

**McCURTAIN COUNTY PUBLIC HEALTH
MANAGEMENT AUTHORITY**

Idabel, Oklahoma

(A Component Unit of McCurtain County, Oklahoma)

**Financial Statements and Report
of Independent Auditor**

**As of and For the Years Ending
June 30, 2018 and 2017**

McCURTAIN COUNTY PUBLIC HEALTH MANAGEMENT AUTHORITY
Idabel, Oklahoma

(A Component Unit of McCurtain County, Oklahoma)

June 30, 2018 and 2017

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
McCurtain County Public Health Management Authority
Idabel, Oklahoma

Report on the Financial Statements

We have audited the accompanying modified cash basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the McCurtain County Public Health Management Authority, a component unit of McCurtain County, Oklahoma, as of and for the years ended June 30, 2018 and 2017, which collectively comprise the basic financial statements as listed in the table of contents, and the related notes to the financial statements.

Management's Responsibility 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 to the financial statements; this includes 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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position-modified cash basis of the governmental activities, each major fund, and the aggregate remaining fund information of the McCurtain County Public Health Management Authority, a component unit of McCurtain County, Oklahoma, as of June 30, 2018 and 2017, and the respective changes in financial position-modified cash basis thereof for the years then ended in accordance with the modified cash basis of accounting as described in Note 1 to the financial statements.

Other Matters-Basis of Accounting

We draw attention to Note 1 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 opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 7, 2020, on our consideration of the McCurtain County Public Health Management Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the McCurtain County Public Health Management Authority's internal control over financial reporting and compliance.



Joe Bob Smith CPA, PC
Certified Public Accountant
Broken Bow, Oklahoma

January 7, 2020

McCURTAIN COUNTY PUBLIC HEALTH MANAGEMENT AUTHORITY
Idabel, Oklahoma

(A Component Unit of McCurtain County, Oklahoma)

June 30, 2018 and 2017

BASIC FINANCIAL STATEMENTS

MODIFIED CASH BASIS

**MCCURTAIN COUNTY PUBLIC HEALTH MANAGEMENT AUTHORITY
IDABEL, OKLAHOMA**

(A Component Unit of McCurtain County, Oklahoma)

**STATEMENT OF NET POSITION-MODIFIED CASH BASIS
GOVERNMENTAL ACTIVITIES**

JUNE 30, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
ASSETS:		
CURRENT ASSETS:		
CASH AND CASH EQUIVALENTS	\$ 584,976	\$ 486,141
TOTAL CURRENT ASSETS	<u>584,976</u>	<u>486,141</u>
NON-CURRENT ASSETS:		
PROPERTY AND EQUIPMENT (NET OF DEPRECIATION)	<u>690,719</u>	<u>706,427</u>
OTHER ASSETS	0	0
TOTAL ASSETS	<u>\$ 1,275,695</u>	<u>\$ 1,192,568</u>
LIABILITIES:		
LIABILITIES:		
CURRENT LIABILITIES		
CURRENT PART OF LONG TERM DEBT	<u>78,464</u>	<u>86,497</u>
TOTAL CURRENT LIABILITIES	<u>78,464</u>	<u>86,497</u>
NONCURRENT LIABILITIES		
LONG TERM DEBT	96,022	164,396
OTHER LIABILITIES	<u>\$ 0</u>	<u>\$ 0</u>
TOTAL NONCURRENT LIABILITIES	<u>96,022</u>	<u>164,396</u>
TOTAL LIABILITIES	<u>174,486</u>	<u>250,893</u>
NET POSITION:		
NET INVESTMENT IN CAPITAL ASSETS	456,445	465,534
UNRESTRICTED	<u>644,764</u>	<u>476,141</u>
TOTAL NET POSITION	<u>\$ 1,101,209</u>	<u>\$ 941,675</u>

SEE THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS.

