

**PUBLIC HEALTH MANAGEMENT AUTHORITY
A COMPONENT UNIT OF LEFLORE COUNTY
POTEAU, OKLAHOMA**

**AUDITED FINANCIAL STATEMENTS AND NOTES
For Year Ended June 30, 2020**

**Audited By:
Robert St. Pierre, C.P.A., P.C.
Certified Public Accountant
1113 N. Second Street
Stilwell, Oklahoma 74960**

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INDEPENDENT

AUDITOR'S

REPORTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Public Health Management Authority

We have audited the accompanying modified cash basis financial statements of the business type activities of Public Health Management Authority of Leflore County, Oklahoma as of and for the year ended June 30, 2020, and the related notes to the 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 the modified cash basis of accounting as described in Note B this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express 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 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 Trust's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the business activities of Public Health Management Authority of Leflore County, Oklahoma, as of June 30, 2020, the respective changes in modified cash basis financial position and cash flows thereof for the year then ended in accordance with the modified cash basis of accounting described in Note B.

Basis of Accounting

We draw attention to Note B of the financial statements, which describe the basis of accounting. The financial statements are prepared in accordance with the modified cash basis of accounting which is a basis of accounting other than accounting principles generally accepted in the United State of America. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, I have also issued my report dated January 12, 2021, on my consideration of the Authority's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 in considering Public Health Management Authority's internal control over financial reporting and compliance.

Robert St. Pierre

Stilwell, OK 74960
January 12, 2021

FINANCIAL

SECTION

PUBLIC HEALTH MANAGEMENT AUTHORITY
A COMPONENT UNIT OF LEFLORE COUNTY, POTEAU, OKLAHOMA
STATEMENT OF NET POSITION - MODIFIED CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2020

ASSETS

CURRENT ASSETS

CASH	974,634
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FIXED ASSETS

CAPITAL ASSETS (Note 3)	3,305,979
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LESS: ACCUMULATED DEPRECIATION (Note 3)	(2,650,482)
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TOTAL FIXED ASSETS	655,497
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TOTAL ASSETS	1,630,131
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LIABILITIES & NET ASSETS

LIABILITIES

CURRENT PORTION OF LONG-TERM LEASES (Note 5)	98,337
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LONG TERM LEASES (Note 5)	238,215
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TOTAL LIABILITIES	336,552
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NET POSITION

INVESTED IN CAPITAL ASSETS	318,945
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UNRESTRICTED NET POSITION	974,634
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TOTAL NET POSITION	1,293,579
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TOTAL LIABILITIES AND NET POSITION	1,630,131
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PUBLIC HEALTH MANAGEMENT AUTHORITY
A COMPONENT UNIT OF LEFLORE COUNTY, POTEAU, OKLAHOMA
STATEMENT OF ACTIVITIES AND CHANGES IN NET POSITION - MODIFIED CASH BASIS
For the Year Ended June 30, 2020

OPERATING REVENUES	
WASTE MANAGEMENT COLLECTIONS	543,074
COUNTY SALES TAX	1,787,970
TOTAL OPERATING REVENUES	<u>2,331,044</u>
 OPERATING EXPENSES	
PERSONAL SERVICES	518,162
PAYROLL TAXES	161,109
CONTRACTED SERVICES	2,750
EMPLOYEE BENEFITS	272,342
INSURANCE	83,202
PROFESSIONAL FEES	6,433
LANDFILL FEES	547,217
MAINTENANCE & OPERATIONS	301,353
DEPRECIATION EXPENSE	164,381
TELEPHONE AND INTERNET	6,921
INTEREST	9,492
UTILITIES	15,466
TOTAL OPERATING EXPENSES	<u>2,088,828</u>
 OPERATING INCOME (LOSS)	 <u>242,216</u>
 OTHER REVENUES	
LAPSED APPROPRIATIONS	650
INTEREST INCOME	2,809
TOTAL OTHER REVENUES	<u>3,459</u>
 CHANGE IN NET POSITION	 <u>245,675</u>
 NET POSITION BEGINNING OF YEAR (RESTATED)	 <u>1,047,904</u>
 NET POSITION END OF YEAR	 <u><u>1,293,579</u></u>

PUBLIC HEALTH MANAGEMENT AUTHORITY
A COMPONENT UNIT OF LEFLORE COUNTY, POTEAU, OKLAHOMA
STATEMENT OF CASH FLOWS - MODIFIED CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2020

