

*Independent Auditor's Report*

# ***Pontotoc County Public Facilities Authority***

*Year Ended June 30, 2023*

**PONTOTOC COUNTY PUBLIC FACILITIES AUTHORITY**  
**ADA, OKLAHOMA**  
**June 30, 2023**

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## INDEPENDENT AUDITOR'S REPORT

The Honorable Board of Trustees  
Pontotoc County Public Facilities Authority  
Ada, Oklahoma

### Report on the Audit of the Financial Statements

#### *Opinion*

We have audited the accompanying modified cash basis financial statements of the governmental activities and major fund of Pontotoc County Public Facilities Authority, Ada, Oklahoma, a component unit of Pontotoc County as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities and major fund of Pontotoc County Public Facilities Authority, Ada, Oklahoma, as of June 30, 2023, and the respective changes in modified cash basis financial position for the year then ended in accordance with the modified cash basis of accounting described in Note 1.

#### *Basis for Opinion*

We conducted our 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Pontotoc County Public Facilities Authority, Ada, Oklahoma and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### *Emphasis of Matter – Basis of Accounting*

We draw attention to Note 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.

### ***Responsibilities of Management for the Financial Statements***

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about 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***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. 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 judgement made by a reasonable user based on the financial statements.

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

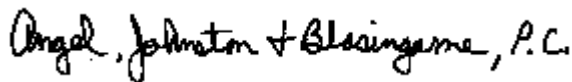
- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatements of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

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

#### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 17, 2024, on our consideration of the 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 solely 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 effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.



Chickasha, Oklahoma  
June 17, 2024

**PONTOTOC COUNTY PUBLIC FACILITIES AUTHORITY**  
**Statement of Net Position - Modified Cash Basis**  
**June 30, 2023**

<b><u>ASSETS</u></b>	<b><u>Governmental Activities</u></b>
Cash and cash equivalents	\$ <u>3,217,766</u>
<i>Total Assets</i>	<u><u>3,217,766</u></u>
<b><u>LIABILITIES</u></b>	
<i>Total Liabilities</i>	<u><u>-</u></u>
<b><u>NET POSITION</u></b>	
Unrestricted	<u>3,217,766</u>
<i>Total Net Position</i>	\$ <u><u>3,217,766</u></u>

The accompanying notes are an integral part of the financial statements.

**PONTOTOC COUNTY PUBLIC FACILITIES AUTHORITY**  
**Statement of Activities - Modified Cash Basis**  
**For the Year Ended June 30, 2023**

	<b><u>Governmental Activities</u></b>
<b>Expenses</b>	
General Government:	
Pontotoc County reimbursement	824,324
<i>Total Expenses</i>	<u>824,324</u>
<b>Program Revenues</b>	
<i>Total Program Revenues</i>	<u>-</u>
 <i>Net Program Expenses</i>	 <u>(824,324)</u>
<b>General Revenues</b>	
Sales tax	798,587
Interest/dividends	15,704
<i>Total General Revenues and Special Item</i>	<u>814,291</u>
 <i>Change in Net Position</i>	 <u>(10,033)</u>
 <i>Net Position - Beginning</i>	 <u>3,227,799</u>
 <i>Net Position - Ending</i>	 \$ <u><u>3,217,766</u></u>

The accompanying notes are an integral part of the financial statements.

**PONTOTOC COUNTY PUBLIC FACILITIES AUTHORITY**  
**Statement of Assets, Liabilities, and Fund Balance**  
**Governmental Funds - Modified Cash Basis**  
**June 30, 2023**

	<u>Major Fund</u> <u>General</u> <u>Fund</u>	<u>Total</u> <u>Governmental</u> <u>Funds</u>
<b><u>ASSETS</u></b>		
Cash and cash equivalents	\$ 3,217,766	\$ 3,217,766
<i>Total Assets</i>	<u>3,217,766</u>	<u>3,217,766</u>
 <b><u>LIABILITIES</u></b>		
<i>Total Liabilities</i>	<u>-</u>	<u>-</u>
 <b><u>FUND BLANCE</u></b>		
Unassigned	<u>3,217,766</u>	<u>3,217,766</u>
<i>Total Fund Balance</i>	<u>3,217,766</u>	<u>3,217,766</u>
<i>Total Liabilities and Fund Balance</i>	\$ <u>3,217,766</u>	\$ <u>3,217,766</u>

The accompanying notes are an integral part of the financial statements.

