

AUDIT REPORT

POTTAWATOMIE COUNTY DEVELOPMENT AUTHORITY  
SHAWNEE, OKLAHOMA

SEPTEMBER 30, 2021

April Adams CPA PLLC

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POTTAWATOMIE COUNTY DEVELOPMENT AUTHORITY  
SEPTEMBER 30, 2021

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POTTAWATOMIE COUNTY DEVELOPMENT AUTHORITY  
SHAWNEE, OKLAHOMA  
SEPTEMBER 30, 2021

BOARD OF TRUSTEES

<u>NAME</u>	<u>POSITION</u>
KEITH MITCHELL	CHAIRMAN
JIMMY STOKES	VICE-CHAIRMAN
CURTIS STANFORD	SECRETARY/TREASURER
MIKE HILL	TRUSTEE
TONY CARLILE	TRUSTEE
BRAD SCHMIDT	TRUSTEE
VERNON WELLMAN	TRUSTEE

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees  
Pottawatomie County Development Authority  
Shawnee, Oklahoma

### *Report on the Financial Statements*

I have audited the accompanying financial statements of Pottawatomie County Development Authority, as of and for the fiscal year ended September 30, 2021, as listed in the table of contents and the related notes to the financial statements.

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

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

### *Auditor's Responsibility*

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

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

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

## *Basis for Qualified Opinion*

As discussed in Note 13, the Authority was significantly overcharged for water purchases in fiscal year 2019. Discrepancies between the City of Shawnee (water supplier) and the Authority's water readings were discovered. The Chairman is working out details for how the overpayment will be reimbursed. This figure should be included as an account receivable in the financial statements, but the amount has not yet been determined. The amount by which this departure would affect the assets, net position, revenues and expenses of the Authority is not readily determinable.

## *Qualified Opinion*

In my opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Pottawatomie County Development Authority as of September 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

## *Other Matters*

### *Required Supplementary Information*

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. My opinion on the basic financial statements is not affected by this missing information.

### *Supplementary and Other Information*

The introductory section listed in the accompanying table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements of the Authority. Such additional information has not been subjected to the auditing procedures applied in my

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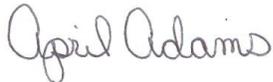
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audit of the basic financial statements, and accordingly, I do not express an opinion or provide any assurance on it.

## *Other Reporting Required by Government Auditing Standards*

In accordance with *Government Auditing Standards*, I have also issued my report dated March 8, 2022, on my consideration of the Pottawatomie County Development Authority's internal control over financial reporting and my 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 my 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 Pottawatomie County Development 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 Pottawatomie County Development Authority's internal control over financial reporting and compliance.



April Adams CPA PLLC  
Ponca City, Oklahoma

March 8, 2022

**POTTAWATOMIE COUNTY DEVELOPMENT AUTHORITY  
STATEMENT OF NET POSITION  
SEPTEMBER 30, 2021**

	<u>September 30, 2021</u>
<b><u>ASSETS</u></b>	
<b><u>Current Assets:</u></b>	
Cash	\$ 789,191
Accounts Receivable	70,983
Prepaid Insurance	<u>17,674</u>
<b>Total Current Assets</b>	<b><u>877,848</u></b>
<b><u>Capital Assets:</u></b>	
Property, Plant and Equipment	19,834,163
Less: Accumulated Depreciation	<u>(4,053,035)</u>
<b>Net Capital Assets</b>	<b><u>15,781,129</u></b>
<b>TOTAL ASSETS</b>	<b><u>16,658,977</u></b>
<b><u>LIABILITIES</u></b>	
<b><u>Current Liabilities:</u></b>	
Accounts Payable - Trade	20,872
Payroll Liabilities Payable	879
Current Portion of Long-Term Debt	<u>25,088</u>
<b>Total Current Liabilities</b>	<b><u>46,839</u></b>
<b><u>Long-Term Liabilities:</u></b>	
Note Payable - OWRB	76,989
Less: Current Portion of Long-Term Debt	<u>(25,088)</u>
<b>Total Long-Term Liabilities</b>	<b><u>51,901</u></b>
<b>TOTAL LIABILITIES</b>	<b><u>98,740</u></b>
<b><u>NET POSITION</u></b>	
Net investment in capital assets	15,704,140
Restricted for debt service	-
Unrestricted	<u>856,097</u>
<b>TOTAL NET POSITION</b>	<b><u>\$ 16,560,237</u></b>

