

*Independent Auditor's Report*

***Caddo County Governmental Building Authority***

*Year Ending June 30, 2016*

**CADDO COUNTY GOVERNMENTAL  
BUILDING AUTHORITY  
ANADARKO, OKLAHOMA  
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June 30, 2016**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees  
Caddo County Governmental Building Authority  
Anadarko, Oklahoma

### **Report on the Financial Statements**

We have audited the accompanying modified cash basis financial statements of the business-type activities of the Caddo County Governmental Building Authority, Anadarko, Oklahoma, a component unit of Caddo County, as of and for the year ended June 30, 2016, 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 the modified cash basis of accounting described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for preparation of the financial statements in the circumstances. Management is also responsible for 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 and the standards applicable to the financial audits contained in *Governmental 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 Authority'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 Authority'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 opinion.

**Opinion**

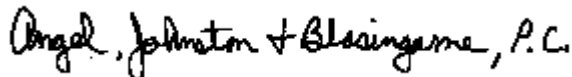
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the business-type activities of the Caddo County Governmental Building Authority as of June 30, 2016, and the respective changes in modified cash basis financial position and cash flows thereof for the year then ended in accordance with the modified cash basis of accounting described in Note 1.

**Basis of Accounting**

We draw attention to Note 1 of the financial statements which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated, May 30, 2017, on our consideration of the 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 control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 the Authority's internal control over financial reporting and compliance.



Angel, Johnston & Blasingame, P.C.  
Chickasha, Oklahoma  
May 30, 2017

**Caddo County Government Building Authority**  
**Statement of Net Position**  
**Modified Cash Basis**  
**June 30, 2016**

**ASSETS**

**Current Assets**

Cash and cash equivalents	\$ 76,435
<i>Total Current Assets</i>	76,435

**Non Current Assets**

Restricted cash and cash equivalents	4,549,295
Land and other non-depreciable assets	231,007
Other capital assets, net of depreciation	13,714,895
<i>Total Non Current Assets</i>	18,495,197

<i>Total Assets</i>	18,571,632
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**LIABILITIES**

**Current Liabilities**

Current portion long term debt	165,000
<i>Total Current Liabilities</i>	165,000

**Long-term Liabilities**

Bonds, notes and loans payable	16,495,000
<i>Total Long-term Liabilities</i>	16,495,000

<i>Total Liabilities</i>	16,660,000
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**NET POSITION**

Net investment in capital assets	(861,670)
Restricted	2,696,867
Unrestricted	76,435
	76,435

<i>Total Net Position</i>	\$ 1,911,632
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The accompanying notes are an integral part of the financial statements.

**Caddo County Government Building Authority**  
**Statement of Revenues, Expenses, and Changes in Net Position**  
**Modified Cash Basis**  
**For the Year Ended June 30, 2016**

<b>Operating Revenues</b>	
Rent income from county sales tax	\$ 716,985
Federal interest subsidy	351,076
Administration fees	16,800
<i>Total Operating Revenues</i>	<u>1,084,861</u>
<b>Operating Expenses</b>	
Trustee Fees	21,800
Office Expense	9,450
Construction Expense	9,940
Depreciation Expense	371,571
<i>Total Operating Expenses</i>	<u>412,761</u>
<i>Operating Income (Loss)</i>	<u>672,100</u>
<b>Non Operating Revenues (Expenses)</b>	
Interest income	10,914
Interest expense	(1,079,161)
<i>Total Non Operating Revenues (Expenses)</i>	<u>(1,068,247)</u>
<i>Change in Net Position</i>	(396,147)
<i>Net Position - Beginning of Year, restated</i>	<u>2,307,779</u>
<i>Net Position - End of Year</i>	<u><u>\$ 1,911,632</u></u>

The accompanying notes are an integral part of the financial statements.

