

**Canadian County Public Facilities Authority  
Annual Financial Report  
June 30, 2014**

**CANADIAN COUNTY PUBLIC FACILITIES AUTHORITY  
(COMPONENT UNIT OF CANADIAN COUNTY, OKLAHOMA)  
ANNUAL FINANCIAL REPORT  
JUNE 30, 2014**

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## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Trustees  
Canadian County Public Facilities Authority  
a component unit of Canadian County, Oklahoma

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

We have audited the accompanying financial statements of the governmental activities, business-type activities, and each major fund of Canadian County Public Facilities Authority ("Trust"), a component unit of Canadian County, Oklahoma, as of and for the year ended June 30, 2014 and the related notes to the financial statements, which collectively comprise the Trust'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 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 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, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities and each major fund of Canadian County Public Facilities Authority as of June 30, 2014, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated February 27, 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.

### **Other Matters**

The Trust has not presented management's discussion and analysis that the Government Accounting Standards Board has determined is necessary to supplement, although not required to be a part of, the basic financial statements.

*HBC CPA & Advisors*

February 27, 2015

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

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 288,573	\$ 39,128	\$ 327,701
Capital assets (net)	7,083,487	4,729,806	11,813,293
Interfund receivable (payable)	<u>(14,668)</u>	<u>14,668</u>	<u>-</u>
Total assets	<u>7,357,392</u>	<u>4,783,602</u>	<u>12,140,994</u>
<b>LIABILITIES</b>			
Due to other related trust	-	230,039	230,039
Long-term debt, current	-	418,728	418,728
Long-term debt	<u>-</u>	<u>4,091,061</u>	<u>4,091,061</u>
Total liabilities	<u>-</u>	<u>4,739,828</u>	<u>4,739,828</u>
<b>NET POSITION</b>			
Net investment in capital assets	7,098,128	220,017	7,318,145
Unrestricted	-	(176,243)	(176,243)
Committed	<u>259,264</u>	<u>-</u>	<u>259,264</u>
Total net position	<u>\$ 7,357,392</u>	<u>\$ 43,774</u>	<u>\$ 7,401,166</u>

See accompanying notes.

**CANADIAN COUNTY PUBLIC FACILITIES AUTHORITY**  
**(COMPONENT UNIT OF CANADIAN COUNTY, OKLAHOMA)**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2014**

	Expenses	Program Revenues Charges for Services	Net (Expense)/ Revenue
<b>Functions/Programs:</b>			
Governmental activities:			
Public purpose	\$ 12,383	\$ -	\$ (12,383)
Professional fees	260,179	-	(260,179)
Depreciation expense	272,562	-	(272,562)
Total governmental activities	<u>272,562</u>	<u>-</u>	<u>(272,562)</u>
Business-type activities:			
Rental activities	55,123	331,855	276,732
Total business-type activities	<u>55,123</u>	<u>331,855</u>	<u>276,732</u>
Total	<u>\$ 327,685</u>	<u>\$ 331,855</u>	<u>\$ 4,170</u>

  

	Net (Expense)/Revenue		
	Governmental Activities	Business-Type Activities	Total
<b>Changes in Net Position:</b>			
Net (expense)/revenue	\$ (272,562)	\$ 276,732	\$ 4,170
General revenues:			
Investment income	303	24	327
External transfers	(1,859,161)	(358,733)	(2,217,894)
Total general revenues and transfers	<u>(1,858,858)</u>	<u>(358,709)</u>	<u>(2,217,567)</u>
Change in net position	(2,131,420)	(81,977)	(2,213,397)
Net position, beginning	9,488,812	125,751	9,614,563
Net position, ending	<u>\$ 7,357,392</u>	<u>\$ 43,774</u>	<u>\$ 7,401,166</u>

See accompanying notes.

