

**MAYES COUNTY PUBLIC
FACILITIES AUTHORITY**

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT

FISCAL PERIOD ENDING JUNE 30, 2014

**MAYES COUNTY PUBLIC FACILITIES AUTHORITY
(A COMPONENT UNIT OF MAYES COUNTY, OKLAHOMA)
AUDITED FINANCIAL STATEMENTS
JUNE 30, 2014**

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LANGLEY & LITTLEFIELD, PLLC

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

The Board of Commissioners
Mayes County Public Facilities Authority
Mayes County, Oklahoma

We have audited the accompanying financial statements of the Mayes County Public Facilities Authority ("the Authority") of Mayes County, State of Oklahoma as of June 30, 2014, and the related statement of revenues, expenses, and change in fund net position for the year then ended. .

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 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. 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, 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 opinions.

OPINIONS

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority, as of June 30, 2014, and the changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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OTHER MATTERS

Management has omitted 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. Our opinion on the basic financial statements is not affected by this missing information.

Very truly yours,

A handwritten signature in cursive script that reads "Langley & Littlefield, PLLC".

LANGLEY & LITTLEFIELD, PLLC

CERTIFIED PUBLIC ACCOUNTANTS

PRYOR, OKLAHOMA

DECEMBER 8, 2014

**MAYES COUNTY PUBLIC FACILITIES AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)
JUNE 30, 2014**

WHO WE ARE

The Authority was created on April 15, 2002 for the purpose of promoting, developing and financing the acquisition, construction, rehabilitation and equipping county buildings. Specifically, the Authority has issued \$11,100,000 of revenue notes to construct and furnish a new County Court House and to demolish the old court house. Both of these were accomplished in prior years. At present the Authority is making repairs to county properties and acquiring some equipment. However, the main purpose now is the retirement of debt.

The Governing Board consists of the three Mayes County Commissioners, a resident of Mayes County appointed by the commissioners and a resident of Mayes County appointed by the Chief District Judge serving Mayes County. At June 30, 2014 these trustees were:

Darrell Yoder	Commissioner
Ryan Ball	Commissioner
Alva Martin	Commissioner
Kim Ritchie	Citizen
Valerie Taylor	Citizen

A summary of net assets and changes in net assets is reflected in Tables 1 and 2 of this management discussion and analysis.

**TABLE 1
SUMMARY OF NET POSITION
JUNE 30**

	<u>2014</u>	<u>2013</u>
Current assets	\$ 1,985,181	\$ 1,743,403
Deferred loan costs	<u>10,726,177</u>	<u>10,962,998</u>
Total assets	<u>12,711,358</u>	<u>12,706,401</u>
Current liabilities	996,883	971,534
Long-term debt	<u>3,370,259</u>	<u>4,344,074</u>
Total liabilities	<u>4,367,142</u>	<u>5,315,608</u>
Invested in capital assets	6,382,103	5,662,998
Reserved for capital projects, maintenance and debt	<u>1,962,113</u>	<u>1,727,795</u>
Total net position	<u>\$ 8,344,216</u>	<u>\$ 7,390,793</u>

**TABLE 2
CHANGES IN NET ASSETS
YEAR ENDED JUNE 30**

	<u>2014</u>	<u>2013</u>
Revenues		
Sales tax	\$ 1,515,626	\$ 1,397,786
Interest income	21,409	27,208
Miscellaneous income	<u> --</u>	<u> 15,625</u>
Total revenues	<u>1,537,035</u>	<u>1,440,619</u>
Expenses		
Operating expenses	<u>583,612</u>	<u>733,954</u>
Change in net position before nonrecurring costs	953,423	706,665
Bond issue costs	--	(125,000)
Net position, beginning of year	<u>7,390,793</u>	<u>6,809,128</u>
Net position, end of year	<u>\$ 8,344,216</u>	<u>\$ 7,390,793</u>

FINANCIAL HIGHLIGHTS

The highlights of the fiscal year ending June 30, 2014 are as follows:

- Reduction of long-term debt by \$955,926
- Increase in sales tax revenues of \$117,840, an 8% increase
- Included in operation and maintenance is \$62,868 of Courthouse exterior repairs.

