

ADAIR COUNTY COURTHOUSE AUTHORITY

(A Component Unit of Adair County, Oklahoma)

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

FOR THE YEAR ENDED JUNE 30, 2022

**Audited By
Michael Green, CPA
827 W Locust St
Stilwell, Ok 74960**

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

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Adair County Courthouse Authority
Stilwell, Oklahoma

Report on the Audit of the Financial Statements

Opinions

I have audited the accompanying financial statements of Adair County Courthouse Authority (the Authority), a component unit of Adair County, Oklahoma, as of and for the year ended June 30, 2022, 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 my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Authority, as of June 30, 2022, 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.

Basis for Opinions

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. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of the Authority and to meet my other ethical responsibilities, in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the Adair County Courthouse Authority and do not purport to, and do not, present fairly the financial position of Adair County, Oklahoma, as of June 30, 2022, 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.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and 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 the 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

My 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 my 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 and *Government 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*, I:

- 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 my 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.

I am 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 I identified during the audit.

Required Supplementary Information

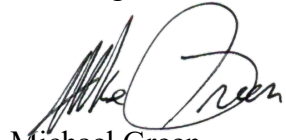
Management has omitted the management discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required 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 operation, 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 December 5, 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 Authority's internal control over financial reporting and compliance.

Best Regards,

A handwritten signature in black ink, appearing to read "Mike Green", written in a cursive style.

Michael Green
Certified Public Accountant
Stilwell, OK

December 5, 2022

**ADAIR COUNTY COURTHOUSE AUTHORITY
(A COMPONENT UNIT OF ADAIR COUNTY, OKLAHOMA)
STATEMENT OF NET POSITION
JUNE 30, 2022**

ASSETS

CURRENT ASSETS

Cash	\$ 98,782
Accounts Receivable	118,635
Total Current Assets	217,417

PROPERTY AND EQUIPMENT

Courthouse Construction	7,187,675
Accumulated Depreciation	(869,005)
Total Fixed Assets	6,318,670

Net Property and Equipment	6,318,670
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Total Assets	\$ 6,536,087
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LIABILITIES AND NET POSITION

CURRENT LIABILITIES

Current Portion of Long-Term Debt	\$ 235,321
Total Current Liabilities	235,321

NON CURRENT LIABILITIES

Note Payable - Armstrong bank	3,038,303
Total Non-Current Liabilities	3,038,303

Total Liabilities	3,273,624
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NET POSITION

Net Investment in Capital Assets	3,045,046
Unrestricted Net Position	217,417
Total Net Position	3,262,463

Total Liabilities and Net Position	\$ 6,536,087
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The accompanying notes and auditors report are an integral part of these financial statements.

**ADAIR COUNTY COURTHOUSE AUTHORITY
(A COMPONENT UNIT OF ADAIR COUNTY, OKLAHOMA)
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2022**

Revenues:	
Sales Tax	\$ 698,773
Adair County Contributions	6,300
All Other Contributions	<u>-</u>
Total Operating Income	<u>705,073</u>
Operating Expenses:	
Audit Expense	4,500
Contract Labor	1,800
Depreciation	179,692
Interest Expense	<u>139,534</u>
Total Operating Expenses	<u>325,526</u>
Operating Income (Loss)	<u>379,547</u>
Non-Operating Income (Expense):	
Interest Revenue	<u>16</u>
Total Non-Operating Income (Expense)	<u>16</u>
Net Position, Beginning of Year	2,882,900
Excess Revenues over Expenses	<u>379,563</u>
Net Position, End of Year	<u><u>\$ 3,262,463</u></u>

