

BECKHAM COUNTY
FACILITIES AUTHORITY

FINANCIAL STATEMENTS AND
ADDITIONAL INFORMATION

JUNE 30, 2011

BECKHAM COUNTY
FACILITIES AUTHORITY
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JUNE 30, 2011

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Hunter & Gibbins, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

Amy Patrick, CPA
J.L. Gibbins, CPA

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Beckham County Facilities Authority
Sayre, Oklahoma

We have audited the accompanying financial statements of the governmental activities and general fund of Beckham County Facilities Authority, a component unit of Beckham County, Oklahoma, as of and for the year ended June 30, 2011, which collectively comprise Beckham County Facilities Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Beckham County Facilities Authority, Oklahoma'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 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 governmental activities and general fund of Beckham County Facilities Authority as of June 30, 2011, and the respective changes in financial position thereof, for the year then 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 September 7, 2011, on our consideration of Beckham County Facilities 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 the internal control over financial reporting or 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.



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Beckham County Facilities Authority has not presented the management's discussion and analysis or the Statement of Revenues, Expenditures, and changes in Fund Balance, Budget and Actual Comparison that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Hunter & Gibbins, P.C.

Elk City, Oklahoma
September 7, 2011



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BECKHAM COUNTY FACILITIES AUTHORITY
STATEMENT OF NET ASSETS AND
GOVERNMENTAL FUNDS BALANCE SHEET
JUNE 30, 2011

ASSETS	GENERAL FUND	ADJUSTMENTS NOTE 3	STATEMENT OF NET ASSETS
Cash and Cash Equivalents	\$ 1,098,200	\$ -	\$ 1,098,200
Certificates of Deposit	500,000	-	500,000
Sales Tax Receivable	166,734	-	166,734
Land	-	74,241	74,241
Property, Plant, and Equipment- Net of Depreciation	-	3,846,010	3,846,010
Loan Origination Cost Net of Amortization	-	46,518	46,518
TOTAL ASSETS	\$ 1,764,934	3,966,769	5,731,703
LIABILITIES			
Long-Term Liabilities:			
Due Within One Year	\$ -	420,243	420,243
Due in More Than One Year	-	744,323	744,323
TOTAL LIABILITIES	-	1,164,566	1,164,566
FUND BALANCES/NET ASSETS			
Committed	1,764,934	(1,764,934)	-
TOTAL LIABILITIES AND FUND BALANCE	\$ 1,764,934	(1,764,934)	
NET ASSETS			
Invested in Capital Assets, Net of Related Debt		2,802,203	2,802,203
Unrestricted Fund Balance		-	1,764,934
TOTAL NET ASSETS		\$ 2,802,203	\$ 4,567,137

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

BECKHAM COUNTY FACILITIES AUTHORITY
STATEMENT OF ACTIVITIES AND
GOVERNMENTAL FUND REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2011

<u>EXPENDITURES/EXPENSES</u>	<u>GENERAL FUND</u>	<u>ADJUSTMENTS NOTE 3</u>	<u>STATEMENT OF ACTIVITIES</u>
Fee Expenditures	\$ 40	\$ -	\$ 40
Insurance Expense	16,044	-	16,044
Interest Expenditures	65,267	-	65,267
Professional Fees	2,000	-	2,000
Capital Outlay	7,101	(7,101)	-
Loan Principal Payments	1,395,372	(1,395,372)	-
Depreciation Expense	-	177,090	177,090
Amortization Expense	-	8,722	8,722
TOTAL EXPENDITURES/EXPENSES	1,485,824	(1,216,661)	269,163
<u>PROGRAM REVENUES</u>			
Sales Tax Revenue	1,533,520	-	1,533,520
NET PROGRAM REVENUES	47,696	1,216,661	1,264,357
<u>GENERAL REVENUES</u>			
Interest Income	21,548	-	21,548
<u>OTHER FINANCING USES</u>			
Transfers to Primary Government	720,000	-	720,000
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(650,756)	650,756	-
CHANGE IN NET ASSETS	-	565,905	565,905
<u>FUND BALANCE/NET ASSETS</u>			
BEGINNING OF THE YEAR	2,415,690	1,585,542	4,001,232
END OF THE YEAR	\$ 1,764,934	\$ 2,802,203	\$ 4,567,137

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

BECKHAM COUNTY
FACILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 1: ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Introduction

The Beckham County Facilities Authority (the Authority) is a component unit of Beckham County, Oklahoma. Beckham County Facilities Authority was created to incur debt and use debt proceeds to construct county facilities.

The Beckham County Facilities Authority complies with Generally Accepted Accounting Principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 1989, have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this Note.