**MCCURTAIN COUNTY PUBLIC HEALTH MANAGEMENT AUTHORITY
IDABEL, OKLAHOMA**

(A Component Unit of McCurtain County, Oklahoma)

**STATEMENT OF ACTIVITIES-MODIFIED CASH BASIS
GOVERNMENTAL ACTIVITIES**

FOR THE YEARS ENDED
June 30, 2018 and 2017

	2018	2017
FUNCTIONS/PROGRAMS:		
PUBLIC SAFETY:		
PERSONAL SERVICES	1,138,331	1,004,978
MAINTENANCE AND OPERATIONS	668,866	718,184
TRAVEL	108	749
DEPRECIATION EXPENSE-UNALLOCATED	77,536	88,939
TOTAL EXPENDITURES	1,884,841	1,812,850
GENERAL REVENUES:		
SALES TAX	1,917,115	1,780,933
OTHER REVENUE	120,754	135,218
INTEREST INCOME	3,668	3,376
TOTAL GENERAL REVENUES	2,041,537	1,919,527
REVENUES OVER (UNDER) EXPENSES	156,696	106,677
OTHER FINANCING SOURCES (USES):		
SALES AND EXCHANGES OF ASSETS	2,838	1,600
OTHER FINANCING SOURCES (USES)	2,838	1,600
INCREASE (DECREASE) IN NET POSITION	159,534	108,277
NET POSITION:		
BEGINNING OF YEAR	941,675	833,398
END OF YEAR	\$ 1,101,209	\$ 941,675

SEE THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS.

MCCURTAIN COUNTY PUBLIC HEALTH MANAGEMENT AUTHORITY
IDABEL, OKLAHOMA

(A Component Unit of McCurtain County, Oklahoma)

BALANCE SHEET-MODIFIED CASH BASIS
GOVERNMENTAL FUNDS

MAJOR GENERAL FUND

JUNE 30, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
ASSETS:		
ASSETS:		
CASH AND CASH EQUIVALENTS	\$ 584,976	\$ 486,141
TOTAL ASSETS	<u>\$ 584,976</u>	<u>\$ 486,141</u>
LIABILITIES AND FUND BALANCES:		
LIABILITIES:		
OTHER LIABILITIES	0	0
TOTAL LIABILITIES	<u>0</u>	<u>0</u>
FUND BALANCE:		
UNASSIGNED	<u>584,976</u>	<u>486,141</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 584,976</u>	<u>\$ 486,141</u>

SEE THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS.

MCCURTAIN CO. PUBLIC HEALTH MANAGEMENT AUTHORITY
IDABEL, OK

(A Component Unit of McCurtain County, Oklahoma)

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO
STATEMENT OF NET POSITION
MODIFIED CASH BASIS

JUNE 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
TOTAL FUND BALANCE - TOTAL GOVERNMENTAL FUNDS	\$ 584,976	486,141
AMOUNTS REPORTED FOR GOVERNMENTAL ACTIVITIES IN THE STATEMENT OF ACTIVITIES ARE DIFFERENT BECAUSE:		
CAPITAL ASSETS USED IN GOVERNMENTAL ACTIVITIES ARE NOT FINANCIAL RESOURCES AND THEREFORE ARE NOT REPORTED IN THE GOVERNMENTAL FUNDS BALANCE SHEET.		
	690,719	706,427
LONG TERM DEBT (NOT DUE & PAYABLE IN CURRENT PERIOD)	(174,486)	(250,893)
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 1,101,209</u>	<u>941,675</u>

SEE THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS.

**MCCURTAIN COUNTY PUBLIC HEALTH MANAGEMENT AUTHORITY
IDABEL, OKLAHOMA**

(A Component Unit of McCurtain County, Oklahoma)

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
MAJOR GENERAL FUND**

**FOR THE YEARS ENDED
June 30, 2018 and 2017**

	2018	2017
REVENUES:		
SALES TAX REVENUE	\$ 1,917,115	\$ 1,780,933
FEES & OTHER REVENUE	120,754	135,218
INTEREST INCOME	3,668	3,376
TOTAL REVENUES	2,041,537	1,919,527
EXPENDITURES:		
PERSONAL SERVICES	1,138,331	1,004,978
MAINTENANCE AND OPERATIONS	668,866	718,184
TRAVEL	108	749
CAPITAL OUTLAY	61,828	14,691
DEBT SERVICE PRINCIPAL	76,407	74,370
TOTAL EXPENDITURES	1,945,540	1,812,972
REVENUES OVER (UNDER) EXPENDITURES	95,997	106,555
OTHER FINANCING SOURCES (USES):		
SALE AND EXCHANGES OF ASSETS	2,838	1,600
OTHER FINANCING SOURCES (USES)	2,838	1,600
NET CHANGE IN FUND BALANCES	98,835	108,155
FUND BALANCE:		
BEGINNING OF YEAR	486,141	377,986
END OF YEAR	\$ 584,976	\$ 486,141

