

***Pontotoc County Public Facilities Authority***  
*(A Component Unit of Pontotoc County, Oklahoma)*  
*Ada, Oklahoma*

***REPORT ON AUDIT OF FINANCIAL STATEMENTS  
AND SUPPLEMENTAL INFORMATION***

*For the Year Ended June 30, 2009*

***SAUNDERS & ASSOCIATES, PLLC***  
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PONTOTOC COUNTY PUBLIC FACILITIES AUTHORITY  
Ada, Oklahoma

(A Component Unit of Pontotoc County, Oklahoma)

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June 30, 2009

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees  
Pontotoc County Public Facilities Authority  
Ada, Oklahoma

We have audited the accompanying financial statements of the governmental activities of the Pontotoc County Public Facilities Authority, a component unit of Pontotoc County, Oklahoma, as of and for the year ended June 30, 2009, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund information of the Authority, as of June 30, 2009, and the respective changes in financial position thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 20, 2012 on our consideration of the Pontotoc County Public Facilities Authority, a component unit of Pontotoc County, Oklahoma'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* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 2 through 6 is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it. Budgetary comparison information, required supplementary information, has not been presented as Pontotoc County Public Facilities Authority, a component unit of Pontotoc County, Oklahoma, does not operate under a legally adopted budget.

*Saunders & Associates, PLLC*  
SAUNDERS & ASSOCIATES, PLLC  
Certified Public Accountants

November 20, 2012

PONTOTOC COUNTY PUBLIC FACILITIES AUTHORITY  
Ada, Oklahoma

(A Component Unit of Pontotoc County, Oklahoma)

June 30, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS  
(UNAUDITED)

Our discussion and analysis of the financial performance of Pontotoc County Public Facilities Authority, a component unit of Pontotoc County, Oklahoma, provides an overview of the Authority's activities from July 1, 2008 through June 30, 2009. Please read it in conjunction with the Authority's financial statements, which begin on page 7.

## FINANCIAL HIGHLIGHTS

- The Authority's net assets for the period were \$5,329,173.
- Sales tax receipts in the amount of \$3,270,976 accounted for approximately 97% of total revenues.
- Phase I of construction on the new detention facility is nearing completion. Capital expenditures in the amount of \$4,029,305 were made on designated projects.

## USING THIS ANNUAL REPORT

This report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities (on pages 7 and 8) provide information about the activities of the Authority as a whole and present a longer-term view of the Authority's finances. Fund financial statements start on page 9. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the Authority's operations in more detail than the government-wide statements by providing information about the Authority's significant funds.

## Reporting the Authority as a Whole

The Statement of Net Assets and the Statement of Activities report information about the Authority as a whole and about its activities in a way that helps the user determine whether the Authority is better off or worse off as a result of the year's activities. These statements include all assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account, regardless of when cash is received or paid.

These two statements report the Authority's *net assets* and changes in them. You can think of the Authority's net assets – the difference between assets and liabilities – as one way to measure its financial health, or *financial position*. Over time, *increases* and *decreases* in the Authority's net assets are one indicator of whether its *financial health* is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in economic conditions that effect sales tax collection, federal and state environmental regulations, and current or proposed plans for expansion.

PONTOTOC COUNTY PUBLIC FACILITIES AUTHORITY  
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June 30, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS  
(UNAUDITED)

**Reporting on Significant Funds**

The Authority provides only governmental-type activities and is funded by a sales tax designated for debt service on long-term debt used to construct a new county detention facility and renovate the county court house and to provide for operations and maintenance of the new facility.

Fund financial statements begin on page 9. As more fully described in the accompanying notes, governmental funds are reported using an accounting method called "modified accrual" accounting, which measures cash and all other "financial" assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Authority's operations. This fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Authority's operations. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and the governmental funds is presented in a reconciliation at the bottom of the fund financial statements (pages 10 and 12).

**THE AUTHORITY AS A WHOLE**

Net assets of the Authority increased by \$2,387,526 over the prior year. The increase is significant and is the result of capital expenditures by the Authority. The analysis below focuses on net assets and changes in net assets of the Authority.

