

**ACCOUNTANT'S AUDIT REPORT
STEPHENS COUNTY
GOVERNMENTAL
BUILDING AUTHORITY
(A Component Unit of Stephens County)**

JUNE 30, 2012

BY



FURRH
& ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

Stephens County Governmental Building Authority
Duncan, Oklahoma
(A Component Unit of Stephens County)
Year Ended June 30, 2012

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INDEPENDENT AUDITOR'S REPORT

Stephens County Governmental Building Authority
Duncan, Oklahoma

We have audited the accompanying financial statements of the business-type activities of Stephens County Governmental Building Authority (a component unit of Stephens County), as of and for the year ended June 30, 2012, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Stephens County Governmental Building Authority's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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 2012, and the respective changes in financial position, and cash flows, where applicable, thereof for the year than ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 19, 2013, on our consideration of Stephens County Governmental Building 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* and should be considered in assessing the results of our audit.



FURRH & ASSOCIATES, PC

June 19, 2013

Stephens County Governmental Building Authority

Duncan, Oklahoma

(A Component Unit of Stephens County)

Statement of Net Assets

Year Ended June 30, 2012

ASSETS

Current Assets

Cash - Unrestricted	\$	<u>0</u>	
Total Current Assets			\$ 0

Fixed Assets

Jail Building	\$ 4,761,923		
Accumulated Depreciation	<u>(671,875)</u>	4,090,048	
Fairgrounds Building	6,272,831		
Accumulated Depreciation	<u>(880,530)</u>	5,392,301	
Conservation Building	111,260		
Accumulated Depreciation	<u>(16,692)</u>	94,568	
School Building and Equipment	6,082,587		
Accumulated Depreciation	<u>(632,358)</u>	<u>5,450,229</u>	
Total Fixed Assets			15,027,146

Other Assets and Deferred Charges

Cash - Reserve Account		747,426	
Cash - Sinking Fund Account		368,874	
Unamortized Bond Issue Costs		<u>114,948</u>	
Total Other Assets and Deferred Charges			<u>1,231,248</u>
Total Assets			<u>\$ 16,258,394</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 Assets

Year Ended June 30, 2012

LIABILITIES AND NET ASSETS

Current Liabilities

Bonds Payable	\$	500,000	
Accrued Interest Payable		<u>115,284</u>	
Total Current Liabilities	\$		615,284

Long-Term Liabilities

Bonds Payable		5,310,000	
Unamortized Bond Discount		<u>(54,000)</u>	
Total Long-Term Liabilities			<u>5,256,000</u>
Total Liabilities			5,871,284

Net Assets

Invested in Fixed Assets Net of Related Debt		9,270,810	
Restricted for Debt Service		<u>1,116,300</u>	
Total Net Assets			<u>10,387,110</u>
Total Liabilities and Net Assets	\$		<u><u>16,258,394</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 Revenue, Expenses and Changes in Net Assets

Year Ended June 30, 2012

Revenue

Transfer from Stephens County (Sales Tax)	\$	726,835	
Interest Earned		<u>35</u>	
Total Revenue	\$		726,870

Expense

Trustee Fees		1,750	
Amortization of Bond Issue Costs		22,526	
Interest on Bonds		240,085	
Depreciation		<u>351,277</u>	
Total Expense			<u>615,638</u>

Net Revenue

111,232

Net Assets, June 30, 2011

10,725,878

Net Assets, June 30, 2012

\$ 10,837,110

Please see accompanying notes to the financial statements.

Stephens County Governmental Building Authority

Duncan, Oklahoma

(A Component Unit of Stephens County)

Statement of Cash Flow

Year Ended June 30, 2012

Cash Flow from Operating Activities

Sales Tax Transferred from Stephens County	\$	726,835
Operating Expenses		(1,750)
Interest Expense		<u>(240,085)</u>

Cash Provided by Operating Activities \$ 485,000

Cash Flow from Capital and Related Financing Activities

Bonds Paid	(470,000)
Decrease in Accrued Interest Payable	(9,517)
Increase in Reserve Accounts	<u>(5,518)</u>

Cash Used by Capital and Related Financing Activities (485,035)

Cash Flow from Investing Activities

Interest Earned	35
Decrease in Accrued Interest Receivable	
Sale of Investments	

Cash Provided (Used) by Investing Activities 35

Cash and Cash Equivalents, June 30, 2010

0

0

Cash and Cash Equivalents, June 30, 2011

\$ 0

Adjustments to Reconcile Operating Income to Cash

Provided by Operating Activities

Net Operating Revenue	\$	111,232
Less, Interest Earned		(35)
Add, Depreciation		351,277
Decrease in Bond Issue Costs		15,326
Decrease in Bond Issue Discount		<u>7,200</u>

Cash Provided by Operating Activities \$ 485,000

See accompanying notes to basic financial statements.

Stephens County Governmental Building Authority

Duncan, Oklahoma

(A Component Unit of Stephens County)

Notes to Basic Financial Statements

Year Ended June 30, 2012

Note 1 - Significant Accounting Policies

The Stephens County Governmental Building Authority (the Authority) is a public trust organized April 17, 2000, under Title 60 of the Oklahoma statutes, for the purposes, 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 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. Its operations are considered proprietary in nature and therefore the Authority has adopted a reporting framework similar to that of proprietary type funds.

GAAP for proprietary fund types are generally those applicable to similar businesses in the private sector; the measurement focus is on the determination of net income, financial position, and cash flows. All assets, liabilities, equities, revenues, expenses and transfers relating to the government's business, including fixed assets and debt are accounted for in a single proprietary fund rather than a series of funds and account groups.

The preparation of financial statements in conformity with generally accepted accounting principles 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.