SEE THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

MCCURTAIN COUNTY PUBLIC HEALTH MANAGEMENT AUTHORITY
IDABEL, OKLAHOMA

(A Component Unit of McCurtain County, Oklahoma)

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
MODIFIED CASH BASIS

FOR THE YEARS ENDED
JUNE 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ 98,834	108,155
AMOUNTS REPORTED FOR GOVERNMENTAL ACTIVITIES IN THE STATEMENT OF ACTIVITIES ARE DIFFERENT BECAUSE:		
GOVERNMENTAL FUNDS REPORT CAPITAL OUTLAY AS EXPENDITURES. HOWEVER, IN THE STATEMENT OF ACTIVITIES, THE COST OF THOSE ASSETS IS ALLOCATED OVER THEIR ESTIMATED USEFUL LIVES AS DEPRECIATION EXPENSE. THIS IS THE AMOUNT OF CAPITAL ASSETS RECORDED IN THE CURRENT PERIOD.	61,828	14,691
DEPRECIATION EXPENSE ON CAPITAL ASSETS IS REPORTED IN THE STATEMENT OF ACTIVITIES, BUT THEY DO NOT REQUIRE THE USE OF CURRENT FINANCIAL RESOURCES. THEREFORE, DEPRECIATION EXPENSE IS NOT REPORTED AS AN EXPENDITURE IN THE GOVERNMENTAL FUNDS.	(77,536)	(88,939)
DEBT PROCEEDS	0	0
DEBT PRINCIPAL PAYMENTS	76,407	74,370
ROUNDING	1	0
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$ <u>159,534</u>	<u>108,277</u>

SEE THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS.

McCurtain County Public Health Management Authority
Idabel, Oklahoma
(A Component Unit of McCurtain County, Oklahoma)

NOTES TO THE FINANCIAL STATEMENTS
(MODIFIED CASH BASIS)

JUNE 30, 2018 and 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the McCurtain County Public Health Management Authority, Idabel, Oklahoma (the "Authority") have been prepared as indicated in the following paragraph. The more significant accounting policies of the Authority are described below.

As discussed further in the **Basis of Accounting** note on page 2 below, these financial statements are presented in accordance with a modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) established by the Governmental Accounting Standards Board (GASB). These modified cash basis financial statements generally meet the presentation and disclosure requirements applicable to GAAP, in substance, but are limited to the elements presented in the financial statements and the constraints of the measurement and recognition criteria of the modified cash basis of accounting.

Reporting Entity

The McCurtain County Public Health Management Authority, (the "Authority"), a component unit of McCurtain County, Oklahoma, is a public trust created pursuant to Title 60 of Oklahoma Statutes for the purpose of, among other things, acquiring, constructing and maintaining property and facilities for use as collection centers, maintenance centers, administration facilities, green box sites, transfer stations, recycling centers, or other facilities concerned with the management and proper disposal of solid waste in McCurtain County.

The Authority is governed by a Board of Trustees ("Board") comprised of three individuals appointed by the McCurtain County Commissioners. The County Clerk serves as Secretary of the Authority and the County Treasurer serves as Treasurer of the Authority.

The Board of Trustees annually appoints the Chairperson of the Board from existing board members. The Chair responsibilities are to preside at all meetings of the Board; be the chief officer of the Authority, perform all duties commonly incident to the position of presiding officer of a board, commission or business organization and exercise supervision over the business of the Authority, its officers, and employees.

The Board of Trustees appoints a Director. The position of the Director is a non-voting position on the Board, and the Director receives annual compensation for his duties. The compensation package of the Director is passed by resolution of the Board. The Director's main responsibility is acting as chief executive officer of the Authority as prescribed by the Board of Trustees.

Operation of the Authority is primarily through a permanent ½ cent sales tax dedicated to providing a solid waste facility. The Authority is a component unit of McCurtain County, which is the Authority beneficiary and exercises oversight authority over activities of the Authority.