**CANADIAN COUNTY PUBLIC FACILITIES AUTHORITY  
(COMPONENT UNIT OF CANADIAN COUNTY, OKLAHOMA)  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2014**

	Juvenile Detention Facility Fund
<b>ASSETS</b>	
Cash and cash equivalents	\$ 288,573
Total assets	<u>\$ 288,573</u>
<b>LIABILITIES</b>	
Interfund payable	\$ 14,668
Total liabilities	<u>14,668</u>
<b>FUND BALANCES</b>	
Assigned but available for fund purpose	273,905
Total liabilities and fund balances	<u>\$ 288,573</u>

See accompanying notes.

**CANADIAN COUNTY PUBLIC FACILITIES AUTHORITY  
(COMPONENT UNIT OF CANADIAN COUNTY, OKLAHOMA)  
RECONCILIATION OF THE BALANCE SHEET OF THE GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET POSITION  
JUNE 30, 2014**

Total fund balance - total governmental funds	\$ 273,905
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets of \$10,610,405 net of accumulated depreciation of \$3,512,277, are not financial resources and, therefore, are not reported in the funds. See Note 4 for additional detail.	7,083,487
Net assets of governmental activities	<u>\$ 7,357,392</u>



**CANADIAN COUNTY PUBLIC FACILITIES AUTHORITY  
(COMPONENT UNIT OF CANADIAN COUNTY, OKLAHOMA)  
STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2014**

	Juvenile Detention Facility Fund
<b>REVENUES</b>	
Investment income	303
Total revenues	<u>303</u>
<b>EXPENDITURES</b>	
Capital outlay expenditures	448,556
Professional fees	12,383
Total expenditures	<u>460,939</u>
Excess (deficiency) of revenues over expenditures	<u>(460,636)</u>
<b>OTHER FINANCING SOURCES (USES)</b>	
Other financing sources (uses)	<u>(1,859,162)</u>
Total other financing sources and uses	<u>(1,859,162)</u>
Net change in fund balances	(2,319,798)
Fund balances, beginning	2,593,703
Fund balances, ending	<u><u>\$ 273,905</u></u>

See accompanying notes.

**CANADIAN COUNTY PUBLIC FACILITIES AUTHORITY  
(COMPONENT UNIT OF CANADIAN COUNTY, OKLAHOMA)  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2014**

Net change in fund balances - total governmental funds	\$ (2,319,798)
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays of \$448,556 exceed depreciation and amortization of \$260,179 in the current period.	188,378
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Change in net assets of governmental activities	<u><u>\$ (2,131,420)</u></u>
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**CANADIAN COUNTY PUBLIC FACILITIES AUTHORITY  
(COMPONENT UNIT OF CANADIAN COUNTY, OKLAHOMA)  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
JUNE 30, 2014**

	CCPFA Operating Fund
	<u>                    </u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 39,128
Total current assets	<u>39,128</u>
Non-current assets	
Capital assets:	
Land	126,787
Buildings	4,891,897
Less accumulated depreciation	<u>(288,878)</u>
Capital assets, net	4,729,806
Interfund receivable	<u>14,668</u>
Total non-current assets	<u>4,744,474</u>
Total assets	<u>4,783,602</u>
<b>LIABILITIES</b>	
Current liabilities	
Notes payable, current	<u>418,728</u>
Total current liabilities	<u>418,728</u>
Noncurrent liabilities	
Due to related government entity	230,039
Notes payable, noncurrent	<u>4,091,061</u>
Total noncurrent liabilities	<u>4,321,100</u>
Total liabilities	<u>4,739,828</u>
<b>NET POSITION</b>	
Net Investment in capital assets	220,017
Unreserved	<u>(176,243)</u>
Total net position	<u>\$ 43,774</u>

See accompanying notes.

**CANADIAN COUNTY PUBLIC FACILITIES AUTHORITY  
(COMPONENT UNIT OF CANADIAN COUNTY, OKLAHOMA)  
STATEMENT OF REVENUES, EXPENSES,  
AND CHANGES IN FUND NET POSITION  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2014**

	CCPFA Operating Fund
<b>OPERATING REVENUES</b>	
Rent revenue	\$ 331,855
Total operating revenues	<u>331,855</u>
<b>OPERATING EXPENSES</b>	
Professional fees	3,944
Miscellaneous	769
Depreciation	<u>26,462</u>
Total operating expenses	<u>31,175</u>
Operating income	<u><u>300,680</u></u>
<b>NONOPERATING REVENUES (EXPENSES)</b>	
Investment income	24
Interest expense	<u>(23,948)</u>
Total nonoperating revenues (expenses)	<u>(23,924)</u>
Income before contributions and transfers	<u>276,756</u>
Transfers out	<u>(358,733)</u>
Change in net position	(81,977)
Total net position, beginning	125,751
Total net position, ending	<u><u>\$ 43,774</u></u>

See accompanying notes.

