

KERRY JOHN PATTEN, C.P.A.

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January 29, 2013

Bryan County Courthouse
Tammy Reynolds, County Clerk
P.O. Box 1789
Durant, OK 74702

Dear Tammy,

Per your request, enclosed are the county's copies of the Bryan County Public Facilities Authority audit reports for the years ended June 30, 2012. In order to satisfy your audit report filing requirement, we will forward a copy of the audits to Nancy Grantham, State Auditor and Inspector's Office, as well as Deena Suddath at Banc First.

Thank you for placing your confidence in us. If you have any questions, or just want us to go over information contained in this audit report, please call.

Sincerely,

Kerry John Patten, C.P.A.

Cc: Nancy Grantham, State Auditor and Inspector's Office
Deena Suddath, Banc First

**BRYAN COUNTY PUBLIC FACILITIES AUTHORITY
FINANCIAL STATEMENTS AND INDEPENDENT
AUDITOR'S REPORT
FOR THE YEAR ENDED JUNE 30, 2012**

**AUDITED BY
KERRY JOHN PATTEN, C.P.A.**

**BRYAN COUNTY PUBLIC FACILITIES AUTHORITY
JUNE 30, 2012**

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Independent Auditor's Report

Board of Trustees
The Bryan County Public Facilities Authority
Durant, Oklahoma

I have audited the accompanying financial statements of the Bryan County Public Facilities Authority (an Oklahoma Trust), a component unit of Bryan County, State of Oklahoma, as of June 30, 2012, as listed in the table of contents. These financial statements are the responsibility of the Authority's management. 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 *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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Bryan County Public Facilities Authority as of June 30, 2012, and the results of its operations and its cash flows for the year ended on conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated January 28, 2013, on my consideration of the Bryan County Public Facilities Authority's internal control over financial reporting and on its compliance with certain provisions of laws, regulations, and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of 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* and should be read in conjunction with this report in considering the results of our audit.

The Bryan County Public Facilities Authority has not presented the "Management Discussion and Analysis" that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be a part of, the basic financial statements.

Kerry John Patten, C.P.A.
January 28, 2013

FINANCIAL STATEMENTS

BRYAN COUNTY PUBLIC FACILITIES AUTHORITY
A Component Unit of the County of Bryan, Oklahoma
STATEMENT OF NET ASSETS
JUNE 30, 2012

ASSETS

Restricted cash and investments	\$ 374,103
Notes receivable	<u>2,175,000</u>
Total Assets	<u>\$ 2,549,103</u>

LIABILITIES

Bonds payable	
Accrued Interest payable	\$ 9,162
Lease revenue bonds payable	<u>2,175,000</u>
Total Liabilities	<u>\$ 2,184,162</u>

NET ASSETS

Reserved for:	\$
Debt service	<u>364,941</u>
Total Net Assets	<u><u>\$ 364,941</u></u>

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

BRYAN COUNTY PUBLIC FACILITIES AUTHORITY
A Component Unit of the County of Bryan, Oklahoma
STATEMENT OF REVENUES, EXPENDITURES, AN CHANGE
IN FUND NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2012

Operating Revenues

Lease revenue from Health Department	\$ <u>205,969</u>
Total Operating Revenues	\$ <u>205,969</u>

Operating Expenses

Legal fees	\$ 2,606
Administrative fees	<u>2,250</u>
Total Operating Expenses	\$ <u>4,856</u>

Income (Loss) from Operations	\$ 201,113
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Non-Operating Expenses

Investment interest	\$ 19
Interest expense	<u>(114,409)</u>
Total Non-Operating Revenue (Expense)	\$ <u>(114,390)</u>

Change in Net Assets	\$ 86,723
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Net Assets - Beginning of Year	\$ <u>278,218</u>
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Net Assets - End of Year	\$ <u><u>364,941</u></u>
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The notes to the financial statements are an integral part of this statement.

BRYAN COUNTY PUBLIC FACILITIES AUTHORITY
A Component Unit of the County of Bryan, Oklahoma
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2012

Cash Flows from Operating Activities:

Cash receipts for rent	\$	205,969
Cash payments for legal fees		(2,606)
Cash payments for administrative fees		<u>(2,250)</u>
 Net Cash Provided by (Used for) Operating Activities	 \$	 <u><u>201,113</u></u>

Cash Flows from Investing Activities:

Interest received	\$	19
Interest paid		<u>(114,815)</u>
 Net Cash Provided by (Used for) Investing Activities	 \$	 <u>(114,796)</u>

Net Decrease in Cash and Cash Equivalents	\$	86,317
Cash and Cash Equivalents, Beginning of Year		<u>287,786</u>
 <u>Cash and Cash Equivalents, end of year</u>	 \$	 <u><u>374,103</u></u>

Reconciliation of Operating Income (Loss) to Net
Cash Provided by Operating Activities

Operating Income/(Loss)	\$	201,113
Adjustments to Reconcile Operating Income (Loss) to Net Cash provided by Operating Activities		<u>-</u>
 Net Cash Provided by (Used for) Operating Activities	 \$	 <u><u>201,113</u></u>

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

NOTES TO THE FINANCIAL STATEMENTS

**BRYAN COUNTY PUBLIC FACILITIES AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

1. Organization

A. Creation of Trust

The Bryan County Public Facilities Authority (The Authority) is a public trust, created October 5, 1990, under Title 60 of the Oklahoma Statutes, Sections 176 to 180.3, to assist Bryan County in making the most efficient use of their resources and power in providing, expanding, improving and operating and maintaining buildings and facilities for public use or benefit of whatever nature.