Measurement Focus, Basis of Accounting and Basis of Presentation —

Fund Accounting - The Authority's basic financial statements consist of government-wide statements, including a Statement of Net Assets and a Statement of Activities, and fund financial statements, which provide a more detailed level of financial information.

Measurement of focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

McCurtain County Public Health Management Authority
Idabel, Oklahoma
(A Component Unit of McCurtain County, Oklahoma)

NOTES TO THE FINANCIAL STATEMENTS
(MODIFIED CASH BASIS)

JUNE 30, 2018 and 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-Wide Statements — On the government-wide Statement of Net Position and the Statement of Activities report, information about the Authority as a whole is reported. These statements include the financial activities of the primary government except fiduciary funds. The governmental activities are presented using the **economic resources measurement focus**. The accounting objectives of this measurement focus are the

determination of operating income, changes in net assets and financial position. All assets or liabilities (whether current or non-current) associated with their activities are reported. The Statement of Net Position presents the financial condition of the Authority activities at year-end. The Statement of Activities presents the degree to which the expenses of a given program are offset by program revenues.

Basis of Accounting — The financial statements are presented in accordance with a modified cash basis of accounting, which is a basis of accounting other than GAAP as established by GASB. This basis of accounting involves modifications to the cash basis of accounting to report in the statements of net position or balance sheets cash transactions or events that provide a benefit or result in an obligation that covers a period greater than the period in which the cash transaction or event occurred. Such reported balances include investments, inter-fund receivables and payables, capital assets and related depreciation, and short-term and long-term liabilities arising from cash transactions or events.

This modified cash basis of accounting differs from GAAP primarily because certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected and other accrued revenue and receivables) and certain liabilities and their related expenses or expenditures (such as accounts payable and expenses for goods or services received but not yet paid and other accrued expenses and liabilities) are not recorded in these financial statements. In addition, other economic assets, deferred outflows of resources, liabilities, and deferred inflows of resources that do not arise from a cash transaction or event are not reported, and the measurement of reported assets and liabilities does not involve adjustment to fair value.

If the Authority utilized accounting principles generally accepted in the United States of America, the fund financial statements for governmental funds would use the modified accrual basis of accounting, and the fund financial statements for proprietary fund types would use the accrual basis of accounting. All government-wide financial statements would be presented in accordance with the accrual basis of accounting.

McCurtain County Public Health Management Authority
Idabel, Oklahoma
(A Component Unit of McCurtain County, Oklahoma)

NOTES TO THE FINANCIAL STATEMENTS
(MODIFIED CASH BASIS)

JUNE 30, 2018 and 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Financial Statements — In the fund financial statements, all governmental funds are accounted for using a **current resources measurement focus**. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds' present increases (e.g., revenues and other financing sources) and decreases (e.g. expenditures and other financing uses) in net current assets. Fund financial statements are designed to present financial information of a government at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by type. The Authority only has one fund, which is the general fund. The Authority does not have any separate funds. The Authority does not have any non-major funds.

Fiduciary type funds are accounted for using the **cash basis of accounting**. These practices differ from generally accepted accounting principles.

Fund Accounting — The accounts of the Authority are organized and operated on the basis of funds. A fund is an independent fiscal accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements. The Authority has two categories of funds: governmental and fiduciary.

Governmental Funds — Governmental Funds are used to account for the Authority's general activities including the collection and disbursement of earmarked monies (special revenue funds), the acquisition or construction of general fixed assets (capital projects funds), and the servicing of general long-term debt (debt service funds).

The following is the Authority's major governmental fund:

General Fund — The General Fund is the general operating fund of the Authority. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. This is a budgeted fund, and any fund balances are considered as resources available for use. Major revenue source includes the funds collected from the sales tax revenue. Expenditures include all cost associated with the daily operations of the Authority except for any debt service on bonds and other long-term debt. The Authority's general fund budget is legally adopted within the budget for McCurtain County (the primary government).

The Authority does not have any other major or non-major governmental funds.