**Caddo County Government Building Authority**  
**Statement of Cash Flows**  
**Modified Cash Basis**  
**For the Year Ended June 30, 2016**

<b>Cash flows from operating activities</b>	
Receipts for rent	\$ 716,985
Receipts for administration fees	16,800
Receipt for interest subsidy	351,076
Payment for trustee fees	(21,800)
Payment to vendors	(19,390)
<i>Net cash provided by (used for) operating activities</i>	<u>1,043,671</u>
<b>Cash flows from capital and related financing activities</b>	
Payment for bond principle	(140,000)
Payment for interest	(1,079,161)
Purchase of capital assets	(126,048)
<i>Net cash provided by (used for) capital and related financing activities</i>	<u>(1,345,209)</u>
<b>Cash flows from investing activities</b>	
Interest received	10,914
<i>Net cash provided by (used for) investing activities</i>	<u>10,914</u>
<i>Net increase (decrease) in cash and cash equivalents</i>	(290,624)
<i>Cash and cash equivalents at beginning of year</i>	4,916,354
<i>Cash and cash equivalents at end of year</i>	<u>\$ 4,625,730</u>
<b>Reconciliation to Statement of Net Position:</b>	
Cash and cash equivalents	\$ 76,435
Restricted cash and cash equivalents	<u>4,549,295</u>
Total cash and cash equivalents	<u>\$ 4,625,730</u>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities</b>	
Operating income (loss)	\$ 672,100
Adjustment to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	371,571
<i>Net cash provided by (used for) operating activities</i>	<u>\$ 1,043,671</u>

The accompanying notes are an integral part of the financial statements.

**CADDO COUNTY GOVERNMENTAL BUILDING AUTHORITY**  
**Notes to the Financial Statements**  
**June 30, 2016**

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**NOTE 1 – Summary of Significant Accounting Policies**

**1.A. Reporting Entity**

Caddo County Governmental Building Authority is a public trust created and established pursuant to the term of Title 60, Oklahoma Statutes 2003, Section 176 et seq.; as amended and supplemented, the Oklahoma Trust Act and other applicable statutes and laws of the State of Oklahoma. The Authority was created October 30, 2003, for the benefit of Caddo County, State of Oklahoma, governmental agencies, municipalities and private entities, agencies and citizens included, in whole or in part within the corporate limits of Caddo county, in making the most efficient use of all of their economic resources and powers in accord with the needs and benefit of the State of Oklahoma and Caddo County in order to lessen the burdens on government and to stimulate economic growth and development of the Caddo County; to inventory the services, facilities and resources of the Caddo County, to own, operate and manage jails, prisons, correctional and related facilities; to foster and promote an improved economic climate within the Caddo County and to otherwise promote its general welfare and prosperity and to finance any and all programs, utilities, facilities or resources promoting or intending to promote any of the foregoing and, without restriction, in furtherance of the foregoing general objectives.

**Related Organizations**

**Caddo County** Caddo County is the beneficiary of this public trust. The elected Caddo County Commissioners, Sheriff and District Attorney are also the Authority's trustees. Therefore, the Authority is considered to be a component unit of Caddo County.

The accompanying financial statements include all functions and activities over which the Authority exercises financial accountability. Caddo County Governmental Building Authority is a component unit of the governmental entity of Caddo County, Oklahoma. Caddo County's financial information is not presented in these financial statements. Caddo County financial audits are readily obtainable at, [www.sai.ok.gov](http://www.sai.ok.gov), the State Auditor's website.

**1.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. All the activities of the Authority are business type activities. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector.

**1.C. Measurement Focus and Basis of Accounting**

Measurement focus refers to how transactions are recorded within the various financial statements. Basis of accounting refers to when transactions are recognized and recorded in the financial statements regardless of the measurement focus applied.



**CADDO COUNTY GOVERNMENTAL BUILDING AUTHORITY**  
**Notes to the Financial Statements**  
**June 30, 2016**

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**NOTE 1 – Summary of Significant Accounting Policies, (continued)**

**1.C. Measurement Focus and Basis of Accounting, (continued)**

The Authority's financial statements use the economic resources measurement focus and are presented on the modified cash basis of accounting. Revenues are recognized when they are received and expenses are recorded when paid with the following modifications:

- Capital assets are recorded when purchased and related depreciation is recorded.
- Long-term debt is recorded when incurred.

This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. If the Authority utilized the basis of accounting recognized as generally accepted, the financial statements would use 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.

**1.D. Assets, Liabilities and Net Position**

Cash and Cash Equivalents – For the purposes of the statement of cash flows, the Authority considers all cash on hand, demand deposits, interest bearing checking accounts and time deposit accounts including certificates of deposit and U.S. Treasury bills with maturities of three months or less to be cash and cash equivalents.

Restricted Assets – Restricted assets include assets that are legally restricted as to their use. The primary restricted assets are as follows:

**Revenue Bond Funds Accounts** – The bond accounts restricted by the bond indenture for the remodel of the county courthouse and confinement facility construction.