See Accountant's Audit Report & Notes Which Accompany These Financial Statements

**POTTAWATOMIE COUNTY DEVELOPMENT AUTHORITY  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN NET POSITION  
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

	<u>September 30, 2021</u>
<b><u>OPERATING REVENUES:</u></b>	
Water Sales and Late Charges	<u>\$ 688,027</u>
<b>TOTAL OPERATING REVENUES</b>	<u>688,027</u>
<b><u>OPERATING EXPENSES:</u></b>	
Water Purchases	186,625
Salaries, Payroll Taxes & Benefits	90,624
Insurance	26,543
Professional Fees	10,200
Repairs & Maintenance	58,575
Office Supplies	4,364
Lab Fees	153
Postage	6,478
Utilities and Telephone	12,432
Computer and Internet	6,224
Truck Expenses	3,465
Miscellaneous Expenses	12,036
Depreciation	<u>71,688</u>
<b>TOTAL OPERATING EXPENSES</b>	<u>489,405</u>
<b>OPERATING INCOME (LOSS)</b>	<u>198,622</u>
<b><u>NON-OPERATING REVENUES (EXPENSES):</u></b>	
Interest Income	1,297
Other Non-operating Income	7,855
Rental Income	42,778
Depreciation of Reservoir	(90,630)
Lake Expenses	(58,116)
Rental Expenses	(17,363)
Interest Expense	<u>(479)</u>
<b>TOTAL NON-OPERATING REVENUES (EXPENSES)</b>	<u>(114,659)</u>
<b>CHANGE IN NET POSITION</b>	<b>83,963</b>
<b>TOTAL NET POSITION, Beginning of Year</b>	<u>16,476,274</u>
<b>TOTAL NET POSITION, End of Year</b>	<u><u>\$ 16,560,237</u></u>

See Accountant's Audit Report & Notes Which Accompany These Financial Statements

**POTTAWATOMIE COUNTY DEVELOPMENT AUTHORITY  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

	<u>September 30, 2021</u>
<b><u>Cash Flows from Operating Activities:</u></b>	
Receipts from Customers	\$ 693,757
Payments to Suppliers for Goods & Services	(324,979)
Payments to Employees & Laborers	(90,624)
Net Cash Provided (Used) by Operating Activities	<u>278,154</u>
<b><u>Cash Flows from Capital &amp; Related Financing Activities:</u></b>	
Additions to Capital Assets	(30,298)
Insurance Proceeds & other income	7,855
Principal paid on Debt	(24,979)
Interest paid on Debt	(479)
Net Cash Provided (Used) by Capital & Related Financing Activities	<u>(47,901)</u>
<b><u>Cash Flows from Investing Activities:</u></b>	
Net Rents	25,414
Lake Expenses	(58,116)
Interest Income	1,297
Net Cash Provided (Used) by Investing Activities	<u>(31,404)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	198,848
Cash & Cash Equivalents, Beginning of Year	590,342
Cash & Cash Equivalents, Prior Year Adjustment	-
Cash & Cash Equivalents, End of Year	<u>\$ 789,191</u>
<b><u>Reconciliation of operating income (loss) to net cash provided</u></b>	
<b><u>operating activities:</u></b>	
Operating Income (Loss)	\$ 198,622
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities	
Depreciation	71,688
(Increase)Decrease in Accounts Receivable	5,730
(Increase)Decrease in Prepaid Insurance	1,020
Increase(Decrease) in Accounts Payable	2,980
Increase(Decrease) in Payroll Liabilities Payable	(1,885)
Net Cash Provided (Used) by Operating Activities	<u>\$ 278,154</u>

POTTAWATOMIE COUNTY DEVELOPMENT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Pottawatomie County Development Authority (PCDA) was created as a public trust by a Trust Indenture enacted on September 23, 1974, under the provisions of Title 60, Oklahoma Statutes 1991, Section 176 to 180.3 of the Oklahoma Trust Act. The Authority was created to provide various services, studies, and capital improvements that will best accord with the geographic and economic population and other factors influencing the needs and development of local communities and the beneficiary. Currently, the services provided are the water systems in Bethel and Macomb, Oklahoma. The Authority discontinued operating the Wes Watkins Reservoir (WWR) and recreational facilities.