**Table 1  
NET ASSETS**

	<u>Governmental Activities</u>	
	<u>2009</u>	<u>2008</u>
Current and Other Assets	\$ 13,114,514	\$ 15,517,911
Capital Assets	9,809,970	5,794,405
Total Assets	<u>22,924,484</u>	<u>21,312,316</u>
Long-Term Debt	( 17,149,630)	( 17,711,754)
Other Liabilities	( 445,681)	( 658,915)
Total Liabilities	<u>( 17,595,311)</u>	<u>( 18,370,669)</u>
Net Assets:		
Invested in Capital Assets, Net of Debt	7,339,659	11,917,349
Restricted	( 8,687,098)	( 13,210,520)
Unrestricted	<u>( 3,981,734)</u>	<u>( 1,648,476)</u>
TOTAL NET ASSETS	<u>\$ ( 5,329,173)</u>	<u>\$ ( 2,941,647)</u>

PONTOTOC COUNTY PUBLIC FACILITIES AUTHORITY  
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MANAGEMENT'S DISCUSSION AND ANALYSIS  
(UNAUDITED)

**THE AUTHORITY AS A WHOLE, CONTINUED**

**Table 2  
CHANGES IN NET ASSETS**

	<u>2009</u>	<u>2008</u>
<u>Revenues:</u>		
Program Revenues:		
Changes for Services	\$ 0	\$ 0
General Revenues:		
Sales Tax	3,270,976	2,549,337
Interest/Dividends	<u>94,971</u>	<u>308,377</u>
Total Revenues	<u>3,365,947</u>	<u>2,857,714</u>
<u>Expenses:</u>		
Personnel Costs	73,038	0
Interest Expense	842,292	546,214
Depreciation	13,739	1,145
Amortization Expense	34,081	16,010
Mortgage and Property Taxes	0	21,526
Trustee Fees	7,115	3,625
Accounting/Audit Expense	2,750	5,500
Repairs and Maintenance	3,711	0
Other	<u>1,695</u>	<u>127</u>
Total Expenses	<u>978,421</u>	<u>594,147</u>
Increase (Decrease) in Net of Assets	2,387,526	2,263,567
Net Assets, Beginning	<u>2,941,647</u>	<u>678,080</u>
 NET ASSETS, ENDING	 <u>\$ 5,329,173</u>	 <u>\$ 2,941,647</u>

PONTOTOC COUNTY PUBLIC FACILITIES AUTHORITY  
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June 30, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS  
(UNAUDITED)

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

Capital Assets:

At June 30, 2009, the Authority had a net investment in land, buildings, and construction costs related to the new detention facility of \$9,809,970. (See Table 3).

**Table 3**  
**CAPITAL ASSETS AT YEAR END**  
**(Net of Depreciation)**

	<u>2009</u>	<u>2008</u>
Land	\$ 399,835	\$ 399,835
Buildings	534,714	548,454
Construction in Progress	<u>8,875,421</u>	<u>4,846,116</u>
TOTAL	<u>\$ 9,809,970</u>	<u>\$ 5,794,405</u>

This year's major addition was \$4 million of construction costs related to the new detention facility.

Debt:

At year end, the Authority had \$17.1 million in notes outstanding, a decrease of 3.2%. (See Table 4).

**Table 4**  
**OUTSTANDING DEBT AT YEAR END**

	<u>2009</u>	<u>2008</u>
Sales Tax Revenue Notes	<u>\$ 17,149,630</u>	<u>\$ 17,711,754</u>

**ECONOMIC FACTORS AND NEXT YEAR'S PLANS**

Sales tax collections, the Authority's primary source of funding, equaled \$3,270,976 for the period, an increase of \$721,639 over 2008. Sales tax collections are sensitive to overall economic conditions and receipts may vary from year-to-year. Management is of the opinion that future collections will be more than adequate to meet debt service requirements on the note.

PONTOTOC COUNTY PUBLIC FACILITIES AUTHORITY  
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June 30, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS  
(UNAUDITED)

**CONTACTING THE AUTHORITY'S MANAGEMENT**

This financial report is designed to provide citizens, taxpayers, customers, and creditors with a general overview of the Authority's finances and to show the Authority's accountability for the money it receives. If you have questions about this report, or need additional financial information, contact Pam Walker, Secretary-Treasurer of the Authority, c/o Pontotoc County Commissioners, County Courthouse, Ada, Oklahoma 74820.