CASH FLOWS FROM OPERATING ACTIVITIES	
CASH RECEIVED FROM SALES TAX COLLECTIONS	1,787,970
CASH RECEIVED FROM WASTE MANAGEMENT COLLECTIONS	543,074
CASH RECEIVED FROM REIMBURSEMENTS	-
CASH RECEIVED FOR RENTALS AND OTHER	650
CASH PAID FOR PERSONAL SERVICES	(679,272)
CASH PAID FOR MAINTENANCE AND OPERATIONS	(1,245,176)
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>407,246</u>
 CASH FLOWS FROM INVESTING ACTIVITIES	
PURCHASE OF VEHICLES AND EQUIPMENT	(491,115)
INTEREST EARNINGS	2,809
NET CASH FLOWS FROM INVESTING ACTIVITIES	<u>(488,306)</u>
 NET CASH FLOWS FROM FINANCING ACTIVITIES	
NET CASH FLOWS FROM FINANCING ACTIVITIES	<u>220,140</u>
 NET INCREASE (DECREASE IN CASH AND CASH EQUIVALENTS)	 <u>139,080</u>
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	<u>835,554</u>
CASH AND CASH EQUIVALENTS, END OF PERIOD	<u><u>974,634</u></u>
 RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
OPERATING INCOME (LOSS)	242,865
ADD DEPRECIATION EXPENSE	164,381
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u><u>407,246</u></u>

FINANCIAL

STATEMENT

NOTES

PUBLIC HEALTH MANAGEMENT AUTHORITY
FINANCIAL STATEMENT NOTES
June 30, 2020

1. **Summary of Significant Accounting Policies**

A. REPORTING ENTITY

The Public Health Management Authority, a component unit of LeFlore County, Poteau, Oklahoma, (the “Trust Authority”) was created on the 8th day of April 1991. The purpose of the trust (1) To acquire, construct, reconstruct, extend, improve, lease, purchase, install, equip, maintain, repair, enlarge, remodel and operate any property, utilities, buildings, improvements, equipment and other facilities of every nature for use by the United States of America, the State of Oklahoma, municipalities, school districts, counties, (including the Beneficiary), or other political subdivisions of the United States of Oklahoma, or agencies or authorities of the foregoing for use as collections centers, maintenance centers, administration facilities, green box sites, transfer stations, recycling centers, or other facilities concerned with the management and proper disposal of solid waste in LeFlore County, Oklahoma. (2) To promote the healthful proper management and disposal of solid waste within and without the territorial limits of the state of Oklahoma, specifically LeFlore County.

This public trust is created for public charitable purposes as such term is contemplated by the Internal Revenue Code of 1954, Section 501 (C) (3), as amended or supplemented, and the Internal Revenue Ruling 56-185. This public trust is not organized for private profit and no part of the net earnings, receipts, gains, profits or other income shall insure to the benefit of any trustee, individual or private person or entity, but shall be used exclusively in fulfilling charitable religious or educational trust purpose.

On February 9, 1993, the qualified electors of Leflore County, Oklahoma, approved said County levying an additional excise tax of one-half of one percent (0.5%) upon gross receipts derived from all sales within said County.

In evaluating how to define the Trust Authority for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria established by Governmental Accounting Standards Board (GASB). The basic – but not the only – criterion for including a potential component entity is the governing body’s ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity

B. BASIS OF PRESENTATION

The financial statements of the Trust Authority, a separate legal component unit of LeFlore County, Poteau, Oklahoma (the primary government), were prepared in accordance with accounting principles of a comprehensive basis of accounting (OCBOA).

The basic financial statements of the Trust Authority have been prepared on the modified cash basis, which is a comprehensive basis of accounting (OCBOA) other than accounting principles generally accepted in the United States of America.

The Trust Authority's basic financial statements consist of a statement of net position, a statement of activities and changes in net position, and a statement of cash flows. Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. The financial statements are prepared using the modified cash basis of accounting.

The Trust's financial statements are prepared using the modified cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the Trust's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred. Any such modifications made by the Trust are described in the appropriate section in this note.

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) 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.

1. **Summary of Significant Accounting Policies - contd.**

C. ASSETS, LIABILITIES, AND FUND EQUITY

CASH AND CASH EQUIVALENTS - For the purpose of financial reporting, "cash and cash equivalents" includes all demand and savings accounts and certificates of deposit or short-term investments with an original maturity of three months or less.