Basis of Accounting

The accrual basis of accounting is followed for all accounts. Revenues are recorded when earned and expenses are recognized when incurred. This policy is in accordance with generally accepted accounting principles.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Financial Position

Cash and Cash Equivalents

For the purposes of the statement of cash flows, PCDA considers all highly liquid debt instruments purchased with maturity of three months or less, which are not restricted to use, to be cash and cash equivalents.

Capital Assets

Capital assets are valued at cost and are depreciated over their estimated useful lives on a straight-line basis. Lease property under capital lease is valued at the present value of the future minimum lease payments, and amortized on a straight-line basis

POTTAWATOMIE COUNTY DEVELOPMENT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2021

over the lease term. Major improvements and betterments in excess of \$500.00 are capitalized, while normal maintenance and repairs are expensed. The estimated useful lives range from 4 to 40 years.

Long-Term Debt

Long-term debt is reported at face value, net of applicable discounts and deferred loss on refunding.

Equity Classification

Equity is classified as net position and displayed in three components:

1. Net investment in capital assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets and adjusted for any deferred inflows and outflows of resources attributable to capital assets and related debt.
2. Restricted – Consists of restricted assets reduced by liabilities and deferred inflows or resources related to those assets, with restriction constraints placed on the use either by (a) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (b) law through constitutional provisions or enabling legislation.
3. Unrestricted - Net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

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

Revenues, expenditures & expenses

Operating revenues and expenses for proprietary funds result from providing services and producing and delivering goods and/or services.

POTTAWATOMIE COUNTY DEVELOPMENT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2021

They also include all revenues and expenses not related to capital and related financing, noncapital financing, or investing activities.

Governmental Accounting Standards Board Statement No. 34

In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments. Certain of the significant changes in the Statement include the following:

1. For the first time the financial statement should include:
  - a. A Management Discussion and Analysis (MD&A) section providing analysis of the Authority's overall financial position and results of operations. However, the Authority has chosen not to present the required MD&A for the current year.
  - b. Financial statements prepared using full accrual accounting for all of the Authority's activities, except for including the General capital assets or infrastructure (lines, pump stations, etc.).
2. A change in the fund financial statements to focus on major funds.

These and other changes are reflected in the accompanying financial statements (including the notes to the financial statements). The Authority has elected to implement the general provisions of the Statement and report infrastructure acquired after December 31, 2003 as provided by GASB standards.

Income Tax

PCDA is a public trust, and as such, is exempt from Federal and State of Oklahoma income taxes.

Marketable Equity Securities

Marketable equity securities are valued at the lower of aggregate costs or market.

POTTAWATOMIE COUNTY DEVELOPMENT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2021

NOTE 2 - CASH AND INVESTMENTS

Custodial Credit Risk

At September 30, 2021, the Authority held deposits of approximately \$789,191 at financial institutions. The Authority's cash deposits, including interest-bearing certificates of deposit were not all covered by Federal Depository Insurance (FDIC) or direct obligation of the U.S. Government insured or collateralized with securities held by the Authority or by its agent in the Authority's name. Therefore, the Authority was not exposed to custodial credit risk as defined above.

Investment Interest Rate Risk

The Authority does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Investment Credit Risk

The Authority has no policy that limits its investment choices other than the limitation of state law as follows:

- a. Direct obligations of the U.S. Government, its agencies and instrumentalities to which the full faith and credit of the U.S. Government is pledged, or obligations to the payment of which the full faith and credit of the State is pledged.
- b. Certificates of deposits or savings accounts that are either insured or secured with acceptable collateral with in-state financial institutions, and fully insured certificates of deposit or savings accounts in out-of-state financial institutions.
- c. With certain limitation, negotiable certificates of deposit, prime bankers' acceptances, prime commercial paper and repurchase agreements with certain limitations.
- d. County, municipal or school district tax supported debt obligations, bond or revenue anticipation notes, money judgments, or bond or revenue anticipation notes of public trusts whose beneficiary is a county, municipality or school district.
- e. Notes or bonds secured by mortgage or trust deed insured by the Federal Housing Administrator and debentures issued by the Federal Housing Administrator, and in obligations of the National Mortgage Association.

