Rogers County Finance Authority

Rogers County, Oklahoma

Basic Financial Statements
June 30, 2013

TURNER & ASSOCIATES, PLC
Certified Public Accountants
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Rogers County Finance Authority
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TURNER & ASSOCIATES, PLC
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Rogers County Finance Authority

Report on the Financial Statements

We have audited the accompanying financial statements of the Rogers County Finance Authority, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. 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 opinions.

As discussed in Note I, the financial statements present only the Rogers County Finance Authority and do not purport to, and do not present fairly the financial position of the County of Rogers, Oklahoma, as of June 30, 2013, and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the special revenue fund activities of the Rogers County Finance Authority, as of June 30, 2013, in accordance 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 and budgetary comparison information 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. Our opinion on the basic financial statements is not affected by this missing information.

Turner & Associates, PLC

Vinita, Oklahoma
February 17, 2017

TURNER
& ASSOCIATES, PLC
Certified Public Accountants

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
Rogers County Finance Authority

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the special revenue fund of the Rogers County Finance Authority, County of Rogers, Oklahoma, as of and for the year ended June 30, 2013, and the related notes to the financial statements which collectively comprise the Rogers County Finance Authority's financial statements, and have issued our report thereon dated February 17, 2017. The Rogers County Finance Authority did not present the Management's Discussion and Analysis and Budgetary Comparison Schedule that accounting principles generally accepted in the United States of America require to supplement, although not to be part of, the basic financial statements.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Rogers County Finance Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Rogers County Finance Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of Rogers County Finance 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 charges with governance.

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

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Rogers County Finance Authority'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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2013-1 and 2013-2.

Rogers County Finance Authority Response to Findings

The Rogers County Finance Authority's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The Rogers County Finance Authority's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 Authority'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 Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Turner & Associates, PLC

Vinita, Oklahoma
February 17, 2017

Rogers County Finance Authority
Schedule of Findings and Responses
June 30, 2013

2013-1 Late Completion of Annual Audit

Criteria:
Requirements of the Bond Indenture for the 2012 Series Sales Tax Revenue Bonds issued on behalf of the Rogers County Finance Authority require an annual audit of its operations for the preceding fiscal year prepared by a Certified Public Accountant within 120 days following the close of its fiscal year.

Condition:
The 2013 annual audit was required 120 days after June 30, 2013 but was not completed until the date of this report, February 17, 2017.

Effect:
If the Authority does not follow the required bond covenants, the Authority risks consequences that may arise from a breach of contract with the bank and/or bond holders.

Cause:
The Authority did not find and engage an independent auditor in time to complete the annual audit by the required due date.

Recommendation:
The Authority should meet and plan in advance for each annual audit.

Response:
No response.

2013-2 Budget Requirement

Criteria:
Oklahoma statute 60 O.S § 175 requires public trusts to file annually with their respective beneficiaries, copies of financial documents and reports sufficient to demonstrate the fiscal activity of such trust, including, but not limited to, budgets, financial reports, bond indentures, and audits.

Condition:
The Authority did not create a budget for the year ended June 30, 2013.

Effect:
Without an annual budget the Authority and Rogers County, the beneficiary, do not have all of the information necessary to monitor the financial management of the Authority.

Cause:
The Authority was not aware of the requirement to create a budget.

Recommendation:
The Authority should create a budget at least once a year.

Response:
No response.

Rogers County Finance Authority
Statement of Net Position
June 30, 2013

ASSETS		
Current Assets		
Cash and Cash Equivalents, Restricted	$	1,357,971.17
Due from Other Governments		457,500.00
Accrued Interest Receivable		4,582.81
Total Current Assets		1,820,053.98
Noncurrent Assets		
Due from Other Governments		31,498,125.00
Investments, Restricted		1,999,000.00
Total Noncurrent Assets		33,497,125.00
Total Assets		35,317,178.98
LIABILITIES		
Current Liabilities		
Accrued Interest Payable		519,836.67
Long Term Liabilities		
Revenue Bond Payable		32,375,000.00
Total Liabilities		32,894,836.67
NET POSITION		
Restricted for Debt Service	$	2,422,342.31

The accompanying Notes to the Financial Statements are an integral part of this statement

Rogers County Finance Authority
Statement of Revenues, Expenses and Changes in Net Position
June 30, 2013