**PONTOTOC COUNTY PUBLIC FACILITIES AUTHORITY**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Governmental Funds - Modified Cash Basis**  
**For the Year Ended June 30, 2023**

	<u><b>Major Fund General Fund</b></u>	<u><b>Total Governmental Funds</b></u>
<b>Revenues</b>		
Sales tax	\$ 798,587	\$ 798,587
Interest/dividends	15,704	15,704
<i>Total Revenues</i>	<u>814,291</u>	<u>814,291</u>
<b>Expenditures</b>		
Professional fees		-
Pontotoc County reimbursement	824,324	824,324
<i>Total Expenditures</i>	<u>824,324</u>	<u>824,324</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<u>(10,033)</u>	<u>(10,033)</u>
<b>Other Financing Sources (Uses)</b>		
<i>Total Other Financing Sources (Uses)</i>	<u>-</u>	<u>-</u>
<i>Net Change in Fund Balance</i>	<u>(10,033)</u>	<u>(10,033)</u>
<i>Fund Balance - Beginning</i>	<u>3,227,799</u>	<u>3,227,799</u>
<i>Fund Balance - Ending</i>	<u><u>\$ 3,217,766</u></u>	<u><u>\$ 3,217,766</u></u>

The accompanying notes are an integral part of the financial statements.

# **PONTOTOC COUNTY PUBLIC FACILITIES AUTHORITY**

## **Notes to Basic Financial Statements**

**For the Year Ended June 30, 2023**

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### **Note 1 – Summary of Significant Accounting Policies**

#### **1.A. Reporting Entity**

The Pontotoc County Public Facilities Authority, a component unit of Pontotoc County, Oklahoma was established on the 8th day of January 2009, is a public trust, and was created for the use and benefit of Pontotoc County, Oklahoma, (the “Beneficiary”) pursuant to the terms of Title 60 of Oklahoma Statutes (1992 Supp) Section 176 et seq. as well as 19 O.S. 904.1, et seq. as amended and supplemented, the Oklahoma Authority Act, and other applicable statutes and laws of the State of Oklahoma.

The purpose of the Authority is to assist the Beneficiary, the State of Oklahoma, governmental agencies, municipalities and private entities, agencies and citizens in making the most efficient use of all of their economic resources and powers in accordance with the needs and benefit of the State of Oklahoma and the Beneficiary in order to lessen the burdens on government and to stimulate economic growth and development. In furtherance of the Authority’s general objectives, the following specific powers or purposes have been granted:

- 1) To promote and develop any and all public works projects for facilities of any type or description including, but not limited to, those juvenile development programs, law enforcement and correctional facilities, water, sewer, solid waste, recycling, recovery, materials reduction, communication, power, natural gas or other public utilities of any type or description.
- 2) To promote, develop and finance projects or facilities relating to the development of law enforcement and corrections within and near the jurisdictional boundaries of the beneficiary including, but not limited to, jail facilities, juvenile detention facilities, law enforcement and other governmental facilities, parking facilities, housing and any, and all other facilities whose purpose is to promote law enforcement and other governmental functions.
- 3) To promote, finance and develop projects, facilities and services pertaining to governmental institutions and the furtherance of governmental opportunities at all levels and programs related to the foregoing.

The Authority is governed by a Board of Trustees (Board) comprised of seven (7) individuals as follows: Current Chairman of the Pontotoc County Board of Commissioners; current Sheriff of Pontotoc County, Oklahoma or his/her designee; and five (5) residents of Pontotoc County, Oklahoma, none of whom shall be elected officials. Of these five individuals, one shall be nominated by each of the current Pontotoc County Commissioners, with the Chairman of the Board of County Commissioners nominating two (2) additional persons. The current Chairman of the Board of County Commissioners serves as the Chair of the Authority. The Chair’s 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 duly elected County Clerk of Pontotoc County serves as Secretary-Treasurer of the Authority.

