

Independent Auditor's Report

Caddo County Governmental Building Authority

Year Ending June 30, 2015

**CADDO COUNTY GOVERNMENTAL
BUILDING AUTHORITY
ANADARKO, OKLAHOMA
TABLE OF CONTENTS
June 30, 2015**

TABLE OF CONTENTS

Independent Auditor's Report	A – 1
------------------------------	-------

BASIC FINANCIAL STATEMENTS

Statement of Net Position – Modified Cash Basis	B – 1
--	-------

Statement of Revenues, Expenses and Changes in Net Position – Modified Cash Basis	C – 1
--	-------

Statement of Cash Flows – Modified Cash Basis	D – 1
--	-------

Notes to Financial Statements	E - 1
-------------------------------	-------

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 <i>Government Auditing Standards</i>	F - 1
---	-------

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 Caddo County Governmental Building Authority, Anadarko, Oklahoma, a component unit of Caddo County, as of and for the year ended June 30, 2015, 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 *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 of 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

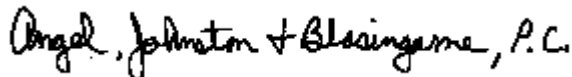
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position-modified cash basis of the Caddo County Governmental Building Authority as of June 30, 2015, and the respective changes in financial position-modified cash basis and cash flows-modified cash basis, 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, October 13, 2015, 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
October 13, 2015

CADDO COUNTY GOVERNMENTAL BUILDING AUTHORITY
STATEMENT OF NET POSITION
MODIFIED CASH BASIS
June 30, 2015

ASSETS

Current Assets	
Cash and cash equivalents	\$ 69,084.51
Investments	0.00
<i>Total Current Assets</i>	<u>69,084.51</u>
Non Current Assets	
Restricted cash and cash equivalents	4,847,268.79
Capital assets (net Accumulated depreciation)	14,191,425.88
Deferred Charges-Bond Issue Costs	509,860.72
<i>Total Non Current Assets</i>	<u>19,548,555.39</u>
<i>Total Assets</i>	<u>\$ 19,617,639.90</u>

LIABILITIES

Current Liabilities	
Bonds, notes and loans payable	140,000.00
<i>Total Current Liabilities</i>	<u>140,000.00</u>
Long-term Liabilities	
Bonds, notes and loans payable	16,660,000.00
<i>Total Long-term Liabilities</i>	<u>16,660,000.00</u>
<i>Total Liabilities</i>	<u>\$ 16,800,000.00</u>

NET POSITION

Net Investment in Capital Assets	(2,098,713.40)
Restricted	4,847,268.79
Unrestricted	69,084.51
<i>Total Net Position</i>	<u>\$ 2,817,639.90</u>

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

CADDO COUNTY GOVERNMENTAL BUILDING AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
NET POSITION-MODIFIED CASH BASIS
For the Year Ended June 30, 2015

Operating Revenues:

Rent Income from County Sales Tax	\$ 853,815.75
Federal Interest Subsidy	351,370.12
Administration Fees	16,920.00
<i>Total Operating Revenues</i>	<u>1,222,105.87</u>

Operating Expenses:

Trustee Fees	21,920.00
Office Expense	6,850.00
Construction Expense	1,104.85
Depreciation Expense	370,712.33
Ammortized Deferred Charges	27,580.66
<i>Total Operating Expenses</i>	<u>428,167.84</u>

<i>Operating Income (Loss)</i>	<u>793,938.03</u>
--------------------------------	-------------------

Non-Operating Revenues (Expenses)

Interest Income	8,479.34
Interest Expense	(1,083,485.66)
<i>Total Non-Operating Revenues (Expenses)</i>	<u>(1,075,006.32)</u>

Change in Net Position	(281,068.29)
------------------------	--------------

<i>Net Position-Beginning of Year</i>	<u>3,098,708.19</u>
---------------------------------------	---------------------