**CANADIAN COUNTY PUBLIC FACILITIES AUTHORITY  
(COMPONENT UNIT OF CANADIAN COUNTY, OKLAHOMA)  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2014**

	CCPFA Operating Fund
Cash flows operating activities:	
Cash received from customers	\$ 10,990
Cash payments for goods and services	<u>(12,971)</u>
Net cash provided (used) by operating activities	<u>(1,981)</u>
Cash flows from capital and related financing activities:	
Debt payments	<u>(51,556)</u>
Net cash provided (used) by capital and related financing activities	<u>(51,556)</u>
Cash flows from investing activities:	
Investment income	<u>24</u>
Net cash provided (used) by investing activities	<u>24</u>
Net increase (decrease) in cash and cash equivalents	(53,513)
Cash and cash equivalents, beginning of year	92,641
Cash and cash equivalents, end of year	<u><u>\$ 39,128</u></u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 306,755
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	26,462
Rents used to retire debt	<u>(335,198)</u>
Total adjustments	<u>(308,736)</u>
Net cash provided by operating activities	<u><u>\$ (1,981)</u></u>

See accompanying notes.

**CANADIAN COUNTY PUBLIC FACILITIES AUTHORITY  
(COMPONENT UNIT OF CANADIAN COUNTY, OKLAHOMA)  
NOTES TO COMBINED FINANCIAL STATEMENTS  
JUNE 30, 2014**

**1. Organization and Significant Financial Events**

The Canadian County Public Facilities Authority (the "Authority") is a public trust created by a Declaration of Trust dated December 18, 1984. The Authority's primary purpose is to serve as a vehicle for financing the purchase or construction of buildings or other facilities which are to be used directly or indirectly by Canadian County, Oklahoma.

The Authority is a component unit of Canadian County, Oklahoma and is managed by a board of trustees, which according to the trust indenture, shall be the Board of Commissioners of Canadian County, Oklahoma, the beneficiary of the trust.

On December 30, 1985 the Authority obtained financing to construct a building in El Reno, Oklahoma to be occupied by the Department of Human Services of Oklahoma in accordance with a lease agreement dated December 1, 1985. The Department of Human Services of Oklahoma later fulfilled their lease obligation by paying off the note on the building and at that time, in accordance with the lease agreement, title to the building was transferred to Canadian County, Oklahoma.

On December 1, 1988, the Authority obtained financing to purchase a building in El Reno, Oklahoma. This property was occupied by the Canadian County Health Department in accordance with a lease agreement dated December 1, 1988. The Canadian County Health Department later fulfilled their lease obligation by paying off their proportionate share of the note on the building, and on February 1, 2002, signed a new lease in order to occupy the "Gold Bank" property purchased by the Authority. Title to the property was transferred to Canadian County, Oklahoma during fiscal year 2013.

On October 3, 1991, the Authority obtained financing to purchase properties in Yukon and El Reno, Oklahoma. The property in Yukon is occupied by the Canadian County Health Department. The Health Department fulfilled their financial obligation on the lease on April 22, 1999 by paying off their proportionate share of the indebtedness related to the purchase of the property.

On August 27, 1996, the voters of Canadian County, Oklahoma passed a .35 cent sales tax to be used for the construction, operation and maintenance of juvenile detention facilities.

On December 18, 1996, the Trustees of the Authority passed a resolution authorizing the Authority to issue indebtedness for the purpose of constructing juvenile detention facilities.