As more fully discussed in Note 3, the Authority is funded through a dedicated sales tax.

**PONTOTOC COUNTY PUBLIC FACILITIES AUTHORITY**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2023**

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**Note 1 – Summary of Significant Accounting Policies, (continued)**

**1.B. Basis of Presentation**

The Authority's basic financial statements include both government-wide (reporting the Authority as a whole) and fund financial statements (reporting the Authority's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. The Authority has no business-type activities and all funds are classified as governmental.

Government-Wide Financial Statements – The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all activity of the Authority. The statement of activities demonstrates the degree to which the expenses are offset by program revenues. Program revenues include 1) charges to customers who purchase, use or directly benefit from goods, services, or privileges provided, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of the Authority. Other items not properly included among program revenues (i.e. the County's dedicated sales tax) are reported as general revenues.

Fund Financial Statements – Fund financial statements are designed to present financial information of a government at a more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. The Authority does not have any non-major funds.

The following is the Authority's major governmental fund:

General Fund – The General Fund is the general operating fund of the Authority, and the only fund maintained by the Authority. It accounts for all financial resources of the Authority. Major revenue sources include the funds collected from the sales tax revenue. Expenditures include all costs associated with the daily operations of the Authority and capital projects, except for any debt service on long-term debt. The Authority does not operate under a legally adopted budget. Therefore budget-to-actual comparisons have been omitted.

**1.C. Measurement Focus and Basis of Accounting**

The government-wide financial statements are reported on a modified cash basis of accounting. The modified cash basis of accounting is based on the recording of cash and cash equivalents and changes therein, and only recognizes revenues, expenses, assets and liabilities resulting from cash transactions adjusted for modifications that have substantial support in generally accepted accounting principles.

**PONTOTOC COUNTY PUBLIC FACILITIES AUTHORITY**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2023**

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**Note 1 – Summary of Significant Accounting Policies, (continued)**

**1.C. Measurement Focus and Basis of Accounting, (continued)**

This basis is a basis of accounting other than accounting principles generally accepted in the United States of America. As a result of the use of the modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and accrued revenue and receivables) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

The governmental funds are reported on a modified cash basis of accounting and current financial resources measurement focus. Only current financial assets and liabilities arising from cash transactions are generally included on the fund statement of assets, liabilities and fund balance. The operating statements present sources and uses of available spendable financial resources during a given period. These fund financial statements use fund balance as their measure of available spendable financial resources at the end of the period.

The government-wide statements report using the economic resources measurement focus. However, since the Authority transferred the capital assets to Pontotoc County in 2020, a reconciliation between the government-wide financial statements and the governmental fund financial statements is not necessary.

**1.D. Assets, Liabilities and Fund Equity**

Cash & Cash Equivalents – The Authority considers all cash on hand, demand deposit accounts, interest bearing checking accounts and time deposit accounts including certificates of deposit and U.S. Treasury bills with maturities of three months or less to be cash and cash equivalents.

Net Position and Fund Balance

Government-wide net position is divided into three components:

- *Net investment in capital assets* – consists of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets plus deferred outflows of resources less deferred inflows of resources related to those assets.
- *Restricted net position* – consists of net position that is restricted by the Authority's creditors (for example, through debt covenants), by state enabling legislation (through restrictions on shared revenues), or by grantors or donors.

**PONTOTOC COUNTY PUBLIC FACILITIES AUTHORITY**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2023**

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**Note 1 – Summary of Significant Accounting Policies, (continued)**

**1.D. Assets, Liabilities and Fund Equity, (continued)**

- *Unrestricted* – All other net position is reported in this category.