2. Summary of Significant Accounting Policies

A. Component Unit

The Authority is a component unit of Bryan County, Oklahoma. A component unit includes a legal entity that is a separate governmental organization but has the same board of trustees as the primary government.

B. Basis of Presentation

The accounts of the Authority are organized on the basis of funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, revenues, and expenses.

Proprietary Funds

Proprietary funds are made up of either Enterprise or Internal Service funds. The Authority operates Enterprise fund.

Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses) of providing goods or services to the general public on a continuing basis are financed or recovered primarily through uses charges.

C. Basis of Accounting

The financial statements of the Authority are prepared in accordance with generally accepted accounting principles ("GAAP") as applied to government units. The Governmental Accounting Standards Board ("GASB") is the standard-setting body for governmental accounting and financial reporting. Pronouncements of the Financial Accounting Standards Board ("FASB") issued after November 30, 1989, are not applied in the preparation of the financial statements of proprietary funds in accordance with an election made by the Authority under GASB Statement No. 20. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards, which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units.

D. Measurement Focus

The financial statements of the Authority have been prepared on the accrual basis of accounting using the economic resources measurement focus. Revenues, expenses, gains, losses, assets and liabilities from exchange and exchange-like transactions are recognized when the exchange transaction takes place. The Authority first applies restricted net assets when an expense or outlay is incurred for purposes for which both restricted and unrestricted net assets are available.

E. Cash and Investments

For purposes of reporting cash flows, the Authority considers all highly liquid debt instruments with an original maturity of three months or less when purchased. The only cash and cash equivalents at June 30, 2012, was being held by the trustee or fiscal agent

**BRYAN COUNTY PUBLIC FACILITIES AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

Cash and Investments (Continued)

Investments consist primarily of obligations of the U.S. Treasury and various federal agencies, investment agreements with financial institutions and money market funds. These investments are held by bond trustees and invested in accordance with the requirements and terms of various bond indentures.

F. Notes Receivable

Notes Receivable consist of the balance of lease revenue due the Authority under a lease agreement with the Board of County Commissioners of Bryan County, on behalf of the County Health Department.

G. Capital Assets

There was no property or equipment held by the Authority at June 30, 2012.

H. Depreciation

Capital assets are not depreciated by the Authority.

I. Income Taxes

With regards to federal income taxes, the Authority is nontaxable as a political subdivision under Section 115(1) of the Internal Revenue Code, as amended.

J. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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, expenses and other changes in net assets during the reporting period.

3. Restricted Net Assets

The bond indentures for the Health Department Revenue bonds provide that certain reserve accounts be established. The reserve accounts, as of June 30, 2012, are comprised of restricted net assets as follows:

Fiscal Agent	\$	185,000
Reserve Account		100,157
Revenue		88,906
Interest		40
 Total Restricted Net Assets	 \$	 <u>374,103</u>

The bond indenture requires all lease payments received by the Authority from the Health Department be deposited in the trustee bank into a Revenue fund. The trustee is required to transfer one-sixth of the interest payable on the next ensuing interest payment and one-sixth of the principal maturing on the next maturity date to a principal account and an interest account.

Interest earned on investments of the Revenue account is transferred monthly to the interest account.

A debt service reserve account has been capitalized in an amount equal to one-half the average annual debt service requirement. Interest earned on investments of the debt reserve account is transferred monthly to the Interest account.

The construction account was established to account for the bond proceeds applicable to construction of the Health facility.

The fiscal agent makes debt service payments on behalf of the Authority. Cash is transferred to the agent before the principal and interest payments are due. Amounts are in accordance with a mandatory redemption schedule set forth in the bond indenture.

**BRYAN COUNTY PUBLIC FACILITIES AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

4. Deposits, Investments, and Collateral

Deposits and Investments – The Authority does not have a written investment policy.

Custodial Credit Risk – Deposits – Custodial credit risk is the risk that in the event of bank failure, the Authority's deposits may not be returned. The Authority does not have a written policy for custodial risk; however, Oklahoma state laws require collateral for all uninsured deposits of public funds in financial institutions. As of June 30, 2012, none of the Authority's bank balances were exposed to custodial credit risk.