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

ADAIR COUNTY COURTHOUSE AUTHORITY
(A COMPONENT UNIT OF ADIAR COUNTY, OKLAHOMA)
STATEMENT OF CASH FLOWS
June 30, 2022

Cash Flows from Operating Activities	
Cash Received from Adair County	\$ 701,086
Cash Paid to Employees	-
Cash Paid to Suppliers	<u>(145,834)</u>
Net Cash Provided by Operations	<u>555,252</u>
Cash Flows from Capital and Related Financing Activities	
Net Increase(Decrease) in Capital Debt	<u>(555,271)</u>
	<u>(555,271)</u>
Cash flows from Investing Activities	
Interest income	<u>16</u>
Net Cash Provided by Investing Activities	<u>16</u>
Net Increase (Decrease) in Cash	(3)
Cash at Beginning of Year	98,785
Cash at End of Year	<u><u>\$ 98,782</u></u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Operating Income (Loss)	\$ 379,547
Adjustment to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities	
Depreciation	179,692
Decrease (Increase) in Receivables	<u>(3,987)</u>
Net Cash Provided by Operating Activities	<u><u>\$ 555,252</u></u>

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

**ADAIR COUNTY COURTHOUSE AUTHORITY
(A COMPONENT UNIT OF ADAIR COUNTY, OKLAHOMA)
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022**

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, 2022, 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 30-Jun-22	(A)	(B)	(C)	Bank Balance	Carrying Amount
Armstrong Bank	\$74,444	-	-	74,444	74,444
BOK Financial	24,338	-	-	24,338	24,338

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. (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 may 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, 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, 2022, is \$3,273,624. 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.

Changes in Notes Payables are as follows:

Type of Debt	Balance 6/30/2021	Additions	Reductions	Balance 6/30/2022	Due Within One Year
Business Type Activities:					
Armstrong Bank Series 2015	\$ 3,828,894	\$ -	\$ (555,270)	\$ 3,273,624	\$ 235,321
Armstrong Bank Series 2017	57,567	-	(57,567)	-	-
Total Business Type Activities:	\$ 3,886,461	\$ -	\$ (612,837)	\$ 3,273,624	\$ 235,321

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

Year Ended June 30	Principal	Interest	Total
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	274,432	95,505	369,937
2028-2032	1,542,152	307,534	1,849,687
There after	458,966	35,611	494,577
Totals	\$ 3,273,624	\$ 920,327	\$ 4,193,951

NOTE 4: PROPERTY AND EQUIPMENT

Property and Equipment consist of remodeling of the Adair County Courthouse, at June 30, 2022, all costs of the remodel are capitalized.

	Balance 6/30/2021	Additions	Deletions	Balance 6/30/2022
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	(689,313)	(179,692)	-	(869,005)
Other capital assets, net	<u>6,498,362</u>	<u>(179,692)</u>	<u>-</u>	<u>6,318,670</u>
Business-type activities capital assets, net	<u>\$ 6,498,362</u>	<u>\$ (179,692)</u>	<u>\$ -</u>	<u>\$ 6,318,670</u>

NOTE 5: ACCOUNTS RECEIVABLE

All receivables are recorded at their net value. No allowance for doubtful accounts is recorded since the Authority believes all fees are collectable. All receivables are from sales tax collected. This tax consists of current year sales tax not received as of June 30, 2022.

NOTE 6: SUBSEQUENT EVENTS

Subsequent events have been evaluated through December 5, 2022, which is the date the financial statements were available to be issued.

MICHAEL W. GREEN
Certified Public Accountant
827 W. Locust Street
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, 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 Adair County Courthouse Authority (the Authority), a component unit of Adair County, Oklahoma, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued my report thereon dated December 5, 2022.

Report on Internal Control over Financial Reporting

In planning and performing my audit of the financial statements, I considered the Authority's 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 my opinions 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 Authority'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 or significant deficiencies may exist that were not identified.

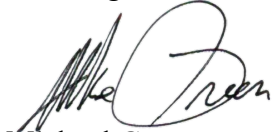
Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Authority's financial statements are free from 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 financial statements. 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 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.

Best Regards,

A handwritten signature in black ink, appearing to read "Michael Green". The signature is stylized with a large, circular flourish at the end.

Michael Green
Certified Public Accountant
Stilwell, OK

December 5, 2022