1 (A) : BASIS OF PRESENTATION

Single Report Format:

Since Beckham County Facilities Authority reports a single program and one governmental fund, the *fund balance sheet and statement of net assets* and the *statement of revenues, expenditures and changes in fund balance* and the *statement of activities* are presented together in columnar format. The first columns of these reports represent the fund financial statements, the second columns represent the adjustment between fund financial statements and government-wide financial statements and the last columns represent the government-wide financial statements.

Government-wide Financial Statements:

The Statement of Net Assets and Statement of Activities display information about the reporting government as a whole. Governmental activities generally are financed through intergovernmental revenues, and other nonexchange revenues. Beckham County Facilities Authority reports no business-type activities.

Fund Financial Statements:

Fund financial statements of the reporting entity are organized into one fund. The fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditure/expenses. The reporting entity reports its only fund, the general fund, which is considered major.

Governmental Fund

General Fund

The General Fund is the general operating fund of Beckham County Facilities Authority and is always classified as a major fund. All financial resources, except those required to be accounted for in another fund, are accounted for in the General Fund.

**BECKHAM COUNTY
FACILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

1 (B) : FUND BALANCE

Beginning with fiscal year 2011, the Authority implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

- Nonspendable fund balance – amounts that are not in nonspendable form (such as inventory) or are required to be maintained intact.
- Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- Committed fund balance – amounts constrained to specific purposes by the Authority itself, using its highest level of decision-making authority (the Board of Trustees). To be reported as committed, amounts cannot be used for any other purpose unless the Authority takes the same highest level action to remove or change the constraint.
- Assigned fund balance – amounts the Authority intends to use for a specific purpose. Intent can be expressed by the Authority or by an official or body to which the Board of Trustees delegates the authority.
- Unassigned fund balance – amounts that are available for any purpose. Positive amounts are reported only in the general fund.

The Board of Trustees establish (and modifies or rescinds) fund balance commitments by passage of a resolution.

General Fund

The General Fund has Committed Funds consisting of cash, investments and related assets of \$1,764,934 which were derived from sales tax. The sales tax collected is required to be used to service debt and pay certain other expenses related to County facilities.

1 (C) : MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

**BECKHAM COUNTY
FACILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

Measurement Focus

On the Statement of Net Assets and the Statement of Activities, activities are presented using the economic resources measurement focus as defined in item a. below.

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.

Basis of Accounting

In the Statement of Net Assets and Statement of Activities, governmental activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when "measurable and available." Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year end. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due.

1(D): ASSETS, LIABILITIES, AND EQUITY

Cash and Investments

For the purpose of the Statement of Net Assets, "cash and cash equivalents" includes all demand, savings accounts, and certificates of deposits of Beckham County Facilities Authority with an original maturity of three months or less.

Fixed Assets

Government-wide Statements

In the financial statements, fixed assets are accounted for as capital assets. All fixed assets are valued at historical cost or estimated historical cost if actual is unavailable.

**BECKHAM COUNTY
FACILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Buildings and Infrastructure	40
Furniture, Fixtures And Equipment	10

Fund Financial Statements

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

Long-Term Liabilities

All long-term debt to be repaid from governmental resources are reported as liabilities in the government-wide statements. The long-term debt consists of a note payable.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures.

Equity Classifications

Government-wide Statements

Equity is classified as net assets and displayed in two components:

- a. "Invested in capital assets" consists of capital and intangible 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 attributable to the acquisition, construction, or improvement of those assets.
- b. "Unrestricted net assets" all other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

NOTE 2: DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS

The following notes present detail information to support the amounts reported in the basic financial statements for its various assets, liabilities, equity, revenues, and expenditures/expenses.

2(A): Deposit and Investments

Beckham County Facilities Authority reporting entity considers all cash in bank checking accounts and certificates of deposit with an original maturity date of three months or less (including restricted assets) to be cash equivalents.

**BECKHAM COUNTY
FACILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

Investments of Beckham County Facilities Authority are limited by Oklahoma Statue, Title 62, and Section 348.1 to the following:

- a. Direct obligations of the U.S. Government or its agencies or 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 of Oklahoma 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. Negotiable certificates of deposits, prime bankers acceptances, prime commercial paper and repurchase agreements with certain limitations. Any investments in these instruments mentioned in the previous paragraphs a. and b., where the collateral has been deposited with a trustee in an irrevocable trust or escrow account.

In accordance with Oklahoma Statue, Title 62, Section 516.3, all uninsured deposits of municipal funds in financial institutions must be secured with acceptable collateral valued at no more than market value. Acceptable collateral includes certain U.S. Government Agency Securities, certain State of Oklahoma or political subdivision debt obligations or surety bonds. The following is a summary of Beckham County Facilities Authority's credit risk on deposits:

Deposit Categories of Credit Risk:

- A) Insured by Federal Deposit Insurance or direct obligation of the U.S. Government.
- B) Collateralized with securities held by the pledging financial institutions trust department or agent in Beckham County Facilities Authority name.
- C) Uncollateralized.