The County Treasurer is the custodian for the Trust's cash and investments. The County's cash and investment pool holds the Trust's cash and investments, which are reported at the County Treasurer's carrying amount. Deposits and investments disclosures for the County as a whole may be obtained from the LeFlore County Treasurer's office, located at 100 S. Broadway St, Poteau, OK 74953.

RESTRICTED ASSETS - Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments, or are imposed by law through constitutional provisions or enabling legislation.

INVENTORY AND PREPAID ITEMS - The Trust reports disbursements for inventory and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

INVESTMENTS - Investments are carried at fair market value.

CAPITAL ASSETS - The Trust Authority's modified cash basis of accounting reports capital assets resulting from cash transactions and reports depreciation when appropriate. The accounting treatment over property, plant, and equipment (capital assets) recognizes the assets over their useful lives using the straight-line method of depreciation. A capitalization threshold of \$10,000 is used to report capital assets.

The Trust reports Capital Assets at cost value. All capital assets are depreciated except for land and construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure were based on the Trust's historical records of necessary improvements and replacement. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Activites Estimated Lives</u>
Buildings	40 Years
Building Improvements	40 Years
Furniture & Equipment	7 Years
Vehicles	5 Years

INTERFUND RECEIVABLES AND PAYABLES - The Trust reports advances-in and advances-out for interfund loans. These items are not reflected as assets and liabilities in the accompanying financial statements.

ACCUMULATED LEAVE - In certain circumstances, such as upon leaving employment or retirement, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Trust's modified cash basis of accounting.

EMPLOYER CONTRIBUTIONS TO PENSION PLANS - The Trust recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. The employer contributions include portions for pension benefits and for other postemployment benefits (OPERS). The Trust contributes 16% of gross pay of all full time employees and the employees are required to contribute 4%.

LONG-TERM LEASES - All long-term debt arising from cash basis transactions to be repaid from business-type resources is reported as liabilities in financial statements and separated between the long-term debt due within one year (current portion) and long-term debt due in more than one year.

NET POSITION

Net Position is classified as net assets and displayed in three components:

- a. Invested in capital assets, net of related debt – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.
- b. Restricted net assets - Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets - All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

2. Deposits and Investments

The Leflore County Treasurer is custodian for the Trust’s deposits. The County’s deposit and investment pool holds the Trust’s assets, valued at the Treasurer’s reported carrying amount.

3. Capital Assets

Capital asset activity, resulting from modified cash basis transactions, for the fiscal year ended June 30, 2020 was as follows:

<i>Business-type activities:</i>	Balance at <u>7/1/2019</u>	<u>Additions</u>	<u>Retirements</u>	Balance at <u>6/30/2020</u>
Capital assets -				
Vehicles	\$ 1,706,261	10,631	-	1,716,892
Building	-	-	-	-
Equipment	1,082,394	506,692	-	1,589,086
Total capital assets	<u>2,788,655</u>	<u>517,323</u>	<u>-</u>	<u>3,305,978</u>
Less accumulated depreciation for -				
Vehicles (5 years, S/L)	(1,488,253)	(87,246)	-	(1,575,499)
Building (40 years, S/L)	-	-	-	-
Equipment (7 years, S/L)	<u>(997,848)</u>	<u>(77,135)</u>	<u>-</u>	<u>(1,074,983)</u>
Total accumulated depreciation	<u>(2,486,101)</u>	<u>(164,381)</u>	<u>-</u>	<u>(2,650,482)</u>
Capital assets, net	<u>\$ 302,554</u>	<u>352,942</u>	<u>-</u>	<u>655,496</u>

4. Deposits and Investments

The Trust Authority's cash deposits, including interest-bearing certificates of deposit, are entirely covered by Federal Depository Insurance (FDIC) or direct obligation of the U.S. Government insured or collateralized with securities held by the Trust Authority or by its agent in the Trust Authority's name.