On September 4, 1997, Trustees of the Authority ratified an "Order to Pay" \$350,000 from sales tax proceeds for the purchase of 186 acres near Banner, Oklahoma in eastern Canadian County. This land was used as a site for the construction of the juvenile detention facilities.

**CANADIAN COUNTY PUBLIC FACILITIES AUTHORITY  
(COMPONENT UNIT OF CANADIAN COUNTY, OKLAHOMA)  
NOTES TO COMBINED FINANCIAL STATEMENTS  
JUNE 30, 2014**

**1. Organization and Significant Financial Events (continued)**

On February 1, 2000, the Authority issued \$3.185 million of Public Facilities Revenue Bonds, Series 2000 to refund a March 11, 1997 note and create permanent financing for the construction of the juvenile detention facility. These bonds were subsequently refunded on December 1, 2002.

On September 21, 2001, the Trustees of the Authority passed a resolution authorizing the Authority to issue indebtedness for the purpose of acquiring and renovating public buildings suitable to house and provide facilities for the Canadian County Health Department, the Authority, and other government entities of Canadian County (the "County Health Department and Public Usage Buildings Project"). The Authority issued a promissory note in the amount of \$730,000 to a bank on October 3, 2001, and at that time obtained title to the building formerly known as the "Gold Bank Building". This note was subsequently repaid.

On December 1, 2002, the Authority issued \$5.675 million of Public Facilities Revenue Bonds, Series 2002 to refund Public Facilities Revenue Bonds, Series 2000 and to finance the construction of an expansion of the juvenile detention facility.

On December 30, 2011 the Authority issued a promissory note to bank in the amount of \$4.05 million to finance the construction of a new county jail for Canadian County.

In August, 2012, the Authority issued a note to a bank in the amount of \$425,000 to finance the purchase of land and the construction of a district building for Canadian County, Oklahoma.

In November, 2012, the Authority issued a note to a bank in the amount of \$750,000 to finance improvements to Canadian County Health Department facilities.

In December 2012, the Authority redeemed the \$5.675 million of Public Facilities Revenue Bonds, Series 2002.

During the year ended June 30, 2013, the Authority transferred several parcels of land and two buildings with a net book value of \$741,288 to Canadian County, Oklahoma, the beneficiary of the Trust.

During the year ended June 30, 2014, the Authority transferred several parcels of land and a building all with a net book value of \$337,903 to Canadian County, Oklahoma, the beneficiary of the Trust.

**CANADIAN COUNTY PUBLIC FACILITIES AUTHORITY  
(COMPONENT UNIT OF CANADIAN COUNTY, OKLAHOMA)  
NOTES TO COMBINED FINANCIAL STATEMENTS  
JUNE 30, 2014**

**2. Summary of Significant Accounting Policies**

Accounting estimates: Accrual accounting was used to prepare these financial statements. Financial statement preparation requires the Authority's management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingencies as of the date of these financial statements and reported amounts of revenues and expenses for the period of these financial statements. Actual results could differ from these estimates.

Cash and cash equivalents: The Authority's cash and cash equivalents are considered demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Capital assets: Property and equipment are recorded at cost. Depreciation of buildings is computed using the straight-line method over an estimated useful life of thirty years. Furniture and equipment is depreciated using the straight-line method over an estimated useful life ranging from five to fifteen years.

Classification of Revenues: The Authority has classified its revenues as either operating or nonoperating revenues according to the following criteria:

*Operating revenues:* Operating revenues include activities that have the characteristics of exchange transactions, such as rent payments and maintenance fees made to the Authority.

*Nonoperating revenues:* Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as gifts and contributions, and other revenue sources that are defined as nonoperating revenues by GASB No. 9, *Reporting Cash Flows of Proprietary Fund Accounting*, and GASB No. 34, such as investment income.

The Authority has the option to apply all Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989, unless FASB conflicts with GASB. The Authority has elected to not apply FASB pronouncements issued after the applicable date.

**2a. Basis of Presentation**

The Authority's financial statements are presented in accordance with the requirements of GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis – for State and Local Governments*. Under GASB Statement No. 34, the presentation is as follows:

*Government-Wide Financial Statements*

The statement of net position and statement of activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds.



