

**MCINTOSH COUNTY PUBLIC FACILITIES AUTHORITY  
A COMPONENT UNIT OF THE COUNTY OF MCINTOSH  
EUFAULA, OKLAHOMA  
FINANCIAL STATEMENTS  
AND INDEPENDENT AUDITOR'S REPORT  
FOR THE YEAR ENDED JUNE 30, 2013**

**Audited By:  
KERRY JOHN PATTEN, C.P.A.**

MCINTOSH COUNTY PUBLIC FACILITIES AUTHORITY  
EUFAULA, OKLAHOMA  
TRUSTEES  
JUNE 30, 2013

Chairman	Michael Burns
Member	Ernie Moore
Secretary/Treasurer	Ronda Prince
Member	Winford Chiles
Member	Allen Mayhar
Member	Kevin Ledbetter

**MCINTOSH COUNTY PUBLIC FACILITIES AUTHORITY  
EUFAULA, OKLAHOMA  
JUNE 30, 2013**

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## INDEPENDENT AUDITOR'S REPORT

The Board of Trustees  
McIntosh County Public Facilities Authority  
Eufaula, Oklahoma

### **Report on the Financial Statements**

I have audited the accompanying financial statements of the business-type activities of McIntosh County Public Facilities Authority, a component unit of the county of McIntosh, as of and for the year ended June 30, 2013, which collectively comprise the basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### **Opinion**

In my opinion, the financial statements, present fairly, in all material respects, the financial position of the business-type activities of the McIntosh County Public Facilities Authority as of June 30, 2013, and the results of its' operations and its' cash flows for the year ended in conformity with accounting principles generally accepted in the United States of America.

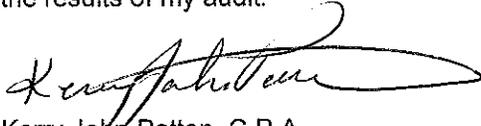
**Other Matters**

## Required Supplementary Information

McIntosh County Public Facilities Authority has not presented a Management Discussion and Analysis with the financial statements that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be a part of, the basic financial statements.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, I have also issued my report dated xxxx, on my consideration of McIntosh County Public Facilities Authority's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.



Kerry John Patten, C.P.A.  
Broken Arrow, OK  
Date

## **BASIC FINANCIAL STATEMENTS**

**MCINTOSH COUNTY PUBLIC FACILITIES AUTHORITY**  
**A Component Unit of the County of McIntosh, Oklahoma**  
**STATEMENT NET POSITION**  
**JUNE 30, 2013**

	<u>Enterprise Fund</u>
<b><u>ASSETS</u></b>	
Current Assets	
Unrestricted cash	\$ 394,127
Restricted cash	1,174,686
Sales tax receivable	233,374
Use tax receivable	5,680
Total Current Assets	<u>1,807,867</u>
Noncurrent Assets	
Land	82,423
Capital Assets, Net of depreciation	7,369,674
Total Noncurrent Assets	<u>7,452,097</u>
 Total Assets	 <u>9,259,964</u>
<b><u>LIABILITIES</u></b>	
Current Liabilities	
Accounts payable	29,963
Interest payable	10,437
Current portion of Long Term Liabilities	
Capital lease payable	99,691
Revenue bonds payable	292,551
Total Current Liabilities	<u>432,642</u>
Noncurrent Liabilities	
Revenue bonds payable	6,105,119
Total Noncurrent Liabilities	<u>6,105,119</u>
 Total Liabilities	 <u>6,537,761</u>
<b><u>NET POSITION</u></b>	
Invested in capital assets, net of related debt	954,736
Restricted	1,174,686
Unrestricted	592,780
 Total Net Position	 <u>\$ 2,722,202</u>

The notes to the financial statements are an integral part of this statement.

