

**INDEPENDENT ACCOUNTANT'S
AUDIT REPORT**

**STEPHENS COUNTY GOVERNMENTAL
BUILDING AUTHORITY
(A Component Unit of Stephens County)**

JUNE 30, 2015

BY



Stephens County Governmental Building Authority
Duncan, Oklahoma
(A Component Unit of Stephens County)
Year Ended June 30, 2015

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INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
Stephens County Governmental Building Authority
Duncan, Oklahoma

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Stephens County Governmental Building Authority (a component unit of Stephens County, Oklahoma), 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 accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, 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 opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business type activities of Stephens County Governmental Building Authority as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 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.

Furrh & Associates

Furrh & Associates, PC

Lawton, Oklahoma

December 11, 2017

Stephens County Governmental Building Authority

Duncan, Oklahoma

(A Component Unit of Stephens County)

Statement of Net Position

June 30, 2015

ASSETS

Current Assets

| | |
|---------------------|--------------|
| Cash - Unrestricted | \$ 1,072,031 |
|---------------------|--------------|

| | |
|----------------------|--------------|
| Total Current Assets | \$ 1,072,031 |
|----------------------|--------------|

Fixed Assets

| | |
|-----------------------|-----------|
| School Building - Net | 5,836,870 |
|-----------------------|-----------|

| | |
|----------------------------|-----------|
| Fairgrounds Building - Net | 5,014,670 |
|----------------------------|-----------|

| | |
|---------------------|-----------|
| Jail Building - Net | 3,802,000 |
|---------------------|-----------|

| | |
|-----------------------------|--------|
| Conservation Building - Net | 86,222 |
|-----------------------------|--------|

| | |
|--------------------|-------------------|
| Total Fixed Assets | <u>14,739,762</u> |
|--------------------|-------------------|

| | |
|---------------------|-----------------------------|
| TOTAL ASSETS | <u><u>\$ 15,811,793</u></u> |
|---------------------|-----------------------------|

Please see accompanying notes to the financial statements.

Stephens County Governmental Building Authority

Duncan, Oklahoma

(A Component Unit of Stephens County)

Statement of Net Position

June 30, 2015

LIABILITIES AND NET POSITION

Current Liabilities

| | |
|--------------------------------|---------------|
| Bonds Payable, Current Portion | \$ 1,290,000 |
| Accrued Interest Payable | <u>62,085</u> |

Total Current Liabilities \$ 1,352,085

Long Term Liabilities

| | |
|---------------------------------------|------------------|
| Bonds Payable, net of Current Portion | <u>5,120,000</u> |
|---------------------------------------|------------------|

Total Long Term Liabilities 5,120,000

Net Position

| | |
|--|------------------|
| Invested in Fixed Assets Net of Related Debt | 8,329,762 |
| Unrestricted | <u>1,009,946</u> |

Total Net Position 9,339,708

TOTAL LIABILITIES AND NET POSITION \$ 15,811,793

Please see accompanying notes to the financial statements.

Stephens County Governmental Building Authority

Duncan, Oklahoma

(A Component Unit of Stephens County)

Statement of Revenues, Expenses, and Changes in Net Position

For the Year Ended June 30, 2015

| | | |
|--|-----------------------------|----------------------------|
| Operating Revenues | | |
| Transfers from Stephens County (Sales Tax) | \$ 308,042 | |
| Rental Income | 3,000 | |
| Total Operating Revenues | <u> </u> | \$ 311,042 |
| | | |
| Operating Expenses | | |
| Depreciation | 365,881 | |
| Administrative Fees | 5,569 | |
| Trustee Fees | 3,500 | |
| Total Operating Expenses | <u> </u> | <u>374,950</u> |
| | | |
| Net Income (Loss) from Operations | | (63,908) |
| | | |
| Non Operating Revenue (Expense) | | |
| Interest Income | 129 | |
| Bond Premium Income | 12,177 | |
| Realized Gain on Investments | 479,695 | |
| Bond Discount Expense | (47,325) | |
| Bond New Issue Professional Fees | (108,884) | |
| Interest Expense | (131,279) | |
| Arbitrage Payment | (165,501) | |
| Total Non Operating Revenue (Expense) | <u> </u> | <u>39,012</u> |
| | | |
| Net Income (Loss) | | (24,896) |
| | | |
| Net Position, Beginning of Year | | <u>9,364,604</u> |
| | | |
| Net Position, End of Year | | <u><u>\$ 9,339,708</u></u> |