McCurtain County Public Health Management Authority
Idabel, Oklahoma
(A Component Unit of McCurtain County, Oklahoma)

NOTES TO THE FINANCIAL STATEMENTS
(MODIFIED CASH BASIS)

JUNE 30, 2018 and 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fiduciary Funds — Fiduciary funds account for assets held by the Authority in a trustee capacity or as an agent on behalf of others.

Agency Fund — The Agency Fund (a fiduciary fund) is custodial in nature and does not present results of operations or have a measurement focus. Agency funds are accounted for using the cash basis of accounting. This fund is used to account for collection of inmate trust money to be disbursed to the sheriff commissary or inmate upon release. This is an unbudgeted fund. The administration is responsible, under the authority of the Board, for collecting, disbursing, and accounting for these activity funds.

Assets, Liabilities, Fund Balance, Revenues, and Expenditures

Cash and 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. Authority account investments in open-ended mutual fund shares are also considered cash equivalents.

Deposits and Investments — State statutes govern the Authority's investment policy. Permissible investments include direct obligations of the United States Government and Agencies; certificates of deposits 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. The McCurtain County Public Health Management Authority does not have any investments as of June 30, 2018 or 2017. The Authority's cash deposits are maintained by the County Treasurer's Office of McCurtain County, Oklahoma.

Fair Value of Financial Instruments — The Authority's financial instruments include cash and investments. The Authority's estimates of the fair value of all financial instruments does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying balance sheet. The carrying amount of these financial instruments approximates fair value because of the short maturity of these instruments.

Estimates — The preparation of financial statements in conformity with the modified cash basis of accounting requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Inter-Fund Transactions — Inter-fund transactions are accounted for as revenues, expenditures, or expenses. Transactions that constitute reimbursements to a fund or expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the fund that is reimbursed. Non-recurring or non-routine permanent transfers of equity are reported as residual equity transfers.

McCurtain County Public Health Management Authority
Idabel, Oklahoma
(A Component Unit of McCurtain County, Oklahoma)

NOTES TO THE FINANCIAL STATEMENTS
(MODIFIED CASH BASIS)

JUNE 30, 2018 and 2017

Capital Assets — As the Authority acquires equipment, the related costs are charged as capital expenditures of the respective fund at the time of purchase. In the government-wide financial statements, the Authority's property, plant, and equipment is stated at historical cost. Assets with a life of more than one year and a cost of \$1,000 or more are capitalized and depreciated over the asset's estimated useful life. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Depreciation has been calculated using the straight-line method over five to forty years depending on the estimated useful life.

Additions are recorded at cost, or if contributed property, at their estimated fair value at the time of contribution. Repairs and maintenance are recorded as expenses; renewals and betterments are capitalized. The sale or disposition of fixed assets is recorded by removing cost and accumulated depreciation from the accounts and charging the resulting gain or loss to income.

Compensated Absences — The cost of compensated absences and fringe benefits are recognized when the payments are made to employees. A liability for accrued compensated absences has not been recognized in the financial statements.

Operating Leases — The Authority has no operating leases.

Long-Term Obligations — In the government-wide financial statements, long-term debt and long-term lease obligations are reported as liabilities in the applicable statements of net assets. Long-term obligations are reported in Note 6 to the financial statements.

Net Position — Reservations of fund balance represent amounts legally restricted for a specific purpose. The purpose for each reservation is indicated by the account title on the face of the financial statements. The Authority has no legally restricted net assets.

Sales Tax — The voters of McCurtain County approved sales taxes of one-half percent (1/2%) that was designated to "staff and maintain" the McCurtain County Public Health Management Authority.

Net Position

Net position represents the difference between assets and liabilities in the statement of net position. Net assets invested in capital assets are reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are legal limitations on its use by legislation or external restrictions by creditors, grantors, laws, or regulations of other governments.

Net Position is classified and displayed in three components:

1. Net investment in capital assets. 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 and adjusted for any deferred inflows and outflows of resources attributable to capital assets and related debt.

McCurtain County Public Health Management Authority
Idabel, Oklahoma
(A Component Unit of McCurtain County, Oklahoma)

NOTES TO THE FINANCIAL STATEMENTS
(MODIFIED CASH BASIS)

JUNE 30, 2018 and 2017

2. Restricted. Consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets, with restriction constraints placed on the use either by external groups, such as creditors, grantors, contributors, or laws and regulations of other governments, or law through constitutional provisions or enabling legislation.