**CANADIAN COUNTY PUBLIC FACILITIES AUTHORITY  
(COMPONENT UNIT OF CANADIAN COUNTY, OKLAHOMA)  
NOTES TO COMBINED FINANCIAL STATEMENTS  
JUNE 30, 2014**

The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

*Fund Financial Statements*

Fund financial statements are provided for governmental and proprietary funds. Major individual governmental and enterprise funds are reported in separate columns.

The funds of the financial reporting entity are described below:

Governmental Funds

Major -

The Juvenile Detention Facility Fund is a special revenue fund that derives revenues through sales taxes, which are used to a) repay the debt issued to construct the Canadian County Juvenile Detention Facility, and to b) fund the current operating expenses of the facility.

Proprietary Fund

Proprietary Fund Types are used to account for operations of the Authority's organizations and activities which are similar to those often found in private business enterprises. The following is a description of Proprietary Fund Types;

Enterprise Funds - Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs and expenses of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues received, disbursements made, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Major -

Canadian County Public Facilities Authority Operating Fund – This operating fund derives revenues from building rents and maintenance fees. This revenue is used to repay debt on buildings and for maintenance and other expenses.

**2b. Basis of Accounting**

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures/expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

**CANADIAN COUNTY PUBLIC FACILITIES AUTHORITY  
(COMPONENT UNIT OF CANADIAN COUNTY, OKLAHOMA)  
NOTES TO COMBINED FINANCIAL STATEMENTS  
JUNE 30, 2014**

**2b. Basis of Accounting (continued)**

The government-wide statements report using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included in the statement of net position and the operating statements present increases (revenues) and decreases (expenses) in net total position.

Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when the liability is incurred.

In the fund financial statements, the “current financial resources” measurement focus or the “economic resources” measurement focus is used as appropriate:

- a. All governmental funds utilize a “current financial resources” measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- b. The proprietary fund utilizes an “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent, financial, or nonfinancial) associated with their activities are reported. Proprietary fund equity is classified as net position.

When an expense is incurred that can be paid either using restricted or unrestricted resources, the Authority’s policy is to first apply the expense towards restricted resources, and then towards unrestricted resources.

**3. Deposits and Investments**

*Custodial Credit Risk*

At June 30, 2014, the Authority held deposits of approximately \$327,000 at one bank. The Authority is responsible for monitoring and the bank obliged by state law to pledge bank securities that, when combined with Federal Deposit Insurance Corporation insurance of \$250,000, have value equal or exceeding the amount of the Authority’s deposits in the bank. The Authority represents that all deposits in the bank were adequately secured at June 30, 2014.

*Investment Interest Rate Risk*

The County 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.

**CANADIAN COUNTY PUBLIC FACILITIES AUTHORITY  
(COMPONENT UNIT OF CANADIAN COUNTY, OKLAHOMA)  
NOTES TO COMBINED FINANCIAL STATEMENTS  
JUNE 30, 2014**

**3. Deposits and Investments (continued)**

*Investment Credit Risk*

The County has no policy that limits its investment choices other than the limitation of state law as follows:

- a. Direct obligations of the U.S. Government, its agencies and instrumentalities to which the full faith and credit of the U.S. Government is pledged, or obligations to the payment of which the full faith and credit of the State is pledged.
- b. Certificates of deposit or savings accounts that are either insured or secured with acceptable collateral with in-state financial institutions, and fully insured certificates of deposit or savings accounts in out-of-state financial institutions.
- c. With certain limitation, negotiable certificates of deposit, prime bankers acceptances, prime commercial paper and repurchase agreements with certain limitations.
- d. County, municipal or school district tax supported debt obligations, bond or revenue anticipation notes, money judgments, or bond or revenue anticipation notes of public trusts whose beneficiary is a county, municipality or school district.
- e. Notes or bonds secured by mortgage or trust deed insured by the Federal Housing Administrator and debentures issued by the Federal Housing Administrator, and in obligations of the National Mortgage Association.
- f. Money market funds regulated by the SEC and in which investments consist of the investments mentioned in the previous paragraphs (a.-d.).