Please see accompanying notes to the financial statements.

Stephens County Governmental Building Authority
Duncan, Oklahoma
(A Component Unit of Stephens County)
Statement of Cash Flows
For the Year Ended June 30, 2015

Cash Flows from Operating Activities

| | | |
|--|----|----------------|
| Transfers from Stephens County | \$ | 308,042 |
| Rental Income | | 3,000 |
| Operating Expenses | | <u>(9,069)</u> |
| Net Cash Provided (Used) by Operating Activities | \$ | 301,973 |

Cash Flows from Capital and Related Financing Activities

| | | |
|--|--|------------------|
| Purchase of Capital Assets | | (205,541) |
| Payment on Bonds Payable | | (4,325,000) |
| Bond Issue Costs (Net of Bond Premium) | | (309,533) |
| Issuance of New Bonds | | 3,155,000 |
| Interest Expense | | <u>(187,710)</u> |
| Net Cash Provided (Used) by Capital and Related Financing Activities | | (1,872,784) |

Cash Flows from Investing Activities

| | | |
|--|--|----------------|
| Realized Gain on Investments | | 479,695 |
| Interest Received from Investments | | <u>129</u> |
| Net Cash Provided (Used) by Investing Activities | | <u>479,824</u> |

Net Increase (Decrease) in Cash and Cash Equivalents (1,090,987)

Cash and Cash Equivalents - June 30, 2014 2,163,018

Cash and Cash Equivalents - June 30, 2015 \$ 1,072,031

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

| | | |
|--|----|-----------------------|
| Net Operating Income (Loss) | | (63,908) |
| Add: Depreciation | | <u>365,881</u> |
| Net Cash Provided (Used) by Operating Activities | \$ | <u><u>301,973</u></u> |

Please see accompanying notes to the financial statements.

Stephens County Governmental Building Authority
Duncan, Oklahoma
(A Component Unit of Stephens County)
Notes to the Financial Statements
June 30, 2015

Note 1 – Significant Accounting Policies

The Stephens County Governmental Building Authority (the Authority) was established as a public trust organized in April 17, 2000 under Title 60, Oklahoma Statutes 2001, Sections 176 to 180.4, inclusive, as amended and supplemented, the Oklahoma Trust Act and other applicable statutes and laws of the State of Oklahoma. It was established for the purpose, among others, of constructing, owning, and operating public buildings and other facilities within Stephens County, Oklahoma. The Authority is a component unit of Stephens County, as its governing board is the County Commissioners of Stephens County, Oklahoma.

The Authority operates as an autonomous proprietary fund and its bookkeeping accounts and financial statements are maintained and presented as enterprise fund accounts.

The Authority is exempt from federal and state income taxes.

The financial statements of the Authority are prepared in accordance with generally accepted accounting principles (GAAP) of the United States of America. The Authority is considered a governmental entity as defined by the Governmental Accounting Standards Board (GASB) and applies all relevant GASB pronouncements.

The preparation of financial statements in conformity with generally accepted accounting principles of the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Restricted assets include investments of the proprietary fund that are legally restricted as to their use. Financial requirements of the bond indentures require that funds be held in a bond fund which is comprised of the reserve account, debt service account, and improvement account. Under the term and provisions of the indenture, these funds are maintained with the Trustee bank and are not subject to lien or attachment by any other creditors. These funds are to be maintained so long as the bonds are outstanding.

