

**Rogers County Public Health
Facilities Authority**

Claremore, Oklahoma
ANNUAL FINANCIAL STATEMENTS
AND ACCOMPANYING
INDEPENDENT AUDITOR'S REPORTS

FOR THE FISCAL YEAR ENDED
JUNE 30, 2018

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Rogers County Public Health Facilities Authority
Board Officials
June 30, 2018

Board of Trustees

Roy Hancock

Chairman

Rosalie Griffith

Vice - Chairman

Lisa Lepack

Member

Rogers County Public Health Facilities Authority
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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Rogers County Public Health Facilities Authority

Report on the Financial Statements

We have audited the accompanying financial statements of the Rogers County Public Health Facilities Authority as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Rogers County Public Health Facilities 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.

Emphasis of a Matter

As discussed in Note I, the financial statements present only the Rogers County Public Health Facilities Authority and do not purport to, and do not present fairly the financial position of the County of Rogers, Oklahoma, as of June 30, 2018, 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.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the enterprise fund activities of the Rogers County Public Health Facilities Authority, as of June 30, 2018, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, as listed in the table of contents, be presented to supplement the basic financial statements. Such 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 30, 2019, on our consideration of Rogers County Public Health Facilities Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal controls 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 Rogers County Public Health Facilities Authority's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "David A. Clavin, CPA". The signature is written in a cursive style with a large initial "D".

Claremore, OK
April 30, 2019

Reports Required by *Government Auditing Standards*

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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
Rogers County Public Health Facilities 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 enterprise fund of the Rogers County Public Health Facilities Authority, Claremore, Oklahoma, as of and for the year ended June 30, 2018, and the related notes to the financial statements which collectively comprise Rogers County Public Health Facilities Authority's financial statements, and have issued our report thereon dated April 30, 2019. The Rogers County Public Health Facilities Authority did not present the 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 Rogers County Public Health Facilities 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 Rogers County Public Health Facilities Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of Rogers County Public Health Facilities 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.

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 Rogers County Public Health Facilities 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 did not disclose 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 Rogers County Public Health Facilities 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 Rogers County Public Health Facilities Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Claremore, OK
April 30, 2019

**Rogers County Public Health Facilities Authority
Management’s Discussion and Analysis
For the Year Ended June 30, 2018**

Our discussion and analysis of the Authority’s financial performance provides an overview of the Authority’s financial activities for the fiscal year ended June 30, 2018. Please read it in conjunction with the Authority’s financial statements which begin on page 5.

FINANCIAL HIGHLIGHTS

- The net position of the Authority at June 30, 2018 is \$932,458.76.
- Total operating revenues were \$16,500 this fiscal year while operating expenses were \$103,704.39, resulting in operating loss of \$87,204.39.

USING THIS ANNUAL REPORT

This annual report consists of two parts; Management’s Discussion and Analysis and the Financial Statements. The Financial Statements also include notes that explain in more detail some of the information in the financial statements.

FINANCIAL ANALYSIS OF THE AUTHORITY AS A WHOLE

One of the most important questions asked about the Authority’s finances is “Is the Authority, as a whole, better off or worse off as a result of the year’s activities?” The Balance Sheet and Statement of Revenues, Expenses and Changes in Net Position report information about the Authority’s activities in a way that will help answer this question. These two statements report the net position of the Authority and changes in them. You can think of the Authority’s net position—the difference between assets and liabilities—as one way to measure financial health or financial position. Over time, increases or decreases in the Authority’s net position is one indicator of whether its financial health is improving or deteriorating. However, you will need to also consider other non-financial factors such as changes in economic conditions, population growth, and new or changed legislation.

The Authority’s total Net Position decreased \$86,747.50 from last year. Our analysis below focuses on the Authority’s net position (Table 1) and changes in net position (Table 2) during the year.

	Table 1			
	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>Differences</u>	
Current Assets	\$ 185,540	\$ 185,723	\$ (183)	-0.1%
Capital Assets	<u>746,919</u>	<u>833,483</u>	<u>(86,564)</u>	<u>-11.6%</u>
Total Assets	<u>932,459</u>	<u>1,019,206</u>	<u>(86,748)</u>	<u>-9.3%</u>
Net Investment in Capital Assets	746,919	833,483	(86,564)	-11.6%
Net Position, Unrestricted	<u>185,540</u>	<u>185,723</u>	<u>(183)</u>	<u>-0.1%</u>
Total Net Position	<u>\$ 932,459</u>	<u>\$ 1,019,206</u>	<u>\$ (86,748)</u>	<u>-9.3%</u>

The decrease in net position is mostly due to depreciation expense.