*Concentration of Investment Credit Risk*

The County places no limit on the amount it may invest in any one issuer.

**CANADIAN COUNTY PUBLIC FACILITIES AUTHORITY  
(COMPONENT UNIT OF CANADIAN COUNTY, OKLAHOMA)  
NOTES TO COMBINED FINANCIAL STATEMENTS  
JUNE 30, 2014**

**4. Capital Assets**

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

	<u>July 1, 2013</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2014</u>
Governmental activities:				
Capital assets not being depreciated				
Land	\$ 279,137	\$ -	\$ -	\$ 279,137
Land improvements	15,272	404,376		419,648
Other assets				
Buildings	9,472,694	58,822	-	9,531,516
Furniture and fixtures	380,104	-	-	380,104
Less accumulated depreciation	(3,252,098)	(274,820)	-	(3,526,918)
Governmental activities capital assets, net	<u>\$ 6,895,109</u>	<u>\$ 188,378</u>	<u>\$ -</u>	<u>\$ 7,083,487</u>
Business-type activities:				
Capital assets not being depreciated				
Land	\$ 209,226	\$ -	\$ (82,439)	\$ 126,787
Construction-in-progress	2,681,548	1,551,317	-	4,232,865
Other assets				
Buildings	959,579	-	(300,546)	659,033
Less accumulated depreciation	(307,500)	(26,460)	45,081	(288,879)
Business-type activities capital assets, net	<u>\$ 3,542,853</u>	<u>\$ 1,524,857</u>	<u>\$ (337,904)</u>	<u>\$ 4,729,806</u>

Depreciation expense was charged as a direct expense to the following functions of the primary government as follows:

<i>Governmental activities</i>	
Public service	\$ 260,179
Total depreciation expense	<u>\$ 260,179</u>
 <i>Business-type activities:</i>	
Rental activities	\$ 26,460
Total depreciation expense	<u>\$ 26,460</u>

**CANADIAN COUNTY PUBLIC FACILITIES AUTHORITY  
(COMPONENT UNIT OF CANADIAN COUNTY, OKLAHOMA)  
NOTES TO COMBINED FINANCIAL STATEMENTS  
JUNE 30, 2014**

**5. Long-term Debt**

Transactions for the year ended June 30, 2014 are as follows:

	Balance 7/1/2013	Additions	(Reductions)	Balance 6/30/2014	Current Portion
<u>Business-Type Activities</u>					
Revenue notes payable:					
County jail project	\$ 2,665,948	\$ 1,093,326	\$ -	\$ 3,759,274	\$ 315,000
County building project	425,000	-	(103,675)	321,325	103,728
County Health Dept project	15,601	457,991	(44,402)	429,190	-
Other projects	148,841	-	(148,841)	-	-
Total	<u>\$ 3,255,390</u>	<u>\$ 1,551,317</u>	<u>\$ (296,918)</u>	<u>\$ 4,509,789</u>	<u>\$ 418,728</u>

*Promissory and Revenue Notes Payable*

\$4.050 million Canadian County Public Facilities Authority Promissory Note, Series 2011 issued December 1, 2011 to a bank. Proceeds are being used to finance the construction of a county jail. The Authority has drawn \$3,759,274 on the note as of June 30, 2014. Interest on the note is 3.75% and is due monthly and is being paid by the beneficiary of the trust, Canadian County. The note is secured by the facilities being constructed (land and building). Principal payments on the note are due as follows:

January 1. 2015	315,000	January 1. 2020	380,000
January 1. 2016	330,000	January 1. 2021	395,000
January 1. 2017	340,000	January 1. 2022	410,000
January 1. 2018	355,000	January 1. 2023	425,000
January 1. 2019	365,000	January 1. 2024	445,000

\$425,000 Public Facilities Lease Revenue Note (County Building Project), Series 2012 issued August 14, 2012 to a bank for the purchase of land and for the construction of a new district county building. The Authority owes \$321,326 on the note as of June 30, 2014. Interest on the note is 3.45% and is due in monthly installments of \$9,501. The note is secured by the land and building. Future principal and interest payments are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 103,728	\$ 10,288	\$ 114,016
2016	107,398	6,618	\$ 114,016
2017	110,200	2,783	\$ 112,983
	<u>\$ 321,326</u>	<u>\$ 19,689</u>	<u>\$ 341,015</u>