FINANCIAL ANALYSIS (CURRENT YEAR)

The change in net position increased \$953,423 from the prior year, from \$7,390,793 to \$8,344,216. Cash increased \$132,754.

FINANCIAL ANALYSIS (FUTURE YEARS)

Tax revenues are more than sufficient to meet future debt and other requirements.

CONTACTING THE AUTHORITY'S FINANCE DEPARTMENT

This management's discussion and analysis is designed to provide citizens, taxpayers, customers, and investors and creditors with a general overview of the Authority's finances and to demonstrate the Authority's accountability for the money it receives. If you have questions or need additional financial information, please contact Mayes County at (918) 825-2426.

**MAYES COUNTY PUBLIC FACILITIES AUTHORITY
(A COMPONENT UNIT OF MAYES COUNTY, OKLAHOMA)
STATEMENT OF NET POSITION
JUNE 30, 2014**

ASSETS

Current assets

Cash and cash equivalents	\$ 1,615,836
Taxes receivable	281,375
Funds with Trustee Bank	<u>87,970</u>

Total current assets 1,985,181

Other assets

Capital assets (net) 10,726,177

Total other assets 10,726,177

Total assets \$ 12,711,358

LIABILITIES

Current liabilities

Accounts payable	17,070
Current portion of long-term debt	973,815
Accrued interest	<u>5,998</u>

Total current liabilities 996,883

Long term debt

Bonds payable, less current portion 3,370,259

Total liabilities 4,367,142

NET POSITION

Invested in capital assets	6,382,103
Reserved for capital projects, maintenance, and debt	<u>1,962,113</u>

Total net position \$ 8,344,216

The notes to the financial statements are an integral part of this statement.

**MAYES COUNTY PUBLIC FACILITIES AUTHORITY
(A COMPONENT UNIT OF MAYES COUNTY, OKLAHOMA)
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014**

Revenues		
Sales tax		\$1,515,626
Interest income		<u>21,409</u>
Total revenues		<u>1,537,035</u>
Expenses		
Operation and maintenance		198,020
Personal services		3,850
Depreciation		296,150
Interest		<u>85,592</u>
Total		<u>583,612</u>
Change in net position		953,423
Net position, beginning of year		<u>7,390,793</u>
Net position, end of year		<u>\$8,344,216</u>

The notes to the financial statements are an integral part of this statement.

**MAYES COUNTY PUBLIC FACILITIES AUTHORITY
(A COMPONENT UNIT OF MAYES COUNTY, OKLAHOMA)
BALANCE SHEET
JUNE 30, 2014**

Assets		
Cash and cash equivalents		\$ 1,615,836
Taxes receivable		281,375
Funds with trustee bank		<u>87,970</u>
Total assets		<u>\$ 1,985,181</u>
Liabilities		
Accounts payable		17,070
Accrued interest		<u>5,998</u>
Total liabilities		<u>23,068</u>
Fund balances		
Reserved for:		
Debt retirement and capital outlay and maintenance		1,962,113
Unreserved		<u> --</u>
Total fund balance		<u>1,962,113</u>
Total liabilities and fund balances		<u>\$ 1,985,181</u>
Fund balance		\$ 1,962,113
<p>Amounts reported for activities in the Statement of Net Position are different because:</p>		
<p>Capital assets and deferred loan costs are not financial resources and, therefore, are not reported in the fund.</p>		
Capital assets, net of \$2,466,876 of accumulated depreciation		\$ 10,726,177
<p>Long-term liabilities are not due and payable in the current period, and, therefore, they are not reported in the balance sheet</p>		
Due within one year		(973,815)
Due in more than one year		<u>(3,370,259)</u>
Net position		<u>\$ 8,344,216</u>

The notes to the financial statements are an integral part of this statement.