<u>Category</u>				<u>Bank Balance</u>
Primary	<u>A</u>	<u>B</u>	<u>C</u>	
Government	\$ 250,000	\$1,348,200	\$ -	\$1,598,200

2(B): Certificates of Deposit

Certificates of deposit are deposited in local banks and have a maturity beyond three months. Total certificates of deposit at June 30, 2011 were \$500,000.

BECKHAM COUNTY
FACILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

2(C): Property and Equipment

Capital asset activity for the year ended June 30, 2011, was as follows:

<u>Governmental Activities:</u>	<u>Balance June 30, 2010</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2011</u>
Land	\$ 74,241	\$ -	\$ -	\$ 74,241
Buildings	4,207,506	7,101	-	4,214,607
Equipment and Furniture	712,519	-	-	712,519
Totals at Historical Cost	4,994,266	7,101	-	5,001,367
Less: Accumulated Depreciation	904,026	177,090	-	1,081,116
Net Book Value	<u>\$ 4,090,240</u>	<u>\$ (169,989)</u>	<u>\$ -</u>	<u>\$ 3,920,251</u>

2(D): Loan Origination Cost

Beckham County Facilities Authority incurred loan origination costs of \$122,108 when funds were borrowed to construct a new county jail. These costs are being amortized over the life of the loan which is 14 years. Amortization expense for the year ended June 30, 2011, was \$8,722. Total accumulated amortization is \$75,590.

2(E): Long-Term Debt**Note Payable**

Beckham County Facilities Authority entered into a loan agreement with Bank of America for the purpose of building a county jail facility. The loan is due in monthly installments of principal and interest in the amount of \$38,387. The loan has a maturity date of October 30, 2016 and a fixed interest rate of 4.15%. The balance outstanding as of June 30, 2011 was \$1,164,566. The loan is secured by a sales tax pledge of 3/10 of 1% of collections.

Changes in Long-Term Debt

	<u>Balance 7/01/2010</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 6/30/2011</u>	<u>Balance Due Within One Year</u>
Governmental Activities: Loan Obligation	<u>\$2,559,938</u>	<u>\$ -</u>	<u>\$1,395,372</u>	<u>\$1,164,566</u>	<u>\$ 420,243</u>

Annual Debt Service

The annual debt service requirements to maturity, including principal and interest, for long-term debt as of June 30, 2011, are as follows:

<u>Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 420,243	\$ 40,396	\$ 460,639
2013	438,019	22,620	460,639
2014	306,304	4,849	311,153
Totals	<u>\$1,164,566</u>	<u>\$ 67,865</u>	<u>\$1,232,431</u>

BECKHAM COUNTY
FACILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 3: RECONCILIATION OF FUND FINANCIAL STATEMENTS TO GOVERNMENT-WIDE FINANCIAL STATEMENTS

Total fund balance \$1,764,934

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets of \$5,001,367, net of accumulated depreciation of (\$1,081,116), are not financial resources and, therefore, are not reported in the funds. 3,920,251

Loan Origination Cost of \$122,108, net of accumulated amortization of (\$75,590), are not financial resources and, therefore, are not reported in the funds. 46,518

Long-term liabilities of (\$1,164,566) are not due and payable in the current period and are not reported in the fund. (1,164,566)

Net assets \$4,567,137

Net change in fund balance \$ (650,756)

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 useful lives and reported as depreciation expense. This is the amount by which depreciation expense of (\$177,090) exceeded capital outlays of \$7,101 in the current period. (169,989)

Governmental funds report principal payments of long-term liabilities as expenditures. However, in the statement of activities, these cost are not expensed but are deducted from the long-term liabilities on the statement of net assets. 1,395,372

Some expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in governmental funds. This includes the amortization of loan origination cost. (8,722)

Change in net assets \$ 565,905



Hunter & Gibbins, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

Amy Patrick, CPA
J.L. Gibbins, CPA

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

To the Board of Trustees
Beckham County Facilities Authority
Sayre, Oklahoma

We have audited the financial statements of Beckham County Facilities Authority, a component unit of Beckham County, Oklahoma, as of and for the year ended June 30, 2011 and have issued our report thereon dated September 7, 2011. The report does not present the management's discussion and analysis or the Statement of Revenues, Expenditures, and changes in Fund Balance, Budget and Actual Comparison that accounting principals accepted in the United States has determined is necessary to supplement, although not required to be part of, the basic financial statements. 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 the Beckham County Facilities Authority, Oklahoma'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 the Beckham County Facilities Authority, Oklahoma's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Beckham County Facilities Authority, Oklahoma's internal control over 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.



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Compliance and Other Matters

As part of obtaining reasonable assurance about whether Beckham County Facilities Authority, Oklahoma'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, Board of Trustees, 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.

Hunter & Gibbins, P.C.

Elk City, Oklahoma
September 7, 2011



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