<i>Net Position-End of Year</i>	<u>\$ 2,817,639.90</u>
---------------------------------	------------------------

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

CADDO COUNTY GOVERNMENTAL BUILDING AUTHORITY
STATEMENT OF CASH FLOWS
MODIFIED CASH BASIS
For the Year Ended June 30, 2015

Cash flows from operating activities:	
Cash receipts for rent	\$ 853,815.75
Cash receipts for administrative fees	16,920.00
Cash receipt for interest subsidy	351,370.12
Cash payments for trustee fees	(21,920.00)
Cash payments to vendors	<u>(7,954.85)</u>
<i>Net Cash provided (used) by operating activities</i>	<u>1,192,231.02</u>
 Cash flows from non-capital and related financing activities:	
Decrease in liability to Caddo County	<u>(33,547.69)</u>
<i>Net Cash provided (used) by non-capital financing activities</i>	<u>(33,547.69)</u>
 Cash flows from capital and related financing activities:	
Cash payment of bond principle	(120,000.00)
Purchase of Capital Assets	<u>(7,845.00)</u>
<i>Net Cash provided (used) by capital financing activities</i>	<u>(127,845.00)</u>
 Cash flows from investing activities:	
Interest Received	8,479.34
Interest paid	<u>(1,083,485.66)</u>
<i>Net Cash provided (used) by investing activities</i>	<u>(1,075,006.32)</u>
 <i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	 (44,167.99)
 <i>Beginning Cash and Cash Equivalents</i>	 <u>4,960,521.29</u>
 <i>Ending Cash and Cash Equivalents</i>	 <u><u>\$ 4,916,353.30</u></u>
 Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:	
Operating Income (Loss)	793,938.03
Adjustments to reconcile operating income to net cash provided:	
Ammortized Deferred Charges	27,580.66
Depreciation Expense	<u>370,712.33</u>
 Net Cash provided (used) by operating activities	 <u><u>\$ 1,192,231.02</u></u>

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

CADDO COUNTY GOVERNMENTAL BUILDING AUTHORITY
ANADARKO, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

NOTE 1 – Summary of Significant Accounting Policies

1.A. Reporting Entity

Caddo County Governmental Building Authority was created October 30, 2003, for the benefit of Caddo County, the State of Oklahoma, Governmental Agencies municipalities and private entities, agencies 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 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 The 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 and 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, 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. 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 recorded regardless of the measurement focus applied.

The Authority's financial statements use the economic resources measurement focus and the

CADDO COUNTY GOVERNMENTAL BUILDING AUTHORITY
ANADARKO, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

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

modified cash basis of accounting. Revenues are recognized when they are received and expenses are recorded when paid. If the Authority utilized the basis of accounting recognized as generally accepted, the financial statements would use the accrual basis of accounting. In other words, revenue would be recognized when earned and expenses would be recorded when the liability is incurred or economic asset used.

1.D. Assets, Liabilities and Equity

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

Restricted Cash:

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^{ths} 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.

Bonds, Notes and Loans Payable - Bonds Payable to be repaid from the authority resources are reported as liabilities in the balance sheet. The Authority had \$16,800,000 bonds payable as of the balance sheet date.

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.

CADDO COUNTY GOVERNMENTAL BUILDING AUTHORITY
ANADARKO, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

1.D. Assets, Liabilities and Equity (continued)

Capital Assets – Capital assets acquired are capitalized and stated at cost, donated capital assets (if any) are recorded at their fair market values as of the date received. 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:

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

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.

1.G. Differences from GAAP

Modified Cash Basis- As described in Note 1.C., the Authority reports its financial information on the modified cash basis of accounting rather than the GAAP prescribed accrual basis.

NOTE 2 – Detailed Notes on Transaction Classes/Accounts

2.A. 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 .

CADDO COUNTY GOVERNMENTAL BUILDING AUTHORITY
ANADARKO, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

2.A. Deposits, Investments, and Collateral (continued)

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. As of June 30, 2015, the Authority’s bank balances were adequately collateralized.