POTTAWATOMIE COUNTY DEVELOPMENT AUTHORITY  
 NOTES TO FINANCIAL STATEMENTS  
 SEPTEMBER 30, 2021

- f. Money market funds regulated by the SEC and in which investments consist of the investments mentioned in the previous paragraphs (a.-d.).

NOTE 3 - RESTRICTED ASSETS

The loan agreement with OWRB does not have a reserve requirement.

NOTE 4 - CAPITAL ASSETS

Capital asset activity, for the fiscal year ended September 30, 2021, was as follows:

	9/30/20 Balance	Additions	Deductions	9/30/21 Balance
Capital assets not being depreciated:				
Construction in Progress	\$ -	\$ -	\$ -	\$ -
Total capital assets not being depreciated	-	-	-	-
Other capital assets:				
Water System:				
Water line	2,387,993	13,381	-	2,401,374
Building	91,509	-	-	91,509
O&M Equipment	9,100	3,735	-	12,835
Lake and Recreational Facility:				
Buildings	890,746	13,182	-	903,928
Equipment	149,321	-	-	149,321
Furniture & Fixtures	102,714	-	-	102,714
Lake and Recreational Facility	16,172,482	-	-	16,172,482
Total other capital assets at historical cost	19,803,866	30,298	-	19,834,163
Less accumulated depreciation for:				
Water System:				
Water line	(1,852,900)	(65,808)	-	(1,918,708)
Building	(40,874)	(4,132)	-	(45,007)
O&M Equipment	(8,600)	(1,747)	-	(10,347)
Lake and Recreational Facility:				
Buildings	(414,481)	(22,433)	-	(436,915)
Equipment	(142,250)	(1,571)	-	(143,821)
Furniture & Fixtures	(102,714)	-	-	(102,714)
Lake and Recreational Facility	(1,328,898)	(66,625)	-	(1,395,524)
Total accumulated depreciation	(3,890,717)	(162,318)	-	(4,053,035)
Other capital assets, net	15,913,149	(132,020)	-	15,781,129
Total capital assets, net	\$ 15,913,149	\$ (132,020)	\$ -	\$ 15,781,129

NOTE 5 - LONG-TERM DEBT

The Authority has a loan numbered ORF-04-0005-DW with the Oklahoma Water Resources Board, payable in semi-annual installments, at 3.000% interest with an administrative fee of 0.5%. The maturity date is

POTTAWATOMIE COUNTY DEVELOPMENT AUTHORITY  
 NOTES TO FINANCIAL STATEMENTS  
 SEPTEMBER 30, 2021

March 15, 2025. The water system and its gross revenues serve as collateral.

Changes in Long-Term Debt

The following is a summary of changes in long-term debt for the year ended September 30, 2021:

	Balance at September 30, 2020	Additions	Deductions	Balance at September 30, 2021
Note Payable - OWRB	\$ 101,968.18	\$ -	\$ (24,979.42)	\$ 76,988.76
Total Long-Term Debt	<u>\$ 101,968.18</u>	<u>\$ -</u>	<u>\$ (24,979.42)</u>	<u>\$ 76,988.76</u>

Debt Services Requirements to Maturity

The annual debt service requirements to maturity, including principal and administrative fees, for long-term debt, as of September 30, 2021, are as follows:

Note Payable - OWRB:

Year Ending September 30,	Principal	Admin. Fees	Total
2022	\$ 25,088	\$ 354	\$ 25,442
2023	25,201	228	25,429
2024	25,317	102	25,419
2025	1,383	3	1,386
2026	-	-	-
Total	<u>\$ 76,989</u>	<u>\$ 687</u>	<u>\$ 77,676</u>

NOTE 6 - CONTINGENCIES

Litigation

According to management and legal counsel, there were no known contingent liabilities at September 30, 2021, which would have a material effect on the financial statements.

Federally Assisted Programs

In the normal course of operations, the Authority participates in various federal or state/loan programs from year to year. The grant/loan programs are often subject to additional audits by agents of the granting or loaning agency, the purpose of which is to ensure compliance with the specific conditions of the grant or loan. Any liability of reimbursement that may arise as a result of these audits

POTTAWATOMIE COUNTY DEVELOPMENT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2021

cannot be reasonably determined at this time, although it is believed the amount, if any, would not be material.