5. Series 2003 County Health Department Bonds

In November 2003, the Authority issued \$2,575,000.00 in revenue bonds to provide funds for the construction of a building to be leased to the Bryan County Health Department. The bonds are limited and special revenue obligations of the Authority payable from a pledge of certain lease rental payments. The debt service requirements to retire these bonds are as follows:

Year ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	-	109,940	109,940
2014	-	104,815	104,815
2015	500,000	99,440	599,440
2016	-	93,585	93,585
2017	-	87,240	87,240
2018-2022	635,000.00	326,910	961,910
2023-2026	<u>1,040,000</u>	<u>91,200</u>	<u>1,131,200</u>
Total	\$ <u>2,175,000</u>	\$ <u>913,130</u>	\$ <u>3,088,130</u>

The bonds, which mature November 1, 2014, are subject to mandatory redemption. The bonds maturing November 1, 2019, and November 1, 2025, are subject to redemption at the option of the Authority by lot within a mature date on or after November 1, 2014, at redemption prices (expressed as percentage of principal) set forth below; plus, accrued interest to the date fixed for redemption.

Bonds redeemed November 1, 2014, to October 31, 2019,	101%
Bonds redeemed thereafter prior to maturity	100%

Mandatory Sinking Fund Redemption- The series 2003, Bryan County Public Facilities Authority Revenue bonds are subject to mandatory redemption in each of the years below described in the principal amounts as follows:

Year ending June 30,	<u>Principal</u>
2013	100,000
2014	105,000
2015	110,000
2016	115,000
2017	120,000
2018-2022	710,000
2023-2026	<u>730,000</u>
Total	\$ <u>1,990,000</u>

**BRYAN COUNTY PUBLIC FACILITIES AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

Series 2003 County Health Department Bonds (continued)

A brief summary of debt outstanding on June 30, 2012, follows:

	Debt Outstanding
Bryan Co. Public Facilities Auth., Revenue Bonds, Series 2003, original issue \$2,575,000.00, average interest rate of 5.13%, Installments due in 2014, 2019, and 2025 of \$500,000.00, \$635,000.00, and \$1,040,000.00 respectively.	\$ <u>2,175,000</u>
Total Notes and Bonds Outstanding June 30, 2012	\$ <u><u>2,175,000</u></u>

The following schedule reflects changes in the Authority's long-term debt for the fiscal year ended June 30, 2012:

	Lease Revenue Bonds Payable
Balance, July 1, 2011	\$ 2,175,000
Additions	-
Retirements	-
Balance, June 30, 2012	\$ <u><u>2,175,000</u></u>

6. Qualified Mortgage Certificate

In 2003, the Authority authorized the issuance of \$25,000,000. in aggregate principal amount of Qualified Mortgage Revenue Bonds and then elected against their issuance in favor of Qualified Mortgage Credit Certificates allocated from the Private Activity State Ceiling Allocation from the State Board Advisor as required by the Oklahoma Private Activity Bond Allocation Act. In August 2005, the Bryan County Public Facilities Authority received \$1,600,000. In January 2006, the Authority received \$1,600,000.

In November 2006, the Authority received \$960,000 and in April 2007 received \$1,600,000. The certificates do not constitute a debt or pledge of the faith and credit of the Authority, and accordingly, have not been reported in the accompanying financial statements.

7. Lease Agreement / Lease Revenue

In November 2003, the Authority entered into a lease agreement with the Board of County Commissioners of Bryan County on behalf of the County Health Department providing funds in the aggregate amount not to exceed \$2,575,000 to pay costs of acquiring, constructing, and equipping a building and related improvements on the real property for the purpose of supplying administrative space and facilities for the Bryan County Health Department and leasing the facility to the Bryan County Health Department. The lease term began on November 1, 2003, and ends on June 30, 2004, with the option to extend the lease term beyond June 30, 2004, for an unlimited number of successive one-year terms coinciding with the health department's fiscal year.

Lease Revenue to be provided from the lease is paid monthly and approximates \$17,000 per month. The lease revenue is expected to end in May 2025.

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Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with Government Auditing Standards

The Board of Trustees
The Bryan County Public Facilities Authority
Durant, Oklahoma

I have audited the financial statements of the Bryan County Public Facilities Authority (the "Authority"), as of and for the year ended June 30, 2012, and have issued my report thereon dated January 28, 2013. 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.

Internal Control over Financial Reporting

Management of Bryan County Public Facilities Authority is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing my audit, I considered Bryan County Public Facilities Authority's internal control over financial reporting as a basis for designing my auditing opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Bryan County Public Facilities Authority's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of Bryan County Public Facilities Authority's internal control over financial reporting.

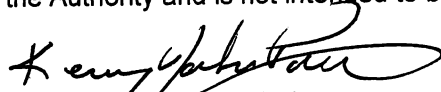
A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination 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.

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining the reasonable assurance about whether the Bryan County Public Facilities Authority's financial statements are free of material misstatement, I 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 my audit and, accordingly, I do not express such an opinion. The results of my test disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report intended solely for the information and use of the governing body, management and others within the Authority and is not intended to be and should not be used by anyone other than these specified parties.


Kerry John Patten, C.P.A.
January 28, 2013