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**Rogers County Public Health Facilities Authority
Management's Discussion and Analysis
For the Year Ended June 30, 2018**

The Authority's net investment in capital assets (e.g., public health facilities and equipment) represents about 85% of its total net assets. The Authority leases these capital assets to the Rogers County Youth Services which uses them to provide services to citizens and consumers. Consequently, these assets are not available for future spending.

Changes in the Authority's net position can be determined by reviewing the following condensed Statement of Revenue, Expenses and Changes in Net Position for the year.

Table 2

	June 30, 2018	June 30, 2017	Differences	
Lease Revenues	\$ 16,500	\$ 30,250	\$ (13,750)	-83.3%
Nonoperating Interest Income	457	233	224	49.0%
Depreciation Expense	(90,164)	(90,064)	(100)	0.1%
Other Net Revenues (Expenses)	(13,540)	(2,792)	(10,749)	79.4%
Increase/(Decrease) in Net Position	(86,748)	(62,373)	(24,375)	28.1%
Net Position, Beginning of Year	1,019,206	1,081,579	(62,373)	-6.1%
Net Position, End of Year	<u>\$ 932,459</u>	<u>\$ 1,019,206</u>	<u>\$ (86,748)</u>	<u>-9.3%</u>

The Authority's primary source of revenue is the lease revenues from Rogers County Youth Services.

Major expense is depreciation.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2018, the Authority had \$746,918.80 invested in capital assets, including the public health facility building and a youth shelter building as well as land and equipment. This amount represents a net decrease of \$86,564.18 from the previous year due to depreciation. Capital asset changes are presented in detail in Note III to the financial statements.

Debt

As of June 30, 2018, the Authority had no bonds or capital leases outstanding.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

In considering the Authority's financial condition, the Board estimates that revenues and expenses in the coming year will approximate actual revenues and expenses for the past fiscal year.

CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers and creditors with a general overview of the Authority's finances and to show the Authority's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Board of Trustees at Rogers County Public Health Facilities Authority, 2664 N. Hwy 88, Claremore, OK 74017-0419.

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Rogers County Public Health Facilities Authority
Statement of Net Position
June 30, 2018

ASSETS

Current Assets

Cash and cash equivalents	\$	<u>185,539.96</u>
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Noncurrent Assets

Capital Assets

Capital Assets, net of accumulated depreciation		633,818.80
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Land		<u>113,100.00</u>
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Total Noncurrent Assets		<u>746,918.80</u>
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TOTAL ASSETS

		<u>932,458.76</u>
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NET POSITION

Net Investment in Capital Assets

		746,918.80
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Unrestricted

		<u>185,539.96</u>
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TOTAL NET POSITION

	\$	<u><u>932,458.76</u></u>
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The accompanying Notes to the Financial Statements are an integral part of this statement.

Rogers County Public Health Facilities Authority
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2018

Operating Revenues	
Lease Revenues	\$ 16,500.00
 Operating Expenses	
Accounting Fees	5,000.00
Depreciation	90,164.18
Administrative Fees	390.00
Legal Fees	1,472.50
Miscellaneous	6,677.71
Total Operating Expenses	103,704.39
Operating Income (Loss)	(87,204.39)
 Non-Operating Revenues (Expenses)	
Interest Income	456.89
Change in Net Position	(86,747.50)
Net Position, Beginning of Year	1,019,206.26
Net Position, End of Year	\$ 932,458.76

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

Rogers County Public Health Facilities Authority
Statement of Cash Flows
For the Year Ended June 30, 2018

Cash Flows from Operating Activities

Cash Inflows:		
Payments Received from Lessor	\$	16,500.00
Cash Outflows:		
Payments to Suppliers for Goods and Services		<u>(13,540.21)</u>
Net Cash Provided (Used) by Operating Activities		<u>2,959.79</u>

Cash Flows from Capital and Related Financing Activities

Purchase of Capital Assets		<u>(3,600.00)</u>
Net Cash Provided (Used) for Capital and Related Financing Activities		<u>(3,600.00)</u>

Cash Flows from Investing Activities

Interest Income		<u>456.89</u>
Net Cash Provided (Used) by Investing Activities		<u>456.89</u>

Net Cash Inflow (Outflow) from All Activities

		(183.32)
Cash and Cash Equivalents at Beginning of Year		<u>185,723.28</u>
Cash and Cash Equivalents at End of Year	\$	<u><u>185,539.96</u></u>

Cash and Cash Equivalents at End of Year

Unrestricted	\$	<u><u>185,539.96</u></u>
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Reconciliation of Operating Income (Loss) to Net Cash

Provided by Operating Activities:

Operating Income (Loss)	\$	(87,204.39)
Depreciation		<u>90,164.18</u>
Net Cash Provided (Used) by Operations	\$	<u><u>2,959.79</u></u>

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

Rogers County Public Health Facilities Authority
Notes to the Financial Statements
For the Year Ended June 30, 2018

The following notes to the financial statements are an integral part of the Authority's financial statements.