3. Unrestricted. Net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position. It is the District's policy to first use restricted net resources prior to the use of unrestricted net resources when an expense is incurred for purposes for which both restricted and unrestricted net resources are available.

Fund Financial Statements

Governmental Funds

The difference among assets, deferred outflows, liabilities, and deferred inflows of governmental funds is reported as fund balance and classified as non-spendable, restricted, committed, assigned, and unassigned based on the respective level of constraint. These constraints are defined as follows:

Non-spendable. Amounts that cannot be spent because they either are not in spendable form or are legally or contractually required to be maintained intact.

Restricted. Amounts constrained regarding use from restrictions externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or by restrictions imposed by law through constitutional provisions or enabling legislation.

Committed. Amounts constrained regarding use for specific purposes pursuant to requirements imposed by formal action of the Authority's highest level of decision-making authority.

Assigned. Amounts constrained by the Authority's intent to be used for specific purposes but that are neither restricted nor committed.

Unassigned. The residual classification of the General Fund for spendable amounts that have not been restricted, committed, or assigned to specific purposes.

It is the Authority's policy to first use restricted fund balances prior to the use of unrestricted fund balances when an expenditure is incurred for purposes for which both restricted and unrestricted fund balances are available. It is also the Authority's policy to use committed fund balances before assigned fund balances and assigned fund balances before unassigned amounts when an expenditure is incurred for purposes for which amounts in those classifications are available to be used.

The Authority has no formal minimum fund balance policies or any formal stabilization arrangements in place.

McCurtain County Public Health Management Authority
Idabel, Oklahoma
(A Component Unit of McCurtain County, Oklahoma)

NOTES TO THE FINANCIAL STATEMENTS
(MODIFIED CASH BASIS)

JUNE 30, 2018 and 2017

NOTE 2: OTHER INFORMATION

Deposits and Investments — The Authority's cash deposits are maintained in the County Treasurer's Office of McCurtain County, Oklahoma.

Risk Management — The McCurtain County Public Health Management Authority, Idabel, Oklahoma, as a component unit of McCurtain County, Oklahoma, is exposed to various risks of loss to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; or acts of God. The County purchases commercial insurance to cover these risks, including general and auto liability, property damage, and public official's liability. Settled claims resulting from these risks have not exceeded the commercial insurance coverage in any of the past three fiscal years.

Contingent Liabilities — Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the state or federal government. Any disallowed claims, including amounts already collected may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the Trust expects such amounts, if any, to be immaterial.

Employee Retirement System and Plan — Description of Plan — The County (the primary government) contributes to the Oklahoma Public Employees Retirement Plan (the Plan), a cost-sharing multiple-employer defined benefit pension plan administered by the Oklahoma Public Employees Retirement System (OPERS). Benefit provisions are established and amended by the Oklahoma Legislature. The Plan provides retirement, disability, and death benefits to Plan members and beneficiaries. Title 74, Section 901 through 943, as amended, established the provisions of the Plan. OPERS issued a publicly available financial report that includes financial statements and supplementary information. That report may be obtained by writing OPERS, P. O. Box 53007, Oklahoma City, Oklahoma 73105 or by calling 1-800-733-9008.

**McCurtain County Public Health Management Authority
Idabel, Oklahoma
(A Component Unit of McCurtain County, Oklahoma)**

**NOTES TO THE FINANCIAL STATEMENTS
(MODIFIED CASH BASIS)**

JUNE 30, 2018 and 2017

NOTE 3. CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the year ended June 30, 2017 was as follows:

<u>Governmental Activities</u>	Beginning Balance	Increases	Decreases	Ending Balance	Estimated Lives
Land	\$ 68,844	0	0	68,844	
Buildings	506,091	0	0	506,091	40-50
Equipment	1,489,393	14,691	0	1,504,084	10-40
Green Box Equipment & Sites	415,917	0	0	415,917	5-40
Total	2,480,245	14,691	0	2,494,936	
Less: Accumulated Depreciation	(1,699,570)	(88,939)	0	(1,788,509)	
Net Assets	\$ 780,675	(74,248)	0	706,427	