**CANADIAN COUNTY PUBLIC FACILITIES AUTHORITY  
(COMPONENT UNIT OF CANADIAN COUNTY, OKLAHOMA)  
NOTES TO COMBINED FINANCIAL STATEMENTS  
JUNE 30, 2014**

**5. Long-term Debt (continued)**

\$750,000 Public Facilities Lease Revenue Note (County Health Department and Public Usage Buildings Project) Series 2012 issued November 5, 2012 to finance improvements to the Canadian County Health Department building. The Authority owes \$429,190 on the note as of June 30, 2014. Interest is at 4.19% and principal and interest payments of \$7,682 are due monthly for 120 months from the date the project is complete and the note is converted to permanent financing. Dates of future principal and interest payments have not been determined at June 30, 2014. The Authority is responsible for making principal and interest payments on a monthly basis, however in lieu of rent the County Health Department is making payments on behalf of the Authority. The note is secured by lease payments on the building and by the land, building, contents and facility improvements.

**6. Lease Agreements**

Canadian County Building Lease

The Authority entered in to a building lease with lessee Canadian County in connection with a district county building currently being constructed by the Authority. The agreement calls for monthly payments of an amount that are sufficient to amortize the indebtedness incurred in purchasing the land and constructing the building. The lease payments secure the debt. Operating and maintenance costs are the responsibility of the County as lessee.

Canadian County Health Department Lease

The Authority has entered into a building lease with lessee Canadian County related to Canadian County Health Department facilities that are either completed or under construction. The agreement calls for monthly payments of an amount that are sufficient to amortize the indebtedness incurred in renovating the leased facilities. The lease payments secure the debt. Operating and maintenance costs are the responsibility of the County as lessee.

**7. Operation and Maintenance Contracts**

Canadian County Juvenile Detention Facility

Although the Authority continues to hold the facility as an asset of the trust, all operating and maintenance costs are paid by Canadian County, Oklahoma, the beneficiary of the trust.

**8. Interfund Transactions**

The Juvenile Detention Facility Fund owes the Authority's Operating Fund \$14,668 for its share of audit fees incurred by both funds in connection with the annual audit. These amounts are reflected on the balance sheet as Interfund Receivable and Interfund Payable.

**CANADIAN COUNTY PUBLIC FACILITIES AUTHORITY  
(COMPONENT UNIT OF CANADIAN COUNTY, OKLAHOMA)  
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**9. Related Party Transactions**

The Authority has received advances from a related trust since 2003. The balance due that related trust is \$230,039. Repayment terms have not been set between the two entities.

**10. Contingencies**

The Authority constructed, furnished and expanded the Canadian County Juvenile Justice Center ("CCJJC") from 1997 through 2002 using proceeds from revenue bonds that have since been repaid using a .35 cent sales tax approved by voters in 1996. Canadian County, Oklahoma, the beneficiary of the trust, is currently using the sales tax revenues to operate and maintain the building and to fund programs offered by the CCJJC.

In a 2014 ruling, the Oklahoma Attorney General ("AG") issued an opinion that in essence said excess revenues from the sales tax can only be used to operate and maintain the building. Since then a group supporting the facility filed a lawsuit, currently still pending, asking an Oklahoma court to rule on the matter. If the AG's opinion is upheld, the use of the facility and its book value of \$7.1 million could be impaired.



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

To the Board of Trustees  
Canadian County Public Facilities Authority

We have audited the financial statements of the Canadian County Public Facilities Authority as of and for the year ended June 30, 2014, and have issued our report thereon dated February 27, 2015. We have 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.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Canadian County Public Facilities Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Canadian County Public Facilities Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Canadian 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.

Our 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. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Canadian County Public 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, non-compliance 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*.



This report is intended solely for the information and use of the board of trustees, management, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*HBC CPA & Advisors*

February 27, 2015