**MAYES COUNTY PUBLIC FACILITIES AUTHORITY
(A COMPONENT UNIT OF MAYES COUNTY, OKLAHOMA)
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2014**

Revenues		
Sales tax		\$ 1,515,626
Interest		<u>21,409</u>
Total revenues		<u>1,537,035</u>
Expenditures		
Personal services		3,850
Operation and maintenance		198,020
Capital outlay		59,329
Debt service		
Principal		955,926
Interest		<u>85,592</u>
Total expenditures		<u>1,302,717</u>
Excess (deficiency) of revenues over expenditures		234,318
Fund balance - beginning		<u>1,727,795</u>
Fund balance - ending		<u>\$ 1,962,113</u>
Reconciliation of the change in fund balance to the change in net position		
Excess of revenues over expenditures		<u>234,318</u>
Amounts reported in the Statement of Activities are different because:		
Governmental funds report capital outlays and bond acquisition costs as expenditures, while governmental activities report depreciation expense and bond amortization costs over the life of the assets and the bonds issued.		
Capital outlay		59,329
Depreciation expense		<u>(296,150)</u>
		<u>(236,821)</u>
Repayment and issuance of long-term debt is reported as expenditures and revenues in the fund statement, but reflected as decreases of long-term debt in the statement of net assets:		
Payment of long-term debt		<u>955,926</u>
Change in Net Position of Governmental Activities, before nonrecurring expenses		<u>\$ 953,423</u>

The notes to the financial statements are an integral part of this statement.

**MAYES COUNTY PUBLIC FACILITIES AUTHORITY
(A COMPONENT UNIT OF MAYES COUNTY)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND NATURE OF ACTIVITIES:

1.A REPORTING ENTITY - The Authority was created on April 15, 2002 as a component unit of the County of Mayes, Oklahoma, for the purpose of:

To assist the Beneficiary, Mayes County, Oklahoma and citizens in making the most efficient use of all of their economic resources and powers in accord with the needs and benefit of the Beneficiary in order to lessen the burdens on government and to promote the safety, security and general well being of the residents of the Beneficiary and to finance any and all programs, facilities or resources promoting or intending to promote any of the foregoing and, without restriction, in furtherance of the foregoing general objectives, to promote, develop and finance the acquisition, construction, rehabilitation and equipping of county buildings, of any sort or description, including, but not limited to, any real or personal property related thereto.

To hold, maintain and administer any leasehold rights in and to physical properties demised to the Beneficiary and to comply with the terms and conditions of any such lease.

To acquire by lease, purchase, production, reduction to session or otherwise and to plan, establish, develop, construct, enlarge, improve, extend, maintain, equip, operate, furnish, provide, supply, regulate, hold, store and administer any and all physical properties (real, personal or mixed), rights, privileges, immunities, benefits and any other thing of value, designated or needful for utilization in furnishing, providing or supplying the aforementioned services, utilities buildings and facilities; to finance and refinance and to enter into contracts of purchase, lease-purchase or other interest in or operation and maintenance of said properties, and revenues thereof, and to comply with the terms and conditions of any such contracts, leases or other contracts entered into in connection with the acquisition, equipping, maintenance and disposal of any of said property; and to relinquish, dispose of, rent or otherwise make provisions for properties owned or controlled by the Trust but no longer needed for Trust purposes.

To provide funds for the cost of financing, refinancing, acquiring, constructing, purchasing, equipping, maintaining, leasing, repairing, improving, extending, enlarging, remodeling, holding, storing, operating and administering any or all aforesaid property, improvements, buildings, facilities and all properties (real, personal or mixed) necessary or desirable for executing and fulfilling the Trust purposes and all other charges, costs and expenses necessarily incurred in connection therewith and in so doing, to incur indebtedness, either unsecured or secured by all or any part of the Trust Estate and its revenues.