5. Long-term Debt

The Trust has two long-term debt items in the form of a capital lease purchase agreement. Both are for Mack Truck's and lease payments are made monthly. One in the amount of \$5,647.68 and other in the amount of \$3,240.86. Below are the breakdowns of principal and interest due, respectively:

Year ending June 30	Principal	Interest	Total
2021	62,789	4,983	67,772
2022	64,530	3,242	67,772
2023	66,319	1,454	67,773
2024	16,865	78	16,943
Total	<u>\$ 210,503</u>	<u>\$ 9,757</u>	<u>\$ 220,260</u>

Year ending June 30	Principal	Interest	Total
2021	35,548	3,342	38,890
2022	36,645	2,246	38,891
2023	37,775	1,115	38,890
2024	16,081	123	16,204
2025	-	-	-
Total	<u>\$ 126,049</u>	<u>\$ 6,826</u>	<u>\$ 132,875</u>

6. Compensated Absences

The Trust Authority provides vacation and sick leave benefits in accordance with Title 70 of the Oklahoma Statutes, Article 6-104, which provides for annual sick leave and personal business days. Trust Authority policy allows certified employees to accumulate such days to a maximum number of days. None of the benefits are payable upon retirement or death. In accordance with the provision of Statement of Financial Accounting Standards Number 43, Accounting for Compensated Absences, no liability is recorded for non-vesting accumulating rights to receive sick pay benefits. The trust has not recorded the total outstanding balances for compensated absences in accordance with the modified cash basis of accounting.

7. **Employee Retirement System and Plan**

Plan Description

The Trust Authority participates in the state-administered Oklahoma Public Employees Retirement Plan, which is a cost-sharing, multiple-employer defined benefit pension plan, administered by the Oklahoma Public Employees Retirement System (OPERS). Benefit provisions are established and amended by the Oklahoma Legislature. The Plan provides retirement, disability, and death benefits to Plan members and beneficiaries. Title 74 Sections 901 through 943, as amended, establishes the provisions of the Plan. OPERS issues a publicly available financial report that includes financial statements and supplementary information. That report may be obtained by writing OPERS, P.O. Box 53007, Oklahoma City, Oklahoma 73105 or by calling 1-800-733-9008

Funding Policy

The contribution rates for each member category are established by the Oklahoma Legislature and are based on an actuarial calculation, which is performed to determine the adequacy of contribution rates. Trust Authority employees are required to contribute between 3.5% and 8.5% of earned compensation. The Trust Authority contributed 16% of earned compensation in 2020. The Trust Authority's total contributions for 2020, were \$115,762.56.

8. **Risk Management**

The Trust Authority is exposed to various risks of loss related to torts: theft of, damage to and destruction of assets; errors and omissions; injuries to employees; or acts of God. The Trust Authority purchases commercial insurance to cover these risks, including general and auto liability, property damage, and public officials' liability. Settled claims resulting from these risks have not exceeded the commercial insurance coverage in any of the past three fiscal years.

9. **Commitments and Contingencies**

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. These programs are subject to financial and compliance audits by the grantors or their representatives. Such audits could lead to requests for reimbursement to the grantor agency for expenditures disallowed under terms of the grant. The amount for expenditures that may be disallowed by the granting agencies cannot be determined at this time although it is believed by the Trust Authority that the amount, if any, would not be significant.

10. **Subsequent Events**

The Trust has evaluated subsequent events through January 12, 2021, the date which the financial statements were available.

11. Net Assets Restated

Due to a change in policy and previous errors left uncorrected, the net position was restated by 714,255.

The following are details of what was changed:

- a. The debt beginning balance was \$178,898.49
- b. The stale encumbrances on the books in the amount of \$71,885.50 were removed.
- c. The vehicles and equipment associated with the trust not booked in previous years were in the amount of \$463,470.90 (net of accumulated depreciation).

SUPPLEMENTARY

INFORMATION

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

To the Board of Trustees
Public Health Management Authority
Poteau, 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 financial statements of Public Health Management Authority (a component unit of Leflore County, Oklahoma) which comprise the statement of financial position-modified cash basis as of June 30, 2020, and the respective changes in modified cash basis financial statements, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 12, 2021. Our report included an explanatory paragraph that stated that management had not presented the management's discussion and analysis or the budgetary comparison information to supplement the financial statements. There was also a paragraph highlighting the fact that modified cash basis of accounting is being used to prepare the financial statements.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Public Health Management Authority 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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Public Health Management Authority internal control. Accordingly, we do not express an opinion on the effectiveness of Public Health Management 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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 may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Public Health Management Authority 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.

Robert St. Pierre

Robert St. Pierre, C.P.A., P.C.
January 12, 2021