**Capital Improvements** – The account to receive 3/8<sup>ths</sup> of one-cent sales tax, restricted for servicing the principal and interest payments of the sales tax revenue bonds.

**Relocation Expense** – Account established to account for expenses related to relocation of Caddo County offices while courthouse is being remodeled.

Capital Assets – Capital assets acquired are capitalized and stated at cost. Interest incurred or earned during the construction phase of capital assets is netted and reflected in the capitalized value of the asset constructed. The Authority does not have a capitalization threshold amount.

Depreciation of exhaustible capital assets is recorded as an expense over the estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

**CADDO COUNTY GOVERNMENTAL BUILDING AUTHORITY**  
**Notes to the Financial Statements**  
**June 30, 2016**

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**NOTE 1 – Summary of Significant Accounting Policies, (continued)**

**1.D. Assets, Liabilities and Net Position, (continued)**

Detention Center	40 Years
Building Renovations	40 Years
Food Service Equipment	25 Years
Equipment and Furniture	7 - 10 Years

Bonds Payable - Bonds Payable to be repaid from the Authority resources are reported as liabilities in the Statement of Net Position. See Note 6.

Net Position – Net Position is divided into three 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 bonds, mortgages, notes, or other borrowings that are attributed to the acquisition, construction, or improvements of those assets.
- b. *Restricted net position* – Consists of net assets with constraints placed on the use either by 1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or 2) law through constitutional provisions or enabling legislation.
- c. *Unrestricted net position* – All other net assets that do not meet the definition of “restricted” or “net investment in capital assets.”

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

**1.E. Revenues and Expenses**

Operating and Non-operating Revenues - Operating revenues are considered those whose cash flows are related to operating activities, while revenues related to financing, capital and investing activities are reported as non-operating.

Expenses - The Authority reports expenses relating to the use of economic resources.

**1.F. Estimates**

Certain estimates are made in the preparation of the financial statements, such as estimated lives for capital assets depreciation. Estimates are based on management’s best judgments and may vary from actual results.

**CADDO COUNTY GOVERNMENTAL BUILDING AUTHORITY**  
**Notes to the Financial Statements**  
**June 30, 2016**

**NOTE 2 - Deposits, Investments, and Collateral**

Deposits and Investments – The Authority does not have a written investment policy that limits its investment choices. Investments are limited by state statute and declaration of trust.

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 does not have a written policy for custodial risk, but *Oklahoma Statutes* requires collateral for all uninsured deposits of public trust funds in financial institutions. At June 30, 2016, the Authority was not exposed to custodial credit risk.

**NOTE 3 - Restricted Assets**

The amounts reported as restricted assets on the Statement of Net Position are comprised of cash restricted by bond indenture, sales tax resolution or governing body. The restricted assets as of June 30, 2016 were as follows:

Type of Restricted Asset	Cash and Cash Equivalents
Restricted by Indenture	\$ 3,638,427
Restricted by Resolution	908,905
Restricted by Trustees	1,963
Total Restricted	\$ 4,549,295

**NOTE 4 - Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2016 was as follows:

	Balance 6/30/15	Additions	Deletions	Balance 6/30/16
Non-depreciable assets:				
Construction in progress	\$ 0	\$ 114,098	\$ -	\$ 114,098
Land	116,909	-	-	116,909
Total non-depreciable assets	116,909	114,098	-	231,007
Depreciable assets:				
Detention center facilities	14,807,573	-	-	14,807,573
Equipment and furniture	7,845	11,950	-	19,795
Total depreciable assets	14,815,418	11,950	-	14,827,368
Less accumulated depreciation:				
Detention center facilities	740,379	370,189	-	1,110,568
Equipment and furniture	523	1,382	-	1,905
Total accumulated depreciation	740,902	371,571	-	1,112,473
Net depreciable assets	14,074,516	(359,621)	-	13,714,895
Net capital assets	\$14,191,425	\$ (245,523)	\$ -	\$13,945,902

**CADDO COUNTY GOVERNMENTAL BUILDING AUTHORITY**

**Notes to the Financial Statements**

**June 30, 2016**

**NOTE 5 - Lease Agreement and Operation and Maintenance Contract**

On September 2, 2010 the Authority (lessor) and the County (lessee) entered into a lease agreement and operation and maintenance contract, whereby the County leases the detention facilities from the Authority and agrees to operate and maintain the jail facilities or to pay the cost thereof. The lease term commences September 2, 2010 and ends September 2, 2041, unless terminated sooner: provided that all indebtedness secured by the facilities has been paid. The funding and amounts of the debt payments are described in Note 6.