**MCINTOSH COUNTY PUBLIC FACILITIES AUTHORITY**  
**A Component Unit of the County of McIntosh, Oklahoma**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND NET POSITION**  
**FOR YEAR ENDING JUNE 30, 2013**

**Operating Revenues**

Sales Tax	\$ 1,698,075
Use Tax	<u>78,022</u>
Total Operating Revenues	<u>1,776,097</u>

**Operating Expenses**

Personel	684,558
Maintenance and Operation	100,327
Financial Administration	3,500
Depreciation Expense	<u>188,966</u>
Total Operating Expenditures	<u>977,351</u>
Income (Loss) from operations	798,746

**Non-Operating Revenue (Expenses)**

Investment Interest	1,251
Interest Expense	<u>(347,264)</u>
Total Non-Operating Revenue (Expense)	<u>(346,013)</u>

Change in Net Position	452,733
Net Position-Beginning of Year	<u>2,269,469</u>
Net Position-End of Year	<u>\$ 2,722,202</u>

The notes to the financial statements are an integral part of this statement.

**MCINTOSH COUNTY PUBLIC FACILITIES AUTHORITY**  
**A Component Unit of the County of McIntosh, Oklahoma**  
**STATEMENT OF CASH FLOWS**  
**FOR YEAR ENDING JUNE 30, 2013**

**Cash Flows from Operating Activities**

Cash received for sales tax	\$ 1,702,350
Cash received for use tax	76,352
Cash payments for operating expenses	(756,987)
Cash payments for admin fees	<u>(3,500)</u>
Net cash provided by (used for) operating activities	<u>1,018,215</u>

**Cash Flows from Financing Activities**

Principal paid on debt	(374,200)
Interest paid	<u>(349,722)</u>
Net cash provided by (used for) investing activities	<u>(723,922)</u>

**Cash Flows from Investing Activities**

Interest Received	<u>1,251</u>
Net cash provided by (used for) investing activities	<u>1,251</u>

Net Increase (Decrease) in Cash and Cash Equivalents	295,544
Cash, Beginning of Year	<u>1,273,269</u>
Cash, June 30, 2013	<u><u>\$ 1,568,813</u></u>

Reconciliation of Operating Income (Loss) to Net Cash Used by Operating Activities	
Operating income (loss)	987,712
Adjustments to reconcile operating income (loss) to net cash used by operating activities:	
Decrease in Accounts Receivable	4,959
Increase in Accounts Payable	<u>25,544</u>
Net cash provided by operating activities	<u><u>\$ 1,018,215</u></u>

The notes to the financial statements are an integral part of this statement.

**NOTES TO THE FINANCIAL STATEMENTS**

**MCINTOSH COUNTY PUBLIC FACILITIES AUTHORITY  
EUFAULA, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
FOR YEAR ENDED JUNE 30, 2013**

**1. Organization**

**A. Creation of Trust**

The McIntosh County Public Facilities Authority was created under the statutory provision of 60 O.S. 2001, Sections 176-180.4, inclusive, as amended, pursuant to the provisions of a declaration of trust dated as of October 30, 1968, as amended, and the Oklahoma Trust Act for the use and benefit of McIntosh County, Oklahoma. The purpose of the Authority is to assist McIntosh County, Governmental Agencies and private entities in making the most efficient use of all their economic resources and powers to stimulate economic growth and development.

The trustees of the Authority consist of five (5) persons, which shall include the current chairman of the McIntosh Board of County Commissioners; the current sheriff of McIntosh County, Oklahoma, or his/her designee; and three (3) residents of McIntosh County, Oklahoma, none of which shall be elected officials, and one of which shall be nominated to serve by the current McIntosh County Commissioners.

The County Clerk of McIntosh County serves as Secretary-Treasurer of the Authority.

The Authority has adopted the period July 1 through June 30, as its fiscal year.

**2. Summary of Significant Accounting Policies**

**A. Component Unit**

The Authority is a component unit of McIntosh County, Oklahoma. A component unit includes a legal entity that is a separate governmental organization but has the same board of trustees as the primary government

**B. Basis of Presentation**

The accounts of the Authority are organized on the basis of funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, revenues, and expenses.

**Proprietary Funds**

Proprietary funds are made up of either Enterprise or Internal Service funds. The Authority operates the Enterprise fund.

Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses) of providing goods or services to the general public on a continuing basis are financed or recovered primarily through uses charges.