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

<u>Governmental Activities</u>	Beginning Balance	Increases	Decreases	Ending Balance	Estimated Lives
Land	\$ 68,844	0	0	68,844	
Buildings	506,091	0	0	506,091	40-50
Equipment	1,504,084	61,829	(48,000)	1,517,913	10-40
Green Box Equipment & Sites	415,917	0	0	415,917	5-40
Total	2,494,936	61,829	(48,000)	2,508,765	
Less: Accumulated Depreciation	(1,788,509)	(77,536)	48,000	(1,818,045)	
Net Assets	\$ 706,427	(15,707)	0	690,720	

NOTE 4: BUDGETARY INFORMATION

The budget for the McCurtain County Public Health Management Authority, Idabel, Oklahoma, a component unit of McCurtain County, Oklahoma, was legally adopted within the budget for McCurtain County, Oklahoma, (the primary government); therefore, a budgetary comparison schedule is not presented.

**McCurtain County Public Health Management Authority
Idabel, Oklahoma
(A Component Unit of McCurtain County, Oklahoma)**

**NOTES TO THE FINANCIAL STATEMENTS
(MODIFIED CASH BASIS)**

JUNE 30, 2018 and 2017

NOTE 5. SUBSEQUENT EVENTS, CONTINGENCIES, AND CONCENTRATIONS

Subsequent events have been evaluated through January 7, 2020 which is the date the financial statements were available to be issued and were released. Events occurring after that date have not been evaluated to determine whether a change in the financial statements would be required.

The primary source of Authority revenues is sales taxes approved by the residents of McCurtain County as disclosed in Note 1 above.

The Authority is subject to various legal proceedings that normally occur in the course of governmental operations. The financial statements do not include provisions for any loss contingencies.

NOTE 6. Long Term Liabilities

	6/30/2017			6/30/2018	
	BALANCE	ADDITIONS	PAYMENTS	BALANCE	CURRENT
WELCH BANK	\$137,403	0	43,240	94,163	44,515
BANK LOAN	<u>113,490</u>	<u>0</u>	<u>33,167</u>	<u>80,323</u>	<u>33,949</u>
TOTALS	<u>\$250,893</u>	<u>0</u>	<u>76,407</u>	<u>174,486</u>	<u>78,464</u>

INTEREST EXPENSE:

YEAR ENDED JUNE 30, 2018	\$9,025
YEAR ENDED JUNE 30, 2017	\$9,911

**McCurtain County Public Health Management Authority
Idabel, Oklahoma
(A Component Unit of McCurtain County, Oklahoma)**

**NOTES TO THE FINANCIAL STATEMENTS
(MODIFIED CASH BASIS)**

JUNE 30, 2018 and 2017

NOTE 6. Long Term Liabilities (Continued)

Welch Bank Lease: Rate 2.87%, Loan Date 7/15/2015, 60 Monthly payments of \$3,886.
Secured by Equipment, Original Amount of \$216,893

Bear State Bank Loan: Rate 2.5%, Loan Date 10/14/2015, 60 Monthly payments of \$2,964.
Secured by Equipment, Original Amount of \$166,872

Debt Maturity-

LEASE:	PRINCIPAL	INTEREST	TOTAL
2019	\$44,515	2,118	46,633
2020	45,809	824	46,633
2021	3,839	9	3,848
2022	<u>0</u>	<u>0</u>	<u>0</u>
<u>TOTALS</u>	<u>\$94,163</u>	<u>2,951</u>	<u>97,114</u>

BANK LOAN:	PRINCIPAL	INTEREST	TOTAL
2019	\$33,949	1,622	35,571
2020	34,808	764	35,572
2021	11,566	60	11,626
2022	<u>0</u>	<u>0</u>	<u>0</u>
<u>TOTALS</u>	<u>\$80,323</u>	<u>2,446</u>	<u>82,769</u>

**McCURTAIN COUNTY PUBLIC HEALTH MANAGEMENT AUTHORITY
Idabel, Oklahoma**

(A Component Unit of McCurtain County, Oklahoma)

June 30, 2018 and 2017

INTERNAL CONTROL AND COMPLIANCE

JOE BOB SMITH CPA, PC
CERTIFIED PUBLIC ACCOUNTANT
P.O. BOX 70 HWY 259 NORTH
BROKEN BOW, OKLAHOMA 74728
580-584-6840 FAX: 580-584-7762

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Trustees
McCurtain County Public Health Management Authority
Idabel, Oklahoma

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the McCurtain County Public Health Management Authority, a component unit of McCurtain County, Oklahoma, as of and for the years ended June 30, 2018 and 2017, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated January 7, 2020. In our report, our opinion was modified because the financial statements were prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Except as discussed in the preceding sentence, we conducted our audits 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.