BASIC FINANCIAL STATEMENTS

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PONTOTOC COUNTY PUBLIC FACILITIES AUTHORITY  
Ada, Oklahoma

(A Component Unit of Pontotoc County, Oklahoma)

STATEMENT OF NET ASSETS

June 30, 2009

	<u>Governmental Activities</u>
<u>ASSETS</u>	
Current Assets:	
Cash and Cash Equivalents	\$ 3,427,094
Sales Tax Receivable	545,465
Dividends Receivable	2,414
Total Current Assets	<u>3,974,973</u>
Non-Current Assets:	
Restricted Cash	8,687,099
Unamortized Note Issue Costs	452,442
Capital Assets (net of \$14,884 of accum. deprec.)	934,549
Construction in Progress	8,875,421
Total Non-Current Assets	<u>18,949,511</u>
Total Assets	<u>22,924,484</u>
<u>LIABILITIES</u>	
Current Liabilities:	
Accounts Payable	311,444
Accrued Interest Payable	134,237
Notes Payable - Current Portion	602,029
Total Current Liabilities	<u>1,047,710</u>
Non-Current Liabilities:	
Notes Payable	17,149,630
Less Current Portion	(602,029)
Total Non-Current Liabilities	<u>16,547,601</u>
Total Liabilities	<u>17,595,311</u>
<u>NET ASSETS</u>	
Invested in Capital Assets, Net of Related Debt	(7,339,659)
Restricted for Capital Projects	8,367,558
Restricted for Debt Service	319,540
Unrestricted	<u>3,981,734</u>
Total Net Assets	<u>\$ 5,329,173</u>

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

PONTOTOC COUNTY PUBLIC FACILITIES AUTHORITY  
Ada, Oklahoma

(A Component Unit of Pontotoc County, Oklahoma)

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2009

	<u>Governmental Activities</u>
<u>Expenses:</u>	
Administrative Costs:	
Salaries	\$ 62,635
Fringe	10,403
Trustee Fees	7,115
Accounting	2,750
Other	1,695
Total Administrative Costs	<u>84,598</u>
Capital Projects:	
Interest Expense	842,292
Repairs and Maintenance	3,711
Amortization Expense	34,081
Depreciation	13,739
Total Capital Projects Costs	<u>893,823</u>
Total Expenses	<u>978,421</u>
Program Revenues:	
Charges for Services	0
Operating Grants and Contributions	0
Capital Grants and Contributions	0
Net Program Expense	<u>978,421</u>
<u>General Revenues:</u>	
Sales Tax	3,270,976
Interest/Dividends	94,971
Total General Revenues	<u>3,365,947</u>
Change in Net Assets	2,387,526
Net Assets, Beginning	<u>2,941,647</u>
NET ASSETS, ENDING	<u>\$ 5,329,173</u>

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

PONTOTOC COUNTY PUBLIC FACILITIES AUTHORITY  
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BALANCE SHEET  
Governmental Funds

June 30, 2009

	<u>Major Fund</u> <u>General</u> <u>Fund</u>	<u>Total</u> <u>Governmental</u> <u>Funds</u>
<u>ASSETS</u>		
Cash and Cash Equivalents	\$ 3,427,094	\$ 3,427,094
Accounts Receivable:		
Sales Tax	545,465	545,465
Dividend	2,414	2,414
Restricted Cash	<u>8,687,099</u>	<u>8,687,099</u>
<b>TOTAL ASSETS</b>	<b>\$ <u>12,662,072</u></b>	<b>\$ <u>12,662,072</u></b>
 <u>LIABILITIES AND FUND BALANCE</u>		
Liabilities:		
Accounts Payable	\$ 311,444	\$ 311,444
Total Liabilities	<u>311,444</u>	<u>311,444</u>
Fund Balances:		
Reserved for Debt Service	319,540	319,540
Unreserved	<u>12,031,088</u>	<u>12,031,088</u>
Total Fund Balance	<u>12,350,628</u>	<u>12,350,628</u>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ <u>12,662,072</u></b>	<b>\$ <u>12,662,072</u></b>

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

PONTOTOC COUNTY PUBLIC FACILITIES AUTHORITY  
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RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE GOVERNMENT-WIDE STATEMENT OF NET ASSETS

June 30, 2009

Total Fund Balance - Total Governmental Funds	\$ 12,350,628
Amounts reported for Governmental Activities in the Statement of Activities are different because:	
Capital Assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds balance sheet.	9,809,970
Costs related to issuance of long-term debt are not current financial liabilities, and therefore are not reported in the governmental funds balance sheet.	452,442
Long-term debt principal and interest payable are not reported in the governmental fund financial statements. This amount represents the amount of long-term debt and interest payable of the authority at June 30, 2009	<u>(17,283,867)</u>
<b>NET ASSETS OF GOVERNMENTAL ACTIVITIES</b>	<b>\$ <u>5,329,173</u></b>