NOTE 7 - WATER PURCHASE AGREEMENT

The Authority entered into long-term water purchase agreements with the Shawnee Municipal Authority and the Tecumseh Utility Authority. These agreements provide that the Authority will deliver to the Shawnee Municipal Authority and the Tecumseh Utility Authority 85% and 15%, respectively, of the water collected and available for sale in the Wes Watkins Reservoir.

NOTE 8 - RETIREMENT PLAN

The Authority provides a retirement plan for full-time employees after the employee has served with the Authority for one full year. The amount of the contribution is equal to 10% of the employee's annual salary on a monthly basis and is contributed to a Simple IRA with Focus Financial. As of September 30, 2021, the Authority was making contributions for three full-time employees and the total contribution for 2021 was \$11,420.10.

NOTE 9 - SUBSEQUENT EVENTS

The Authority did not have any subsequent events through March 8, 2022, which is the date the financial statements were issued, for events requiring recording or disclosure in the financial statements for the year ending September 30, 2021.

NOTE 10 - WATER PURCHASES RECEIVABLE

The Authority was significantly overcharged for water purchases in fiscal year 2019. Discrepancies between the City of Shawnee/Shawnee Municipal Authority (water supplier) and the Authority's water readings were discovered. The former Chairman was working out details for how this amount would be reimbursed, whether as a flat check or taken off of current monthly bills. However, the previous chairman is no longer involved with the District and no action is currently taking place to resolve the matter. At this time, no attorneys have been involved in negotiating the resolution. This amount should be included as an account receivable in the financial statements, but the amount has not yet been determined.

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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*

To the Board of Trustees  
Pottawatomie County Development Authority  
Shawnee, Oklahoma

I 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 the Pottawatomie County Development Authority, as of and for the year ended September 30, 2021, and the related notes to the financial statements, and have issued my report thereon dated March 8, 2022, which was qualified for the unrecorded account receivable. Management has omitted the MD&A required by accounting principles generally accepted in the United States of America.

### Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered the Pottawatomie County Development Authority'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 my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Pottawatomie County Development Authority's internal control. Accordingly, I do not express an opinion on the effectiveness of Pottawatomie County Development Authority's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. I did identify certain

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deficiencies in internal control described in the accompanying Schedule of Findings as Item 21-01 that I consider to be significant deficiencies.

## Compliance and Other Matters

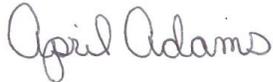
As part of obtaining reasonable assurance about whether the Pottawatomie County Development Authority's financial statements are free of material misstatement, I performed tests of compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could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

## Pottawatomie County Development Authority's Response to Findings

Pottawatomie County Development Authority's response to the findings identified in my audit is described in the accompanying Schedule of Findings. Pottawatomie County Development Authority's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on it.

## Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the 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.



April Adams CPA PLLC  
Ponca City, Oklahoma

March 8, 2022

POTTAWATOMIE COUNTY DEVELOPMENT AUTHORITY  
SCHEDULE OF FINDINGS  
SEPTEMBER 30, 2021

Item 21-01: UNINSURED & UNCOLLATERALIZED DEPOSITS

Criteria: To protect public monies from potential loss, Oklahoma Statutes require that local governments, such as the Authority, before depositing in excess of the federally insured amount (FDIC coverage of \$250,000.00), secure collateral pledges to cover the amount of the deposits. Further, U.S. generally accepted accounting principles (GAAP) requires the Authority to disclose the amount of its bank balance that is uninsured and uncollateralized at the end of the period.

Condition: During the fiscal year, the Authority's deposits with BancFirst continued to grow significantly. As a result, \$24,294.48 of the Authority's bank balance was uninsured and uncollateralized at September 30, 2021.

Cause/Effect: Collateral was not pledged by the servicing bank. Cash deposits exceeding the Federal Deposit Insurance Corporation coverage of \$250,000 are at risk of being lost if the bank becomes insolvent. No loss of public monies resulted from these uninsured and uncollateralized deposits.

Recommendation: To help protect public monies from potential loss and to comply with state statutes, the Authority must ensure that all deposits not covered by federal depository insurance are collateralized in accordance Oklahoma Statutes.

Response: BancFirst's primary way of securing the Authority's funds is through their Sweep account that invests the money in US Treasuries. However, the remaining balances in the other accounts exceeded FDIC coverage. The Authority and BancFirst are now aware of the problem and are correcting the situation.