**C. Basis of Accounting**

The financial statements of the Authority are prepared in accordance with generally accepted accounting principles ("GAAP") as applied to government units. The Governmental Accounting Standards Board ("GASB") is the standard-setting body for governmental accounting and financial reporting. Pronouncements of the Financial Accounting Standards Board ("FASB") issued after November 30, 1989, are not applied in the preparation of the financial statements of proprietary funds in accordance with an election made by the Authority under GASB Statement No. 20.

**MCINTOSH COUNTY PUBLIC FACILITIES AUTHORITY  
EUFAULA, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
FOR YEAR ENDED JUNE 30, 2013**

The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards, which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units.

**D. Measurement Focus**

The financial statements of the Authority have been prepared on the accrual basis of accounting using the economic resources measurement focus. Revenues, expenses, gains, losses, assets and liabilities from exchange and exchange-like transactions are recognized when the exchange transaction takes place. The Authority first applies restricted net assets when an expense or outlay is incurred for purposes for which both restricted and unrestricted net assets are available.

**E. Cash**

For purposes of reporting cash flows, the Authority considers all highly liquid debt instruments with an original maturity of three months or less when purchased. The only cash at June 30, 2013, was being held by the trustee or fiscal agent.

**F. Capital Assets**

All cost associated with the jail construction project has been capitalized at cost. The cost includes construction, legal, architectural, and interest. Fixed Assets are not being depreciated as required by accounting principles generally accepted in the United States of America.

**G. Income Taxes**

With regards to federal income taxes, the Authority is nontaxable as a political subdivision under Section 115(1) of the Internal Revenue Code, as amended.

**H. Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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, expenses and other changes in net assets during the reporting period.

**3. Restricted Net Position**

The note indenture for the public facilities Sales Tax Revenue Note provides that certain reserve accounts be established. The reserve accounts, as of June 30, 2013, are comprised of restricted net assets as follows:

Gross Revenue Fund	\$	574,542
Debt Service Reserve		600,144
<b>Total Restricted Net Assets</b>	<b>\$</b>	<b>1,174,686</b>

Interest earned on the Debt Service Reserve fund is transferred to the Note Interest Fund.

A debt service reserve account has been capitalized in an amount of \$600,000, and that amount shall be maintained until final payment on the note.

**MCINTOSH COUNTY PUBLIC FACILITIES AUTHORITY  
EUFAULA, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
FOR YEAR ENDED JUNE 30, 2013**

**Restricted Net Position (continued)**

The Gross Revenue Fund receives transfers of sales taxes collected on its behalf by the county. Use taxes are collected by the county on the Authority's behalf, but these are not transferred over to Authority, but expended by the county.

The Lease Purchase Proceeds is additional funding needing to complete the project.

**4. Deposits, Investments, and Collateral**

As of June 30, 2013, unrestricted cash balance is a part of McIntosh County's pooled cash account. Cash balances of McIntosh County are either insured or collateralized. All restricted cash balances were either on deposit with the trustee bank or covered with pledge collateral.

Deposits and Investments – The Authority does not have a written investment policy.

Custodial Credit Risk – Deposits – Custodial credit risk is the risk that in the event of bank failure, the Authority's deposits may not be returned. The Authority does not have a written policy for custodial risk; however, Oklahoma state laws require collateral for all uninsured deposits of public funds in financial institutions. As of June 30, 2013, none of the Authority's bank balances were exposed to custodial credit risk.

**5. Accounts Receivable**

The Authorities receivables consist of sales taxes and use taxes collected by county and to be remitted to Trust.

**6. Fixed Assets**

The Authority is maintaining records of historical costs of its general fixed assets. Generally Accepted Accounting Principles in the U.S. require the capitalization of all fixed assets and the recognition of depreciation on the fixed assets.