Internal Control over Financial Reporting

In planning and performing our audits, we considered the Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our 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, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

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 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies in internal control over financial reporting (2018/2017-01 and 2018/2017-02). 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.

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS
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WITH *GOVERNMENT AUDITING STANDARDS***

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The Authority's response to the findings identified in my audit is described in the accompanying schedule of findings and responses. We did not audit the Authority's responses and, accordingly, we express no opinion on them.

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 result 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.



Joe Bob Smith CPA, PC
Certified Public Accountants

Broken Bow, Oklahoma
January 7, 2020

McCURTAIN COUNTY PUBLIC HEALTH MANAGEMENT AUTHORITY
IDABEL, OKLAHOMA
(A Component Unit of McCurtain County, Oklahoma)

SCHEDULE OF FINDINGS AND RESPONSES

FOR THE YEARS ENDED
JUNE 30, 2018 and 2017

2018/2017-1 (Repeat Finding)

CONDITION:

Absence of appropriate segregation of duties consistent with appropriate control objectives for the Authority.

CRITERIA:

Internal Control Integrated Framework (COSO), AU Sections 319 and 325.

Segregation of duties over asset custody, transaction authorization, accounting, and reconciliation is part of effective internal control.

CAUSE:

Inherent limitations of a small organization due to limited number of employees.

EFFECT:

This condition could result in unrecorded transactions, undetected errors, or misstated financial reports.

RECOMMENDATIONS:

Management should segregate duties as much as possible with staff available and check cash receipts and other transactions closely on a frequent basis.

RESPONSE:

Management of the Authority will review monthly financial reports and other documents and comply with the other recommendations listed above.

2018/2017-2 (Repeat Finding)

CONDITION:

As is the case with many smaller entities, the Authority has historically relied on its independent external auditors to provide the needed expertise to assist in the preparation of the financial statements and footnotes.

CRITERIA:

The Authority's management is responsible for internal controls over financial reporting. This includes controls over the fair and complete presentation of the Authority's annual financial statements in accordance with the modified cash basis (a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America). The preparation of financial statements in accordance with the modified cash basis requires internal controls over both (1) recording, processing, and summarizing accounting data (i.e., maintaining internal books and records), and (2) reporting fund financial statements, including the related footnotes (i.e., external financial reporting). Professional audit standards clearly indicate that the external financial statement auditor cannot perform any part of management's control activities.

See independent auditor's report on internal control over financial reporting and on compliance and other matters in accordance with *Government Auditing Standards*

McCURTAIN COUNTY PUBLIC HEALTH MANAGEMENT AUTHORITY
IDABEL, OKLAHOMA
(A Component Unit of McCurtain County, Oklahoma)

SCHEDULE OF FINDINGS AND RESPONSES

FOR THE YEARS ENDED
JUNE 30, 2018 and 2017

CAUSE:

Lack of financial reporting system to produce required financial reports.

EFFECT:

As a result of this condition, without reliance on its external auditors, the Authority lacks the necessary internal controls over the preparation of financial statements in accordance with the modified cash basis of accounting.

RECOMMENDATIONS:

The Authority should consider designing and implementing sufficient internal controls over financial reporting by obtaining the necessary knowledge, expertise, and continuing education to prepare financial statements in accordance with generally accepted accounting principles without reliance on the external financial statement auditor. This could be achieved through continuing education of qualified accounting staff or the outsourcing of these control activities to a qualified individual other than the external auditor.

RESPONSE:

Management's position is that it is not cost effective to remedy this situation at this time.



Joe Bob Smith CPA, PC
Certified Public Accountant

January 7, 2020
Broken Bow, Oklahoma

See independent auditor's report on internal control over financial reporting and on compliance and other matters in accordance with *Government Auditing Standards*