Note 2 - Restricted 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 also had the following restricted cash and investment accounts:

Cash - BancFirst #872917026 (Sinking Fund)	368,874
Cash - BancFirst #872917075 (Reserve)	747,426 *
Total	<u>\$ 1,116,300</u>

*Includes investment in U.S. Treasury obligations, issued 2/16/07, maturity 1/1/11, interest 4.679%, on \$1,081,935.

Stephens County Governmental Building Authority

Duncan, Oklahoma

(A Component Unit of Stephens County)

Notes to Basic Financial Statements

Year Ended June 30, 2012

The cash accounts, including restricted funds, are temporarily invested in federal obligations; consequently, no collateral pledge is required.

Note 3 - Fixed Assets

Fixed assets are recorded at cost. The jail building, fairgrounds building were complete and depreciation is recorded for the year. The school was complete and depreciated with funds still on hand for the purchase of equipment or improvements. The Authority also purchased the Stephens County Soil Conservation office building for use as an office for the fairgrounds. Depreciation is computed by the straight line method, using estimated useful lives of 10 to 50 years. Total depreciation for the year was \$351,277, which was charged against current operations.

Current year changes to fixed assets were as follows:

Fixed Assets	Beginning Balance	Change	Ending Balance
Fairgrounds Building	\$ 6,272,831	\$ 0	\$ 6,272,831
Jail Building	4,761,923	0	4,761,923
Conservation Building	111,260	0	111,260
School Building and Equipment	6,082,587	0	6,082,587
Total	<u>\$ 17,228,601</u>	<u>\$ 0</u>	<u>\$ 17,228,601</u>

Accumulated Depreciation	Beginning Balance	Change	Ending Balance
Fairgrounds Building	\$ 754,653	\$ 125,877	\$ 880,530
Jail Building	575,859	96,016	671,875
Conservation Building	13,910	2,782	16,692
School Building and Equipment	505,756	126,602	632,358
Total	<u>\$ 1,850,178</u>	<u>\$ 351,277</u>	<u>\$ 2,201,455</u>

Stephens County Governmental Building Authority
Duncan, Oklahoma
(A Component Unit of Stephens County)
Notes to Basic Financial Statements
Year Ended June 30, 2012

Note 4 - Amortization

The Authority capitalized the bond issue costs of the above bond issues, and will amortize the cost in equal annual amounts over the period of the bond issue. Cost and amortization for the year ended June 30, 2012, were as follows:

	Issue Cost	Amortization	
		Prior	6/30/2012
Bond Issue Series 2007, 2/1/07 (Fair)	197,966	67,691	15,326
Total	\$ 197,966	\$ 67,691	\$ 15,326

Note 5 - Long Term Leases

The Authority entered into a renewable annual lease with 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 Stephens 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 Duncan 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 February 1, 2007, the Authority issued its Series 2007 Sales Tax Refunding Revenue Bonds in the amount of \$7,440,000, for the purpose of refinancing the Series 2001 bonds. The bonds are payable annually in various principal amounts over the period July 1, 2007, through July 1, 2020. The interest rate on the individual bonds is 3.75 to 4.45 per cent per annum. The bonds were sold at a discount of \$93,000.00, making the effective average interest rate of approximately 5.00% per annum.

Stephens County Governmental Building Authority
Duncan, Oklahoma
(A Component Unit of Stephens County)
Notes to Basic Financial Statements
Year Ended June 30, 2012

	Principal	Interest	Total
7/1/12	0	115,284	115,284
1/1/13	500,000	115,284	615,284
7/1/13	0	105,034	105,034
1/1/14	535,000	105,034	640,034
7/1/14	0	93,933	93,933
1/1/15	575,000	93,933	668,933
7/1/15	0	81,857	81,857
1/1/16	610,000	81,857	691,857
7/1/16-1/1/17	630,000	137,790	767,790
7/1/17-1/1/20	2,510,000	245,190	2,755,190
Total	\$ 5,360,000	\$ 1,175,196	\$ 6,535,196

Note 7 - Changes in Long Term Debt

Changes in long – term debt during the year were as follows:

	Balance 6/30/2011	Decrease	Balance 6/30/2012	Due in One Year
Bonds Payable Series 2007 (Fair)	5,830,000	(470,000)	5,360,000	500,000
Total	\$ 5,830,000	\$ (470,000)	\$ 5,360,000	\$ 500,000

Note 8 - Working Capital

Following is a summary of net working capital, and changes for the year ended June 30, 2012:

	6/30/12	6/30/11	Change
Current Assets	\$ 0	\$ 0	\$ 0
Current Liabilities	615,284	599,801	(15,483)
Net Working Capital	\$ (615,284)	\$ (599,801)	\$ (15,483)

Stephens County Governmental Building Authority
Duncan, Oklahoma
(A Component Unit of Stephens County)
Notes to Basic Financial Statements
Year Ended June 30, 2012

Note 9 - Supplemental Disclosures

Supplemental disclosure of cash flow information:

Cash Paid during the year for interest expense was \$240,085.

Note 10 - Risk Protection

The Authority is covered by the following insurance policies, issued to Stephens County, as protection against possible loss contingencies:

- Worker's Compensation and Employer Liability
- Property and Casualty
- Comprehensive General Liability
- Law Enforcement Liability
- Public Officials Errors and Omissions
- Automobile Liability and Physical Damage
- Public Officials Wrongful Acts



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

Stephens County Governmental Building Authority
Duncan, Oklahoma

We have audited the financial statements of the business-type activities of Stephens County Governmental Building Authority (a component unit of Stephens County), as of and for the year ended June 30, 2012, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated June 19, 2013. 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.

Internal Control Over Financial Reporting

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

This report is intended solely for the information and use of management, County Commissioners, 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.



FURRH & ASSOCIATES, PC

Certified Public Accountants

June 19, 2013