I. Summary of Significant Accounting Policies

Rogers County Public Health Facilities Authority was established as a Public Trust for the purpose of acquiring and constructing a public health facility in and for the benefit of Rogers County, Oklahoma. The trust was created by a Declaration of Trust dated July 17, 1989 under the provisions of Title 60, Oklahoma Statutes 1988, Sections 176 to 180.4, inclusive of the Oklahoma Trust Act and other applicable statutes and laws of the State of Oklahoma. The Authority began operation on March 1, 1990 and is exempt from federal and state income taxes.

A. Financial Reporting Entity

The Authority complies with GASB Statement No. 61, "*The Financial Reporting Entity*." This statement establishes 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.

B. Basis of Presentation

The Authority's fund is an enterprise fund. Enterprise funds are proprietary funds used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector.

C. 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.

The proprietary funds 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), financial position and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net assets.

All proprietary funds utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Authority's enterprise fund is charges to customers for sales and services including rent.

Rogers County Public Health Facilities Authority
Notes to the Financial Statements
For the Year Ended June 30, 2018

C. Measurement Focus and Basis of Accounting (continued)

Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

D. 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. Fair Value of Financial Instruments

The Authority's financial statements include cash and investments. The Authority's estimates of the fair value of all financial instruments do 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.

3. Capital Assets

The public health facilities, furniture and equipment are recorded at cost. Donated capital assets are reported at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

All reported capital assets are depreciated on the straight-line basis over the estimated useful lives ranging from five to fifty years.

The Authority does not currently have a capitalization policy.

4. Equity Classifications

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

- a. 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 mortgages, notes, or other borrowings that are attributable to the acquisition, construction or improvement of those assets.
- b. Unrestricted net position --- All other net position that does not meet the definition of "restricted" or "net investment in capital assets."

Rogers County Public Health Facilities Authority
Notes to the Financial Statements
For the Year Ended June 30, 2018

I. Summary of Significant Accounting Policies (continued)

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

5. Revenues

The Authority entered into lease agreements with Rogers County Youth Services on March 1, 2016 for a term extending to August 31, 2018. The monthly lease payments are \$1,375, which represents fair market value for the space provided.

6. 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 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.

II. Detailed Notes Concerning the Funds

A. Cash and Investments

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 interest-bearing certificates of deposit, are covered by the Federal Deposit Insurance Corporation (FDIC). As of June 30, 2018, 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.

Rogers County Public Health Facilities Authority
Notes to the Financial Statements
For the Year Ended June 30, 2018

II. Detailed Notes Concerning the Funds (continued)

B. Changes in Capital Assets

Capital asset activity for the year was as follows:

	Balance June 30, 2017	Additions	Deletions	Balance June 30, 2018
Nondepreciable Assets				
Land	\$ 113,100.00	\$ -	\$ -	\$ 113,100.00
Depreciable Assets				
Buildings	2,204,828.34	3,600.00	-	2,208,428.34
Equipment	63,223.04	-	-	63,223.04
Total	2,268,051.38	3,600.00	-	2,271,651.38
Accumulated Depreciation	(1,547,668.40)	(90,164.18)	-	(1,637,832.58)
Total Depreciable Assets	720,382.98	(86,564.18)	-	633,818.80
Net Capital Assets	\$ 833,482.98	\$ (86,564.18)	\$ -	\$ 746,918.80

C. Lease Agreement

The Authority entered into a lease agreement with Rogers County Youth which commenced on March 1, 2016.

Under the terms of the agreement, Rogers County Youth Services will lease from the Authority for a minimum rental amount.

Lease Term	Minimum Rentals (monthly)
February 1, 2016- August 31, 2018	1,375.00

Rogers County Public Health Facilities Authority
Notes to the Financial Statements
For the Year Ended June 30, 2018

III. Other Information

A. Economic Dependence

During the fiscal year ended June 30, 2018, the Organization reported lease revenues of \$16,500 pursuant to its lease agreement with the Rogers County Youth Services. This amount represents 100% of the Authority's total operating revenues. If the Authority did not receive these revenues, alternate sources of funding would need to be secured in order to continue to service the facility.

B. Subsequent Events

Management has evaluated subsequent events through the date of the auditor's report.

In January 2019, Rogers County Youth Services executed a lease termination and moved to a new location.

C. Contingent Liabilities

The governing board of the Authority is not aware of any pending or threatened legal actions against it. However, any such actions would probably be covered by insurance.