To expend all funds coming into the hands of the Trustees as revenue or otherwise for the payment of any indebtedness incurred by the Trustees for the purposes specified herein, and in the payment of the aforesaid costs and expenses, and in payment of any other obligation properly chargeable against the Trust Estate, and to distribute the residue and remainder of such funds to the Beneficiary.

1.B PRESENT ACTIVITIES - Currently the activities of the Authority are:

To collect a 3/8 of one percent county sales tax for the purpose of paying debt service on the bonds, and to the extent available, paying for the operating and maintenance expenses on the new Courthouse facility. Payment of improvements for other county facilities and the acquisition of land and construction of additional parking for the new county Courthouse facility may be paid for with either sales tax revenues directly or by indebtedness incurred by the Authority secured by said sales tax revenue.

The sales tax is to terminate at the earliest possible date that said sales tax revenues are sufficient to retire said bonds.

The new court house and the demolition of the old one was completed in prior years.

1.C GOVERNING BOARD - The Governing Board consists of the three Mayes County Commissioners, a resident of Mayes County appointed by the commissioners and a resident of Mayes County appointed by the Chief District Judge serving Mayes County.

1.D RELATIONSHIP WITH PRIMARY GOVERNMENT - The majority of the Authority's board are the county commissioners of the County and its income consists of sales tax enacted by Mayes County by a vote of the people. Essentially the purpose of the Authority is to finance and construct facilities for the primary government, which at present is a new court house.

1.E MEASUREMENT FOCUS AND BASIS OF ACCOUNTING -

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

Measurement Focus

On the Statement of Net Position and the Statement of Activities, activities are presented using the economic resources measurement focus as defined in item b. below.

In the fund financial statements (statements 3 and 4), the "current financial resources" measurement focus or the "economic resources" measurement focus is used as appropriate:

- a. Statements 3 and 4 utilize a "current financial resources" measurement focus. Only current financial assets and liabilities are generally included on its balance sheet. The operating statements present sources and uses of available spendable financial resources during a given period. Fund balance is its measure of available spendable financial resources at the end of the period.
- b. Statements 1 and 2 utilize an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery) and financial position. All assets and liabilities (whether current or noncurrent) associated with activities are reported.

Basis of Accounting

Effective for the year ending June 30, 2004, the Authority prepared its financial statements in accordance with GASB 34 and, accordingly, the financial statements are prepared on a full accrual basis for all statements.

Cash - This consists of funds held by the Mayes County Treasurer for the benefit of the Authority. Such funds are the result of sales tax receipts and may be used for any purpose as outlined in this note.

Funds with Trustee Bank - These funds, at June 30, 2014 are essentially for the retirement of long-term debt.

Net Position - Represents the excess of assets over liabilities. Net assets is divided into invested assets and reserved for the stated purpose of the Authority.

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

State law requires the pledging of securities as collateral for all funds on deposit by the Authority. All funds are maintained in the name of the Treasurer, Mayes County, and collateral is pledged as security in the name of Mayes County to cover the cash and certificates of deposit contained in this report and is responsible for determining the adequacy of such collateral and determining compliance with state law.

3. TAXES RECEIVABLE

Taxes receivable consist of sales tax received in July and August, 2014 representing sales tax collected by vendors in May and June, 2014.

4. *FUNDS WITH TRUSTEE BANK*

Fund with the trustee bank are invested in money market funds and market value is equal to book value.

5. *CAPITAL ASSETS*

Capital asset activity for the year ended June 30, 2014 was as follows:

	<u>Balance July 1, 2013</u>	<u>Additions</u>	<u>Transfers and Disposals</u>	<u>Balance June 30, 2014</u>
Land	\$ 224,450	\$ --	\$ --	\$ 224,450
Parking lot	257,124	--	--	257,124
Buildings	12,377,203	53,751	--	12,430,954
Equipment	225,298	5,578	--	230,876
Outside lighting	41,178	--	--	41,178
Landscaping	<u>8,471</u>	<u>--</u>	<u>--</u>	<u>8,471</u>
Totals at Historical Cost	<u>13,133,724</u>	<u>59,329</u>	<u>--</u>	<u>13,193,053</u>
Less: Accumulated Depreciation				
Parking lot	(141,112)	(17,142)	--	(158,254)
Buildings	(1,858,041)	(256,117)	--	(2,114,158)
Equipment	(145,865)	(19,541)	--	(165,406)
Outside lighting	(17,843)	(2,745)	--	(20,588)
Landscaping	<u>(7,865)</u>	<u>(605)</u>	<u>--</u>	<u>(8,470)</u>
Total accumulated depreciation	<u>(2,170,726)</u>	<u>(296,150)</u>	<u>--</u>	<u>(2,466,876)</u>
Capital assets, net	<u>\$ 10,962,998</u>	<u>\$(236,821)</u>	<u>\$ --</u>	<u>\$ 10,726,177</u>

All assets are depreciated on a straight line basis over the years as presented below:

Parking lot	15 years
Building	25 - 50 years
Equipment	7 - 15 years
Outside lighting	15 years
Landscaping	7 years

The capitalization policy of the Authority is to capitalize items with an individual or group cost greater than \$1,500.

6. LONG-TERM DEBT

A summary of long-term debt activity for the year is as follows:

Balance July 1, 2013	\$ 5,300,000
Notes retired	(955,926)
Notes issued	<u> --</u>
Balance June 30, 2014	<u>\$ 4,344,074</u>

Long-term debt consists of the following:

Revenue refunding notes dated May 30, 2013, payable in 59 monthly installments of \$87,000, beginning July 1, 2013, plus a lump sum payment of \$428,483.35 on June 1, 2018, including interest of 1.8%	\$ 4,344,074
Less: Current Portion	<u>(973,815)</u>
Long-term portion	<u>\$ 3,370,259</u>

The principal and interest due annually is as follows:

	<u>Principal</u>	<u>Interest</u>
Year ended June 30, 2015	973,815	70,185
Year ended June 30, 2016	991,488	52,512
Year ended June 30, 2017	1,009,483	34,517
Year ended June 30, 2018	1,369,288	16,195

To secure the note, the Authority has granted a security interest in the following property to the trustee bank:

- 1) The .375% sales tax revenues dedicated to the Authority and said sales tax revenues are pledged to debt service.
- 2) All right, title and interest of the Authority in and to the facilities and
- 3) The interest of the Authority in and to the lease agreement wherein Mayes County leased the County Courthouse to the Authority with no rent for the period June 1, 2004 through May 31, 2013, or until all indebtedness of the Authority is retired or provision for payment has been made.

7. *NET POSITION*

The book values of the land and the depreciable assets are reflected as invested in capital assets as these assets were not paid from bond proceeds. The remainder of net position is reflected as reserved for capital projects and debt as they are either the result of the bond proceeds or are available for the stated purpose of the Authority.

8. *RISK MANAGEMENT*

The Authority is exposed to various risks of loss related to torts, theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority and Mayes County manage these various risks through the purchase of commercial insurance with varying deductibles. These deductibles are below materiality levels for the Authority.

LANGLEY & LITTLEFIELD, PLLC

CERTIFIED PUBLIC ACCOUNTANTS

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

The Board of Commissioners
Mayes County Public Facilities Authority
Mayes County, Oklahoma

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the accompanying financial statements of the Mayes County Public Facilities Authority ("the Authority"), of Mayes County, State of Oklahoma, as of and for the year ended June 30, 2014, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated December 8, 2014.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements, we considered the 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 Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

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

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

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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*.

LANGLEY & LITTLEFIELD, PLLC

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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.

Very truly yours,

A handwritten signature in cursive script that reads "Langley & Littlefield, PLLC".

LANGLEY & LITTLEFIELD, PLLC

CERTIFIED PUBLIC ACCOUNTANTS

PRYOR, OKLAHOMA

DECEMBER 8, 2014