A summary of changes in general fixed assets for the year ended June 30, 2013, follows:

	Balance July 1, 2012	Additions	Reductions	Balance June 30, 2013
Business-Type activities:				
Capital assets, not being depreciated:				
Land	\$ 82,423	\$ -	\$ -	\$ 82,423
Total Capital assets, not being depreciated:	82,423	-	-	82,423
Capital assets being depreciated:				
Jail Facility	7,558,640	-	-	7,558,640
Total capital assets being depreciated:	7,558,640	-	-	7,558,640
Less accumulated depreciation:	-	(188,966)	-	(188,966)
Total capital assets being depreciated, Net of depreciation	7,558,640	(188,966)	-	7,369,674
Total all business-type activities capital assets, net	\$ 7,641,363	\$ (188,966)	\$ -	\$ 7,452,097



**MCINTOSH COUNTY PUBLIC FACILITIES AUTHORITY  
EUFAULA, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
FOR YEAR ENDED JUNE 30, 2013**

**11. Lease Purchase Financing**

On January 12, 2007, the Authority entered into a lease purchase financing agreement with the Banc of America Public Capital Corp. in the amount of \$625,000.00 for the purpose of financing the acquisition of certain equipment for use in the new county detention facility. The annual payment schedule is as follows:

Year Ending June 30,	Principal	Interest	Total
2014	\$ 99,691	\$ 2,854	\$ 102,545
Total	\$ 99,691	\$ 2,854	\$ 102,545

The lease purchase is secured by sales tax revenue levied and collected by McIntosh County and paid over to the Authority. The Authority pledged the sales tax revenue to the lessor as security for the lease financing. The security is subordinate to the Authority's pledge on a Sales Tax Revenue Note.

**12. Lease Agreement**

The Authority entered into a facilities lease and operation agreement on June 1, 2006, with McIntosh County, Oklahoma to lease a new county detention facility to the county. Under provisions of the agreement, the county must pay rent annually to the trustee of the Authority's Sales Tax Revenue Note dated June 1, 2006, and must cover a portion of the costs of operation of the new county detention facility for all the years the Sales Tax Revenue Note remains outstanding.

**13. Sales Tax Agreement**

On May 9, 2006, the electors of McIntosh County approved a proposition authorizing levying a county sales tax of ½ (.50) of 1 cent upon the gross proceeds derived from all sales for the retirement of indebtedness of the McIntosh County Detention Facility and payment of operation and maintenance expenses related thereto.

3/8 of 1 cent of such sales tax is obligated for the retirement of indebtedness of the county detention facility and shall have a limited duration of twenty years or until principle and interest of the facility is paid in full. The remaining 1/8 of 1 cent of such sales tax is obligated for obligation and maintenance expenses of the county detention facility with unlimited duration.

On June 5, 2006, the county authorized the implementation of a use tax at a rate equaling ½ of 1 cent, with proceeds to be used to acquire, construct, equip, and operate a new county detention facility.

On January 1, 2012, the tax payers approved an additional sales and use tax. 1/8 cent portion of such a sales tax pledge to retirement of indebtedness and limited to a duration of 15 years (ending on December 31, 2026) and the remaining 3/8 cents to have an unlimited duration and to pay cost of operating and maintaining the McIntosh County Detention Facilities.

**MCINTOSH COUNTY PUBLIC FACILITIES AUTHORITY  
EUFULA, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
FOR YEAR ENDED JUNE 30, 2013**

**14. General Long-Term Debt**

The Authority's long term debt consisted of revenue bonds and a lease-purchase commitment.

The following is a summary of the long-term debt transactions for the year ended June 30, 2013:

	<u>Balance July 1, 2011</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2012</u>
Leases Payable	\$ 195,695	\$ -	\$ 96,004	\$ 99,691
Revenue Bonds Payable	<u>6,675,866</u>	<u>-</u>	<u>278,196</u>	<u>6,397,670</u>
Total	<u>\$ 6,871,561</u>	<u>\$ -</u>	<u>\$ 374,200</u>	<u>\$ 6,497,361</u>
Less: Amounts Due Within One Year				<u>292,551</u>
Total Long-Term Debt				<u>\$ 6,105,119</u>

**REPORTS REQUIRED BY GOVERNMENT AUDITING STANDARDS**

**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**

The Board of Trustees  
McIntosh County Public Facilities Authority  
Eufaula, Oklahoma

I have audited, 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, the financial statements of the business-type activities of McIntosh County Public Facilities Authority, a component unit of the county of McIntosh (Authority), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Authority's financial statements, and have issued my report thereon dated xxxx.

**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) to determine the 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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether 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**

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 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.

Kerry John Patten, C.P.A.  
Broken Arrow, OK  
date