouse Construction	7,187,675
Accumulated Depreciation	(689,313)
Total Fixed Assets	<u>6,498,362</u>

Net Property and Equipment	<u>6,498,362</u>
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Total Assets	<u><u>\$ 6,711,795</u></u>
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LIABILITIES AND NET POSITION

CURRENT LIABILITIES

Current Portion of Long-Term Debt	\$ 225,260
Total Current Liabilities	<u>225,260</u>

NON CURRENT LIABILITIES

Note Payable - Armstrong bank	3,603,634
Total Non-Current Liabilities	<u>3,603,634</u>

Total Liabilities	<u>3,828,894</u>
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NET POSITION

Net Investment in Capital Assets	2,669,468
Unrestricted Net Position	213,433
Total Net Position	<u>2,882,901</u>

Total Liabilities and Net Position	<u><u>\$ 6,711,795</u></u>
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**ADAIR COUNTY COURTHOUSE AUTHORITY
STATEMENT OF REVENUE, EXPENSES, AND
CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2021**

Revenues:

Sales Tax	\$ 640,119
Adair County Contributions	182,377
All Other Contributions	-
Total Operating Income	822,496

Operating Expenses:

Audit Expense	4,050
Contract Labor	1,800
Depreciation	179,692
Interest Expense	162,964
Total Operating Expenses	348,506

Operating Income (Loss)	473,990
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Non-Operating Income (Expense):

Interest Revenue	11
Total Non-Operating Income (Expense)	11

Net Position, Beginning of Year	2,408,900
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Excess Revenues over Expenses	474,001
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Net Position, End of Year	\$ 2,882,901
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ADAIR COUNTY COURTHOUSE AUTHORITY
STATEMENT OF CASH FLOWS
June 30, 2021

Cash Flows from Operating Activities	
Cash Received from Adair County	\$ 808,944
Cash Paid to Employees	-
Cash Paid to Suppliers	(168,814)
Net Cash Provided by Operations	<u>640,130</u>
Cash Flows from Capital and Related Financing Activities	
Net Increase(Decrease) in Capital Debt	<u>(632,157)</u>
Net Cash Provided (used) by Capital and Related Financing Activities	<u>(632,157)</u>
Cash flows from Investing Activities	
Interest income	<u>11</u>
Net Cash Provided by Investing Activities	<u>11</u>
Net Increase (Decrease) in Cash	<u>7,984</u>
Cash at Beginning of Year	90,801
Cash at End of Year	<u><u>\$ 98,785</u></u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Operating Income (Loss)	\$ 473,990
Adjustment to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities	
Depreciation	179,692
Decrease (Increase) in Receivables	<u>(13,552)</u>
Net Cash Provided by Operating Activities	<u><u>\$ 640,130</u></u>

ADAIR COUNTY COURTHOUSE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

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 of the ("Authority") record revenue when cash is appropriated, and expenses are recorded in the period in which encumbrances are made. 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, 2021, 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.

Year Ended June 30, 2021	(A)	(B)	(C)	Bank Balance	Carrying Amount
Armstrong Bank	\$ 250,000	-	-	74,410	\$ 74,410
BOK Financial	250,000	-	-	24,375	24,375

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 AND UNCERTAINTIES

During March 2020, the World Health Organization declared a pandemic with the outbreak of the COVID-19 and declared a “Public Health Emergency of International Concern”. The U.S. Government and local governmental authorities implemented procedures to attempt to contain the virus and lessen its impact. The spread of this virus has caused business interruptions that are expected to continue for the foreseeable future. The extent of the impact of COVID-19 on the Authority’s operational and financial performance has not yet been determined. As such, these financial statements do not include any adjustments that might result from the outcome of this uncertainty.

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, 2021, is \$3,828,894. 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 June 15, 2036. 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 30, 2021 was \$0.00. 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 July 2020. Principal and interest payments are made monthly on the fifteenth of each month, beginning June 15, 2017. As of June 30, 2021 this note was paid in full.

Changes in Notes Payables are as follows:

Type of Debt	Balance 6/30/2020	Additions	Reductions	Balance 6/30/2021	Amount Due Within One Year
Business Type Activities:					
Armstrong Bank Series 2015	\$ 4,403,484	\$ -	\$ (574,590)	\$ 3,828,894	\$ 225,260
Armstrong Bank Series 2017	57,567	-	(57,567)	-	-
Total Business Type Activities:	<u>\$ 4,461,051</u>	<u>\$ -</u>	<u>\$ (632,157)</u>	<u>\$ 3,828,894</u>	<u>\$ 225,260</u>

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

Year Ended June 30	Principal	Interest	Total
2022	\$ 225,260	\$ 144,677	\$ 369,937
2023	235,321	134,616	369,937
2024	244,543	125,395	369,938
2025	254,125	115,812	369,937
2026	264,084	105,854	369,938
2027-2031	1,483,999	365,687	1,849,686
2032-2036	1,121,562	72,963	1,194,525
Totals	<u>\$ 3,828,894</u>	<u>\$ 1,065,004</u>	<u>\$ 4,893,898</u>

NOTE 4: PROPERTY AND EQUIPMENT

Property and Equipment consist of remodeling of the Adair County Courthouse, at June 30, 2021 all costs of the remodel are capitalized.

	Balance 6/30/2020	Additions	Deletions	Balance 6/30/2021
Business-type activities:				
Other capital assets:				
Buildings and Building Improvements	\$ 7,187,675	\$ -	\$ -	\$ 7,187,675
Total other capital assets at historical cost	<u>7,187,675</u>	<u>-</u>	<u>-</u>	<u>7,187,675</u>
Less accumulated depreciation for:				
Total accumulated depreciation	<u>(509,621)</u>	<u>(179,692)</u>	<u>-</u>	<u>(689,313)</u>
Other capital assets, net	<u>6,678,054</u>	<u>(179,692)</u>	<u>-</u>	<u>6,498,362</u>
Business-type activities capital assets, net	<u>\$ 6,678,054</u>	<u>\$ (179,692)</u>	<u>\$ -</u>	<u>\$ 6,498,362</u>

NOTE 5: ACCOUNTS RECEIVABLE

Consists of current year sales tax not received as of June 30.

NOTE 6: SUBSEQUENT EVENTS

Subsequent events have been evaluated through January 11, 2022, which is the date the financial statements were available to be issued.

MICHAEL W. GREEN
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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*

Board of Trustees
Adair County Courthouse Authority
Stilwell, Oklahoma

I 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 the business-type activities of the Adair County Courthouse Authority, (the Authority), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements and have issued my report thereon dated January 11, 2022.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the Authority's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. 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 misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Authority's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. I did not identify any deficiencies in internal control that I consider to be material weaknesses or significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is intended solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control or 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,

Michael Green, CPA
Stilwell, Oklahoma

January 11, 2022

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