It is the Authority's policy to first use restricted net position prior to the use of unrestricted net position when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

Governmental fund equity is classified as fund balance. Fund balance is classified as follows:

- *Non-spendable* – Amounts that cannot be spent either because they are in a non-spendable form or because they are legally or contractually required to be maintained intact.
- *Restricted* – Amounts that can be spent only for specific purposes because of state or federal laws, or externally imposed conditions by grantors or creditors.
- *Committed* – Amounts that can be used only for specific purposes determined by a formal action by Board resolution.
- *Assigned* – Amounts are designated by management for a particular purpose but are not spendable until there is a majority vote approval by the Board of Trustees.
- *Unassigned* – All amounts not included in other spendable classifications.

It is the Authority's policy to first use restricted fund balance prior to the use of unrestricted fund balance when an expense is incurred for purposes for which both restricted and unrestricted fund balances are available.

The Authority's policy for the use of unrestricted fund balance amounts require that committed amounts would be reduced first, followed by assigned amounts and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

**Note 2 – Deposits, Investments and Collateral**

Deposits and Investments - The Authority does not have a written investment policy that limits its investment choices. Investments are limited by State Statute and declaration of trust.

## **PONTOTOC COUNTY PUBLIC FACILITIES AUTHORITY**

### **Notes to Basic Financial Statements For the Year Ended June 30, 2023**

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#### **Note 2 – Deposits, Investments and Collateral, (continued)**

Custodial Credit Risk - Deposits - Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. The Authority does not have a written policy for custodial risk, but *Oklahoma Statutes* require collateral for all uninsured deposits of public trust funds in financial institutions. The Federal Deposit Insurance Corporation (FDIC) insures deposits up to \$250,000 at each institution for all demand deposit accounts and up to \$250,000 at each institution for all time and savings accounts. As of June 30, 2023, the Authority was not exposed to custodial credit risk.

#### **Note 3 – Sales Tax**

The Authority is funded through a dedicated eleven-sixteenths of one-percent (.6875 of one cent) sales tax approved by the people of Pontotoc County on December 12, 2007. A portion of this tax, nine-sixteenths (.05625 of one cent) is scheduled to terminate after a term of twenty (20) years from date of commencement, or after all indebtedness incurred by the Authority on behalf of the county has been paid in full, whichever occurs earlier. The remaining portion of the sales tax, one-eighth (0.125) of one cent, is to continue until repealed by a majority of the electors in Pontotoc County. Proceeds from the collections of this tax are to be used first to service the debts. Any excess sales tax revenue shall remain with the Authority to be utilized for operation and maintenance expenses of the facilities or for accelerated payments on the note.

#### **Note 4 – Risk Management**

The Pontotoc County Public Facilities Authority, Ada, Oklahoma, as a component unit of Pontotoc County, Oklahoma, is exposed to various risks of loss to torts: theft of, damage to and destruction of assets; errors and omissions; injuries to persons; or acts of God. The County purchases commercial insurance to cover these risks, including general and auto liability, property damage, and public officials liability. Claims settled by the County resulting from these risks have not exceeded the commercial insurance coverage in past years.

#### **Note 5 – Subsequent Events**

Subsequent events were evaluated through the date of the audit report, which is the date the financial statements were available to be issued and it has been determined that no additional information needs to be added to the financial statements.

***REPORT ON INTERNAL CONTROL  
AND COMPLIANCE***

**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 Honorable Board of Trustees  
Pontotoc County Public Facilities Authority  
Ada, Oklahoma

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the modified cash basis financial statements of the governmental activities and major fund of the Pontotoc County Public Facilities Authority, Ada, Oklahoma, a component unit of Pontotoc County, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated, June 17, 2024. Our report on the financial statements disclosed, that, as described in Note 1 to the financial statements, the Authority prepares its financial statements on a modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Pontotoc County Public Facilities Authority, Ada, Oklahoma'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 our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we 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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

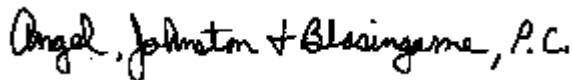
not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

### **Report on Compliance and Other Matters**

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

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Chickasha, Oklahoma  
June 17, 2024