**NOTE 6 - General Long-term Debt**

Sales Tax Revenue Bonds Series 2010:

In September 2010 the Authority issued \$17,170,000 in 4.13% to 5.09% sales tax bonds to fund construction of the Caddo County Detention Facility and County Courthouse renovation. The bonds were backed by a three quarters (0.75) of one percent county sales tax approved by a majority of voters in Caddo County and expires September, 2040, (30 years). Payments made totaled \$1,219,161 of which \$1,079,161 was interest. The sales tax revenue bond balance on June 30, 2016 was \$16,660,000.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Balance Due In 1 year</u>
Revenue Bonds	<u>\$16,800,000</u>	<u>\$0</u>	<u>\$140,000</u>	<u>\$16,660,000</u>	<u>\$ 165,000</u>

**Debt Service Schedule:**

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2017	165,000	1,076,720
2018	185,000	1,070,220
2019	210,000	1,062,286
2020	235,000	1,052,531
2021	260,000	1,041,028
2022-2026	1,765,000	4,951,156
2027-2031	2,730,000	4,302,763
2032-2036	4,010,000	3,252,626
2037-2041	7,100,000	1,679,363
Total	<u>\$16,660,000</u>	<u>\$19,488,693</u>

**CADDO COUNTY GOVERNMENTAL BUILDING AUTHORITY**

**Notes to the Financial Statements**

**June 30, 2016**

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**NOTE 7 - Prior Period Adjustment**

Adjustments were made to beginning net position to reflect the cumulative effect of changes in accounting principles, correction of errors, and /or changes in accounting estimates as follows:

Beginning Net Position (as previously reported)	\$ 2,817,640
Removal of unamortized bond issue costs	<u>(509,861)</u>
Beginning Net Position, restated	<u>\$ 2,307,779</u>

**NOTE 8 - Risk Management**

As per the lease agreement as described in note 5 the County (lessee) will carry and maintain insurance with respect to the facilities and has secured insurance through The Association of County Commissioners of Oklahoma Self-Insurance Group (ACCO-SIG). Property is insured for \$7,500,000, there is comprehensive insurance coverage of \$1,000,000. Coverage is subject to a \$25,000 deductible.

**NOTE 9 - Economic Dependency**

The Authority is dependent upon repayment of bonds solely from the County sales tax revenue.

**NOTE 10 - Subsequent Events**

The Authority received notice on July 10, 2015, from the Internal Revenue Service that the \$16,850,000 Sales Tax Revenue Bonds were selected for examination as part of a market segment review involving build America bonds. The purpose of the examination is to ascertain the compliance of the debt issuance with Federal tax requirements. There is an attorney handling the examination for the Authority.

The IRS has completed their examination of the \$16,850,000 Sales Tax Revenue Bonds and issued a Notification of No Change Determination. However, the Authority was instructed by the IRS that according to Code provision Section 54AA(g)(2) one hundred percent of the available project proceeds are to be used for capital expenditures. Failure to satisfy this requirement at any time prior to the final maturity or other discharge of tax-exempt bonds would result in noncompliance.

Subsequent events were evaluated through TBD, which is the date the financial statements were available to be issued.

*Independent Auditor's Report on  
Internal Control and Compliance*

**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  
Caddo County Governmental Building Authority  
Anadarko, Oklahoma

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the modified cash basis financial statements of the business-type activities of the Caddo County Governmental Building Authority, a component unit of Caddo County, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated, May 30, 2017. Our report on the financial statements disclosed, that, as described in Note 1 to the financial statements, the Authority prepares its financial statements on a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Caddo County Governmental Building 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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Authority'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.

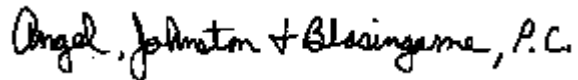
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weakness or significant deficiencies. Given these limitations, during our audit we did not identify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

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Caddo County Governmental Building 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*.

**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 the *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Angel, Johnston & Blasingame, P.C.  
Chickasha, Oklahoma  
May 30, 2017