Operating Revenues	
Sales Tax Revenue	$ 918,133.33
Operating Expenses	
Professional Fees	40.00
Trustee Fees	1,500.00
Total Operating Expenses	1,540.00
Net Income (Loss) from Operations	916,593.33
Non Operating Revenue (Expense)	
Bond Costs	(967,581.58)
Bond Interest Income	103,967.33
Bond Reoffering Premium	13,791.25
Excess Bond Proceeds	3,969,655.92
Interest Expense	(1,143,640.67)
Interest Income	15,181.73
Underwriters Discount	(485,625.00)
Total Non Operating Revenue (Expense)	1,505,748.98
Net Income (Loss)	2,422,342.31
Net Position, Beginning of Year	-
Net Position, End of Year	$ 2,422,342.31

Rogers County Finance Authority
Statement of Cash Flows
June 30, 2013

Cash Inflows:		
Sales Tax Proceeds	$	1,337,508.33
Cash Outflows:		
Payments for Goods and Services		1,540.00
Net Cash Provided (Used) by Operating Activities		1,335,968.33
Cash Flows from Capital and Related Financing Activities		
Bond Interest Income		103,967.33
Bond Issuance Costs		(967,581.58)
Bond Premium Received		13,791.25
Bond Proceeds		3,969,655.92
Interest Payments on Bonds		(623,804.00)
Underwriters Discount		(485,625.00)
Net Cash Provided (Used) for Capital and Related Financing Activities		2,010,403.92
Cash Flows from Investing Activities		
Purchase of Investments		(1,999,000.00)
Interest Received from Investments		10,598.92
Net Cash Provided (Used) for Capital and Investing Activities		(1,988,401.08)
Net Cash Inflow (Outflow) from All Activities		1,357,971.17
Cash and Cash Equivalents at Beginning of Year		-
Cash and Cash Equivalents at End of Year	$	1,357,971.17
Cash and Cash Equivalents, Restricted at RCB	$	1,357,971.17
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities		
Net Operating Income (Loss)	$	916,593.33
Change in Due from Other Governments		419,375.00
Net Cash Provided by Operating Activities	$	1,335,968.33

The accompanying Notes to the Financial Statements are an integral part of this statement.

Rogers County Finance Authority
Notes to the Financial Statements
June 30, 2013

I. Summary of Significant Accounting Policies

The Rogers County Finance Authority (Authority) was established on April 9, 2012 as a public trust under and pursuant to the laws of the State of Oklahoma (generally, but not exclusively, Sections 176-180.3, inclusive of Title 60, Oklahoma Statutes 2001 Supplement and the Oklahoma Trust Act) on behalf of the County of Rogers, Oklahoma naming the County as the beneficiary. The proceeds of the series 2012 Bonds will be utilized to (i) purchase the judgement in the case of Material Service Corp v. Rogers County, in the Rogers County Court, Case Number CJ-2004-234, (ii) fund the costs of the Reserve fund, and (iii) pay the costs of issuance incurred in connection with the Series 2012 Bonds.

Pursuant to a special election on June 26, 2012, voters approved the levy of an additional one-third of one cent (.33%) sales tax for the purpose of satisfying the indebtedness evidenced by the judgement in the case of Material Service Corp v. Rogers County, in the Rogers County Court, Case Number CJ-2004-234. Such sales tax is to commence on October 1, 2012 and continue thereafter until the series 2012 bonds and any indebtedness to refund them has been paid or full cash provided for such payment is in the hands of the Trustee Bank. All of the one-third of one percent Sales Tax revenues collected by the County and appropriated to the Authority and the one third of one percent Use Tax also so appropriated is hereinafter referred to as the "Sales Tax Revenue".

The accounting policies of the Authority conform to generally accepted accounting principles applicable to governmental units. The Authority complies with generally accepted accounting principles and applies all relevant Government Accounting Standards Board (GASB) pronouncements. In addition, the Authority applies Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. The Authority has elected not to follow FASB pronouncements issued since that date.

A. Financial Reporting Entity

The Authority complies with GASB Statement No. 14, *"The Financial Reporting Entity."*, as a mended by GASB Statement No. 61, *"The Financial Reporting Entity: Omnibus."* These statements establish standards for defining and reporting on the financial reporting entity. It defines component units as legally separate organizations for which the elected officials of the primary government are financially accountable and other organizations for which the nature and significance of their relationship with a primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The Authority considered all potential component units in determining what organizations should be included in the financial statements. Based on these criteria, there are no component units to include in the Authority's financial statements.