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

PONTOTOC COUNTY PUBLIC FACILITIES AUTHORITY  
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(A Component Unit of Pontotoc County, Oklahoma)

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

Governmental Funds

For the Year Ended June 30, 2009

	<u>Major Fund</u> <u>General</u> <u>Fund</u>	<u>Total</u> <u>Governmental</u> <u>Funds</u>
<u>REVENUES:</u>		
Sales Tax	\$ 3,270,976	\$ 3,270,976
Dividends	94,971	94,971
Total Revenues	<u>3,365,947</u>	<u>3,365,947</u>
<u>EXPENDITURES</u>		
Personnel Costs	73,038	73,038
Capital Outlay	4,029,305	4,029,305
Repairs and Maintenance	3,711	3,711
Debt Service:		
Principal	562,124	562,124
Interest	838,337	838,337
Accounting Services	2,750	2,750
Trustee Fees	7,115	7,115
Other	1,695	1,695
Total Expenditures	<u>5,518,075</u>	<u>5,518,075</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(2,152,128)</u>	<u>(2,152,128)</u>
<u>OTHER FINANCING SOURCES (USES):</u>		
Note Proceeds	0	0
Note Issue Costs	0	0
Total Other Financing Sources (Uses)	<u>0</u>	<u>0</u>
Net Change in Fund Balance	(2,152,128)	(2,152,128)
Fund Balance - Beginning	<u>14,502,756</u>	<u>14,502,756</u>
FUND BALANCE - ENDING	<u>\$ 12,350,628</u>	<u>\$ 12,350,628</u>

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

PONTOTOC COUNTY PUBLIC FACILITIES  
Ada, Oklahoma

(A Component Unit of Pontotoc County, Oklahoma)

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

For the Year Ended June 30, 2009

Net Change in Fund Balance - Total Governmental Funds	\$ (2,152,128)
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 net amount that capital outlays (\$4,029,305) exceeded depreciation expense (\$13,739) in the current year.	4,015,566
Governmental funds report long-term debt payments and related issue costs as expenditures. In the statement of activities, these costs are allocated over the life of the debt as amortization expense. This amount is the net effect of current year amortization expense (\$34,081), and current year debt principal payments (\$562,124).	528,043
Governmental funds do not record accrued interest related to long-term debt as this expense is recorded at the time of payment. In GAAP financial statements, accrued interest is considered to be a liability at June 30, 2009 and is recorded as such. This amount represents the difference in actual interest paid and interest owed.	<u>(3,955)</u>
<b>CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES</b>	<b>\$ <u>2,387,526</u></b>

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

PONTOTOC COUNTY PUBLIC FACILITIES AUTHORITY  
Ada, Oklahoma

(A Component Unit of Pontotoc County, Oklahoma)

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2009

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**A. Reporting Entity**

The Pontotoc County Public Facilities Authority, a component unit of Pontotoc County, Oklahoma was established on the 8th day of January 2008, 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 2, the Authority is funded through a dedicated sales tax.

PONTOTOC COUNTY PUBLIC FACILITIES AUTHORITY  
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NOTES TO THE FINANCIAL STATEMENTS

June 30, 2009

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

The Authority's current year financial statements are prepared in accordance with accounting principles (GAAP) generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. The more significant accounting policies established in GAAP and used by the Authority are discussed below. The financial statements also include a Management's Discussion and Analysis (MD&A) section providing an analysis of the Authority's overall financial position and results of operations.

**B. Basic Financial Statements**

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 assets 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 on a legally adopted budget

PONTOTOC COUNTY PUBLIC FACILITIES AUTHORITY  
Ada, Oklahoma

(A Component Unit of Pontotoc County, Oklahoma)

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2009

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

**C. Measurement Focus, Basis of Accounting and Basis of Presentation**

- (1) *Accrual* - The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.
- (2) *Modified Accrual* - Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Interest and sales tax collections associated with the current fiscal period are considered to be susceptible to accrual and so have been recognized as revenues in the current fiscal period.