Equity is classified as Net Position and is displayed in three components:

- a) Invested in capital assets, net of related debt—consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any mortgages, notes, or other borrowings that are attributable to the acquisition, construction or improvement of those assets.
- b) 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 or regulations of other governments or 2) law through constitutional provisions or enabling legislation.

Stephens County Governmental Building Authority
Duncan, Oklahoma
(A Component Unit of Stephens County)
Notes to the Financial Statements
June 30, 2015

- c) Unrestricted net position—all other assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt”.

Note 2 – Cash and Investments

Cash and cash equivalents include all unrestricted cash and investments with a maturity date of 90 days or less from date of issue.

The Authority had the following restricted cash and investment accounts, which are temporarily invested in federal obligations; consequently, no collateral pledge is required.

| | | |
|---------------------|----|--------------|
| Cash - Reserves | \$ | 721,931 |
| Cash - Bond Fund | | 342,119 |
| Cash - Sinking Fund | | 4,559 |
| Cash - Debt Service | | 3,422 |
| | | \$ 1,072,031 |

Note 3 – Fixed Assets

Fixed assets are recorded at cost. The jail building, fairgrounds building, and the school building were completed and depreciation is recorded for the year. The Authority purchased additional equipment with remaining school bond funds. The Authority purchased the Stephens County Soil Conservation Building for use as an office for the fairgrounds.

Depreciation is computed using the straight line method, using estimated useful lives of 10 to 50 years. Total depreciation for the year was \$365,881, which was charged against current operations.

Current year changes to fixed assets were as follows:

| Fixed Assets | Beginning Balance | Additions | Disposals | Ending Balance |
|-----------------------|----------------------|------------|-----------|----------------|
| School Building | \$ 6,658,097 | \$ 205,541 | \$ 0 | \$ 6,863,638 |
| Fairgrounds Building | 6,272,831 | 0 | 0 | 6,272,831 |
| Jail Building | 4,761,923 | 0 | 0 | 4,761,923 |
| Conservation Building | 111,260 | 0 | 0 | 111,260 |
| Total | \$ 17,804,111 | \$ 205,541 | \$ 0 | \$ 18,009,652 |

Stephens County Governmental Building Authority
Duncan, Oklahoma
(A Component Unit of Stephens County)
Notes to the Financial Statements
June 30, 2015

| <u>Accumulated Depreciation</u> | Beginning Balance | Additions | Disposals | Ending Balance |
|---------------------------------|----------------------|-------------------|-------------|---------------------|
| School Building | \$ 885,562 | \$ 141,206 | \$ 0 | \$ 1,026,768 |
| Fairgrounds Building | 1,132,284 | 125,877 | 0 | 1,258,161 |
| Jail Building | 863,907 | 96,016 | 0 | 959,923 |
| Conservation Building | 22,256 | 2,782 | 0 | 25,038 |
| Total | <u>\$ 2,904,009</u> | <u>\$ 365,881</u> | <u>\$ 0</u> | <u>\$ 3,269,890</u> |

Note 4 – Accrued Interest

Interest payments on the its Series 2011 Revenue Bonds are due semi-annually on March 1 and September 1 each year until maturity. Interest payable is accrued from March 1 to June 30 on these bonds.

Interest payments on the its Series 2014 Revenue Bonds are due semi-annually on July 1 and December 1 each year until maturity. Interest payable is accrued from December 1 to June 30 on these bonds.

Note 5 – Long Term Leases

The Authority entered into a renewable annual lease with the Stephens County for the lease of the correctional jail facilities of the Stephens County jail. The lease calls for the payment of a sum equal to the amount last remitted to the County of the proceeds of a one-half percent sales tax approved by the voters of Stephen County, Oklahoma on August 22, 2000; provided, said rental shall in no event be less than the amount necessary to satisfy the principal and interest due on the bonds payable during the year.