Rogers County Finance Authority
Notes to the Financial Statements
June 30, 2013

I. Summary of Significant Accounting Polices (continued)

B. Measurement Focus, Basis of Accounting and Basis of Presentation – Fund Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with Generally Accepted Accounting Principles (GAAP) promulgated in the United States of America. The accounting and financial reporting treatment is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operation are included on the statement of net position. The operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total position. Depreciation expense is provided for capital assets based upon estimated useful lives.

Financial activity is accounted for on the flow of economic resources measurement focus using the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. The Authority complies with generally accepted accounting principles and applies all relevant Government Accounting Standards Board (GASB) pronouncements.

C. Assets, Liabilities, Net Position, and Revenues

1. Cash and Cash Equivalents

For purposes of the statement of cash flows, the Authority considers all cash on hand, demand deposits, and highly liquid investments, with an original maturity of three months or less when purchased, to be cash and cash equivalents.

2. Investments

The investment amount of $1,999,000 represents the portion of the Bond Reserve fund that is invested in Long Term CD’s and will mature 24 months from the date of purchase.

3. Fair Value of Financial Instruments

The Authority’s financial statements include cash and investments. The Authority’s estimate of the fair value of all financial instruments does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying balance sheet. The carrying amount of these financial instruments approximates fair value because of the short maturity of these instruments.

4. Restricted Assets

Restricted assets include investments of the proprietary fund that are legally restricted as to their use. Financial requirements of the bond indenture require that funds for bond payments be held in a bond fund which is comprised of the Bond Sinking Fund and the Reserve fund. Under the terms and provisions of the indenture, these funds are maintained with the Trustee bank and are not subject to lien or attachment by any other creditors. These funds are to be maintained so long as the bonds are outstanding. Excess collections to fund bond payments will be put in a separate Bond Excess Fund account.

Rogers County Finance Authority
Notes to the Financial Statements
June 30, 2013

I. Summary of Significant Accounting Polices (continued)

C. Assets, Liabilities, Net Position and Revenues (continued)

5. Accrued Interest

Interest payments on the 2012 Series Bonds are due semi-annually on February 1 and August 1 each year until maturity. Interest payable is accrued from February 1 through June 30 on all bonds.

6. Due from Other Governments

The Authority's liability for the 2012 series bond is financed using sales tax revenue received from the County of Rogers, Oklahoma. The sales tax revenue the Authority expects to receive from the County is classified as Due from Other Governments with amounts expected to be collected within the next year classified as a current asset and the amount expected in future years classified as a noncurrent asset.

7. Long-Term Obligations

Long-term debt is reported as a liability in the Authority's balance sheet. Bond premiums and discounts, as well as issuance costs, are recognized as non-operating income or expense items in the Statement of Revenues, Expenses, and Changes in Net Position.

8. Net Position

Proprietary fund financial statements report net position. Amounts invested in capital assets, net of related debt and legally restricted amounts are separated from unrestricted net position:

a. Restricted net position --- Amounts reported as restricted for debt service include those amounts held in restricted accounts as required by the debt instrument. Restricted amounts held to pay bond interest are reduced by accrued interest payable. Restricted net position also includes restrictions from enabling legislation and other external sources.

Rogers County Finance Authority
Notes to the Financial Statements
June 30, 2013

I. Summary of Significant Accounting Polices (continued)

C. Assets, Liabilities, Net Position and Revenues (continued)

9. Revenues

Sales Tax Revenue Bond Series 2012

Rogers County began levying an additional one half of one percent sales tax on October 1, 2012 to provide revenues to be used to pay the principal and interest on the Bonds issued by the Authority, the proceeds of which are used to pay and satisfy the balance due and owing on the Judgment and pay accrued interest.

RCB Claremore, "The Bank", shall receive daily all sales and use tax received by the Authority from the county into the sinking fund. From the Sinking Fund there is to be paid in the following order:

a. The sums required for payment of interest on the Bonds, first and then payment of maturing principal of the Bonds and any bank fees and audit costs relating to the bonds;
b. Payments of funds required to replenish any deficiency in the Sinking Fund Reserve Fund, as provided in the Indenture; and
c. The remainder is to be retained and used for payment and prepayment of the Series 2012 Bonds.

10. Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain 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.

11. Concentrations

The Authority relies on the transfer of dedicated sales taxes from Rogers County to meet the principal and interest payments on the outstanding bonds payable. If the dedicated sales taxes were to be insufficient, then the Authority may be unable to make the required payments on the outstanding bonds payable.

II. Stewardship, Compliance and Accountability

A. Budgetary Information

Stewardship, compliance, and accountability are key concepts in defining the responsibilities of the Rogers County Finance Authority. The use of budgets and monitoring of equity status facilitate the Authority's compliance with legal requirements. The Authority did not prepare a budget for 2013.

Rogers County Finance Authority
Notes to the Financial Statements
June 30, 2013

III. Detailed Notes Concerning Funds

A. Deposits and Investments

State statutes govern the Authority's investment policy. Permissible investments include direct obligations of the United States Government and Agencies; certificates of deposit of savings and loan associations, and bank and trust companies; and savings accounts or savings certificates of savings and loan associations and trust companies. Collateral is required for demand deposits and certificates of deposit for all amounts not covered by federal deposit insurance. Investments are stated at cost. The Authority invests entirely in U.S. Treasury Securities.

Custodial Credit Risk – Deposits: Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. The Authority's cash deposits, including U.S. Treasury Securities, are maintained in financial institutions. As of June 30, 2013 none of the Authority's deposits were exposed to custodial credit risk.

Interest rate risk: This is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. 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.

Repurchase agreements: A portion of the Authority's Reserve Fund is invested in Federated Treasury Obligations Fund. According to the Federated Treasury Obligations Fund holdings report, 48.2% of the investments are subject to repurchase agreements. The Authority's investments are collateralized by Treasury securities; however, current and future earnings are subject to risk.

Rogers County Finance Authority
Notes to the Financial Statements
June 30, 2013

III. Detailed Notes Concerning Funds (continued)

B. Long-Term Debt

Sales Tax Revenue Bonds Series 2012

On August 1, 2012, the Authority issued $32,375,000 in sales tax revenue bonds with interest rates ranging between 2.00% and 4.65%. The bonds were issued to provide funds to pay and satisfy the balance due and owing on the Judgment, to fund capitalized interest and to pay the costs and expenses of and incidental to, the issuance and sale of the bonds.

Interest on the bonds is payable semi-annually on February 1st and August 1st at varying rates starting February 1st 2013. Principal payments are due annually on August 1st starting August 1, 2015.

Debt service requirements for the Series 2012 bonds are:

Year Ended June 30,	Rate	Principal	Interest	Total Requirements
2013		$ -	$ 623,804.00	$ 623,804.00
2014		-	1,247,608.00	1,247,608.00
2015	3.00%	915,000.00	1,233,883.00	2,148,883.00
2016	3.00%	945,000.00	1,205,983.00	2,150,983.00
2017	3.00%	975,000.00	1,177,183.00	2,152,183.00
2018-2022	2.00% to 3.00%	5,240,000.00	5,521,077.50	10,761,077.50
2023-2027	3.00% to 3.90%	6,035,000.00	4,693,304.75	10,728,304.75
2028-2032	4.15% to 4.65%	7,245,000.00	3,418,038.75	10,663,038.75
2033-2037	4.65%	11,020,000.00	1,501,950.00	12,521,950.00
		$ 32,375,000.00	$ 20,622,832.00	$ 52,997,832.00

Rogers County Finance Authority
Notes to the Financial Statements
June 30, 2013

III. Detailed Notes Concerning Funds (continued)

C. Changes in Long-Term Debt

Long-term debt consists of bonds payable. The following is a summary of the changes in long-term debt of the Authority for the fiscal year.

	Balance 6/30/2012	Proceeds	Payments	Balance 6/30/2013	Due Within One Year
Bonds Payable	$ -	$ 32,375,000.00	$ -	$ 32,375,000.00	$ -

IV. Other Information

A. Risk Management

The 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 and natural disasters. The Authority carries commercial insurance for risks of loss. There were no significant reductions in insurance coverage from the prior year. Settled claims resulting from these risks have not exceeded commercial insurance coverage.

B. Subsequent Events

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