**D. Financial Statement Amounts**

1. Cash and Cash Equivalents - The Authority considers cash and cash equivalents to include cash on hand, demand deposits, and cash with fiscal agent. Restricted cash amounts consist of proceeds from long-term debt issues which are restricted for debt service and construction costs. Restricted cash amounts are held in money market accounts held by the Authority's paying agent.
2. Receivables - All receivables consist of sales tax collections and dividends and are considered to be fully collectible.
3. Unamortized Note Issue Costs - The Authority is amortizing certain costs related to issuance of the notes payable discussed at Note 4.

	<u>Note 1</u>	<u>Note 2</u>
Original Issue Costs	\$ 285,218	\$ 226,000
Term	15 years	15 years
Current Year Amortization Expense	\$ 19,015	\$ 15,067
Total unamortized costs at June 30, 2009.	\$ 244,020	\$ 208,422

4. Capital Assets - *Capital assets* have been recorded at cost. The building is being depreciated using the straight-line method over its estimated useful life of 40 years. Current year depreciation expense equaled \$13,739.

*Construction in progress* consists of expenses incurred in the preliminary stages of acquiring, constructing and equipping of a new Pontotoc County Detention Facility. Upon completion of the project, the assets will be reclassified as a capital asset and depreciated over the useful life of the asset.

PONTOTOC COUNTY PUBLIC FACILITIES AUTHORITY  
Ada, Oklahoma

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NOTES TO THE FINANCIAL STATEMENTS

June 30, 2009

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

5. Net Assets and Fund Balances – Government-wide fund net assets are divided into three components:

- *Invested in capital assets, net of related debt* – consist of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets.
- *Restricted net assets* – consist of net assets that are 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.
- *Governmental fund balances* are reported as "reserved" when the balances are not available for appropriation or expenditure or because they are legally segregated for a specific future use. The remaining balances are "unreserved" fund balances.

NOTE 2: REVENUE RESTRICTIONS

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 described in Note 4. 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 3: CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2009 was as follows:

	<u>Balance</u> <u>06/30/08</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>06/30/09</u>
Governmental Activities -				
Capital Assets Not Being Depreciated:				
Land	\$ 399,835	\$ 0	\$ 0	\$ 399,835
Construction in Progress	4,846,116	4,029,305	0	8,875,421
Total Capital Assets Not Being Depreciated	<u>5,245,951</u>	<u>4,029,305</u>	<u>0</u>	<u>9,275,256</u>
Capital Assets Being Depreciated:				
Buildings	549,599	0	0	549,599
Less Accumulated Depreciation for:				
Buildings	( 1,145)	( 13,739)	0	( 14,884)
Net Capital Assets Being Depreciated	548,454	( 13,739)	0	534,715
Governmental Capital Assets, Net	<u>\$ 5,794,405</u>	<u>\$ 4,015,566</u>	<u>\$ 0</u>	<u>\$ 9,809,971</u>

The Authority has work-in-progress on capital projects that has been recorded as construction in progress. When completed and put in service, it will be reclassified as a capital asset and depreciated over its estimated useful life.

PONTOTOC COUNTY PUBLIC FACILITIES AUTHORITY  
Ada, Oklahoma

(A Component Unit of Pontotoc County, Oklahoma)

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2009

NOTE 4: LONG-TERM DEBT ACTIVITY

**Note 1** – The Authority has issued a Sales Tax Revenue Note – Bank Qualified, dated April 19, 2007 in the amount of \$10,000,000, proceeds of which are to be used to finance the acquisition, construction, renovation, expansion and equipping of Phase I of certain capital improvement projects in Pontotoc County. The note bears an interest rate of 4.9% and payments are due in semi-annual installments through May 1, 2022.

Principal balance, June 30, 2009 \$ 9,392,477

**Note 2** – The Authority has issued a Sales Tax Revenue Note – Bank Qualified, dated April 18, 2008 in the amount of \$8,000,000, proceeds of which are to be used to finance the acquisition, construction, renovation, expansion and equipping of Phase II of certain capital improvement projects in Pontotoc County. The note bears an interest rate of 4.45% and payments are due in semi-annual installments through May 1, 2023.