The Authority entered into a long-term lease with the Comanche School District for the lease of the school buildings and fixtures to be constructed by the Authority. The lease calls for the payment of lease payments in an amount necessary to satisfy the principal and interest due on the bonds payable during the year.

Note 6 – Long Term Debt

On August 1, 2011, the Authority issued its Series 2011 Revenue Bonds in the amount of \$3,885,000, for the purpose of constructing a school in Comanche, Oklahoma. The bonds are

Stephens County Governmental Building Authority
Duncan, Oklahoma
(A Component Unit of Stephens County)
Notes to the Financial Statements
June 30, 2015

payable annually in various principal amounts over the period March 1, 2012 through September 1, 2021. The interest rate on the individual bonds is 2.00 to 3.75 percent per annum.

| | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|------------------|----------------------------|--------------------------|----------------------------|
| 9/1/15 | \$ 685,000 | \$ 49,169 | \$ 734,169 |
| 3/1/16 | 0 | 42,319 | 42,319 |
| 9/1/16 | 0 | 42,319 | 42,319 |
| 3/1/17 | 0 | 42,319 | 42,319 |
| 9/1/17 | 760,000 | 42,319 | 802,319 |
| 3/1/18 | 0 | 32,344 | 32,344 |
| 9/1/18 | 0 | 32,344 | 32,344 |
| 3/1/19 | 0 | 32,344 | 32,344 |
| 9/1/19 | 850,000 | 18,000 | 868,000 |
| 3/1/20 | 0 | 18,000 | 18,000 |
| 9/1/20 to 3/1/21 | <u>960,000</u> | <u>53,999</u> | <u>1,013,999</u> |
| Total | <u>\$ 3,255,000</u> | <u>\$ 405,476</u> | <u>\$ 3,660,476</u> |

On December 1, 2014, the Authority issued its Series 2014 Sales Tax Refunding Revenue Bonds in the amount of \$3,155,000, for the purpose of refinancing the Series 2007 bonds. The bonds are payable annually in various principal amounts over the period July 1, 2015 through January 1, 2020. The interest rate on the individual bonds is 1.5 to 2.25 percent per annum.

| | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--------------|----------------------------|--------------------------|----------------------------|
| 7/1/15 | \$ 0 | \$ 29,306 | \$ 29,306 |
| 1/1/16 | 605,000 | 29,306 | 634,306 |
| 7/1/16 | 0 | 24,769 | 24,769 |
| 1/1/17 | 620,000 | 24,769 | 644,769 |
| 7/1/17 | 0 | 20,119 | 20,119 |
| 1/1/18 | 630,000 | 20,119 | 650,119 |
| 7/1/18 | 0 | 13,819 | 13,819 |
| 1/1/19 | 645,000 | 13,819 | 658,819 |
| 7/1/19 | 0 | 7,369 | 7,369 |
| 1/1/20 | <u>655,000</u> | <u>7,369</u> | <u>662,369</u> |
| Total | <u>\$ 3,155,000</u> | <u>\$ 190,764</u> | <u>\$ 3,345,764</u> |

Stephens County Governmental Building Authority
Duncan, Oklahoma
(A Component Unit of Stephens County)
Notes to the Financial Statements
June 30, 2015

Note 7 – Subsequent Events

Subsequent events were evaluated through December 11, 2017, which is the date the financial statements were available to be issued.



**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 Commissioners
Stephens County Governmental Building Authority
Duncan, 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 financial statements of the business activities of Stephens County Governmental Building Authority (a discretely presented component unit of Stephens County, Oklahoma), 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 there on dated December 11, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 trust Authority’s internal control. Accordingly, we do not express an opinion on the effectiveness of the trust 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 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. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Furrh & Associates
FURRH & ASSOCIATES, PC
Lawton, Oklahoma
December 11, 2017