2.B. 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, 2015 were as follows:

<u>Type of Restricted Asset</u>	<u>Cash and Cash Equivalents</u>	<u>Current Investments</u>	<u>Total</u>
Restricted by Indenture	\$ 3,751,400	-	\$ 3,751,400
Cash Restricted by Resolution	\$ 1,093,906	-	\$ 1,093,906
Cash Restricted by Trustees	\$ 1,963	-	\$ 1,963

2.C. Capital Assets

The following is a summary of the capital assets of the Authority at June 30, 2015:

<u>Business-type Activities</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>
Capital assets:				
Land (non depreciable)	\$ 116,909	\$ 0	\$ 0	\$ 116,909
Detention Center Facilities	\$ 14,807,573	\$ 0	\$ 0	\$ 14,807,573
Equipment and Furniture	<u>\$ 0</u>	<u>\$ 7,845</u>	<u>\$ 0</u>	<u>\$ 7,845</u>
Total capital assets	\$ 14,924,482	\$ 7,845	\$ 0	\$14,932,327
Less accumulated depreciation:				
Detention Center Facilities	\$ 370,189	\$ 370,189	\$ 0	\$ 740,378
Food Service Equipment	\$ 0	\$ 0	\$ 0	\$ 0
Equipment and Furniture	<u>\$ 0</u>	<u>\$ 523</u>	<u>\$ 0</u>	<u>\$ 523</u>
Total accumulated depreciation	<u>\$ 370,189</u>	<u>\$ 370,712</u>	<u>\$ 0</u>	<u>\$ 740,901</u>
Net capital assets	<u>\$ 14,554,293</u>	<u>\$ (362,867)</u>	<u>\$ 0</u>	<u>\$14,191,426</u>

NOTE 3 Other Notes

3.A. Employee Pension Plans

The Authority had no employees or pension plans to note during this fiscal year.

CADDO COUNTY GOVERNMENTAL BUILDING AUTHORITY
ANADARKO, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

3.B. 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 3 C.

3.C. 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). On June 30, 2015, \$16,800,000 was the outstanding balance on the general obligation sales tax revenue bonds.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Principal Paid</u>	<u>Interest Paid</u>	<u>Ending Balance</u>
2010 Sales Tax Revenue Bond	\$16,920,000	\$0	\$120,000	\$1,083,486	\$16,800,000

Debt Service
Schedule:

	<u>Fiscal Year</u>	<u>Principal Payments</u>	<u>Estimated Interest</u>
Current Portion	2016	140,000	1,081,603
Non-Current Portion	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>\$16,800,000</u>	<u>\$20,570,296</u>

CADDO COUNTY GOVERNMENTAL BUILDING AUTHORITY
ANADARKO, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

3.D. Risk Management

As per the lease agreement as described in note 3.B. the Authority will carry and maintain, or cause to be carried and maintained, and pay, or caused to be paid, the timely premiums for at least the following insurance with respect to the facilities.

Property – Fire and extended coverage insurance on the facility when complete
Comprehensive – General public liability and property damage.

The beneficiary 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.

3.E. Commitments and Contingencies

The Authority is dependent upon repayment of bonds solely from the County sales tax revenue. If the beneficiary defaulted on the bond payment due to a significant drop in sales tax collections, it would have a significant impact on the Authority's financial condition.

3.F. 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. As of the date of this report, there are no negative issues facing the Authority's bond issue.

Subsequent events were evaluated through October 13, 2015, 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 accompanying modified cash basis financial statements of the Caddo County Governmental Building Authority, a component unit of Caddo County, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated, October 13, 2015. 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.

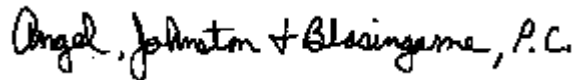
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weakness or significant deficiencies. Given these limitations, during our audit we did not identify 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 of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed 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
October 13, 2015