Principal balance, June 30, 2009 \$ 7,757,153

**SUMMARY OF LONG-TERM DEBT ACTIVITY**

	<u>Balance</u> <u>06/30/08</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>06/30/09</u>	<u>Due In</u> <u>One Year</u>
Note 1	\$ 9,711,754	\$ 0	\$ 319,277	\$ 9,392,477	\$ 335,113
Note 2	<u>8,000,000</u>	<u>0</u>	<u>242,847</u>	<u>7,757,153</u>	<u>266,916</u>
<b>TOTAL</b>	<b><u>\$ 17,711,754</u></b>	<b><u>\$ 0</u></b>	<b><u>\$ 562,124</u></b>	<b><u>\$ 17,149,630</u></b>	<b><u>\$ 602,029</u></b>

Annual debt service requirements for these notes are as follows:

Year Ending <u>June 30,</u>	<u>Note 1</u>		<u>Note 2</u>		<u>Total</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2010	\$ 335,113	\$ 456,176	\$ 266,916	\$ 342,257	\$ 602,029	\$ 798,433
2011	351,735	439,554	278,926	330,247	630,661	769,801
2012	369,181	422,108	291,476	317,696	660,657	739,804
2013	387,493	403,797	304,591	304,581	692,084	708,378
2014	406,712	384,577	318,296	290,876	725,008	675,453
2015– 2019	2,356,929	1,599,518	1,819,639	1,226,224	4,176,568	2,825,742
2020– 2023	<u>5,185,314</u>	<u>660,245</u>	<u>4,477,309</u>	<u>663,424</u>	<u>9,662,623</u>	<u>1,323,669</u>
	<b><u>\$ 9,392,477</u></b>	<b><u>\$ 4,365,975</u></b>	<b><u>\$ 7,757,153</u></b>	<b><u>\$ 3,475,305</u></b>	<b><u>\$ 17,149,630</u></b>	<b><u>\$ 7,841,280</u></b>

PONTOTOC COUNTY PUBLIC FACILITIES AUTHORITY  
Ada, Oklahoma

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NOTES TO THE FINANCIAL STATEMENTS

June 30, 2009

NOTE 5: USE OF RESTRICTED RESOURCES

When an expense is incurred that can be paid using either restricted or unrestricted resources (net assets), the Authority's policy is to first apply the expense toward restricted resources and then toward unrestricted resources.

NOTE 6: ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 7: 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 8: SUBSEQUENT EVENTS

Date of Management Evaluation – Management of the Authority has evaluated subsequent events through November 20, 2012, which is the date the financial statements were available to be issued.

# Saunders & Associates, PLLC

*Certified Public Accountants*

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

Board of Directors  
Pontotoc County Public Facilities Authority  
Ada, Oklahoma

We have audited the financial statements of Pontotoc County Public Facilities Authority, a component unit of Pontotoc County, Oklahoma as of and for the year ended June 30, 2009, and have issued our report thereon dated November 20, 2012. 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 of America.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered Pontotoc County Public Facilities Authority, a component unit of Pontotoc County, Oklahoma's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Pontotoc County Public Facilities Authority, a component unit of Pontotoc County, Oklahoma's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Pontotoc County Public Facilities Authority, a component unit of Pontotoc County, Oklahoma's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Pontotoc County Public Facilities Authority, a component unit of Pontotoc County, Oklahoma's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of Pontotoc County Public Facilities Authority, a component unit of Pontotoc County, Oklahoma's financial statements that is more than inconsequential will not be prevented or detected by Pontotoc County Public Facilities Authority, a component unit of Pontotoc County, Oklahoma's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by Pontotoc County Public Facilities Authority, a component unit of Pontotoc County, Oklahoma's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Pontotoc County Public Facilities Authority, a component unit of Pontotoc County, Oklahoma'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*.

This report is intended solely for the information and use of management, federal awarding agencies and pass-through entities; and is not intended to be, and should not be, used by anyone other than these specified parties.

*Saunders & Associates, PLLC*  
SAUNDERS & ASSOCIATES, PLLC  
Certified Public Accountants

November 20, 2012

PONTOTOC COUNTY PUBLIC FACILITIES AUTHORITY  
Ada, Oklahoma

(A Component Unit of Pontotoc County, Oklahoma)

STATUS OF PRIOR AUDIT FINDINGS

June 30, 2009

None reported.

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

PONTOTOC COUNTY PUBLIC FACILITIES AUTHORITY  
Ada, Oklahoma

(A Component Unit of Pontotoc County, Oklahoma)

SCHEDULE OF FINDINGS AND RESPONSES

June 30, 2009

None reported.

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