

*Independent Auditor's Report*

# *Caddo County Governmental Building Authority*

*Year Ending June 30, 2011*

**CADDO COUNTY GOVERNMENTAL  
BUILDING AUTHORITY  
ANADARKO, OKLAHOMA  
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June 30, 2011**

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## INDEPENDENT AUDITOR'S REPORT

To the Trustees of Caddo County  
Governmental Building Authority  
Anadarko, Oklahoma

We have audited the accompanying financial statements of the business-type activities of the **Caddo County Governmental Building Authority**, a component unit of Caddo County, as of and for the year ended June 30, 2011, which collectively comprise the Authority's basic financial statements as listed in the table of contents. The financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on the 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 opinion.

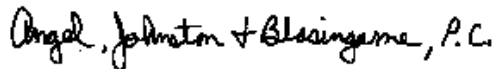
As described in Note 1, the Authority prepares its financial statements on a modified cash basis of accounting which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the respective financial position-modified cash basis of the business-type activities of **Caddo County Governmental Building Authority Authority**, a component unit of Caddo County, as of June 30, 2011, and the respective changes in financial position-modified cash basis and cash flows-modified cash basis, thereof for the years then ended in conformity with the basis of accounting described in Note 1.

Caddo County Governmental Building Authority  
January 17, 2012

In accordance with *Government Auditing Standards*, we have also issued a report dated January 17, 2012, on our consideration of the Authority's internal control over financial reporting and 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 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.

The **Caddo County Governmental Building Authority** has not presented the Management's Discussion and Analysis and budgetary information for the year ended June 30, 2011. They are not a required part of the basic financial statements but are supplementary information required to accompany those financial statements.



Angel, Johnston & Blasingame, P.C.  
Chickasha, Oklahoma  
January 17, 2012

**CADDO COUNTY GOVERNMENTAL BUILDING AUTHORITY**  
**STATEMENT OF NET ASSETS**  
**MODIFIED CASH BASIS**  
**For the Year Ended June 30, 2011**

**ASSETS**

Current Assets	
Cash and cash equivalents	\$ 21,462.50
Investments	0.00
<i>Total Current Assets</i>	<u>21,462.50</u>
Non Current Assets	
Restricted cash and cash equivalents	14,339,894.90
Capital assets	4,603,206.54
Deferred Charges-Bond Issue Costs	634,487.50
<i>Total Non Current Assets</i>	<u>19,577,588.94</u>
 <i>Total Assets</i>	 \$ <u><u>19,599,051.44</u></u>

**LIABILITIES**

Current Liabilities	
Due to other funds	0.00
Bonds, notes and loans payable	70,000.00
<i>Total Current Liabilities</i>	<u>70,000.00</u>
Non Current Liabilities	
Due to other funds	0.00
Bonds, notes and loans payable	17,100,000.00
<i>Total Non Current Liabilities</i>	<u>17,100,000.00</u>
 <i>Total Liabilities</i>	 \$ <u><u>17,170,000.00</u></u>

**NET ASSETS**

Invested in Capital Assets net of Related Debt	(16,535,512.50)
Restricted	14,339,894.90
Unrestricted	<u>21,462.50</u>
 <i>Total Net Assets</i>	 \$ <u><u>(2,174,155.10)</u></u>

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

**CADDO COUNTY GOVERNMENTAL BUILDING AUTHORITY**  
**STATEMENT OF REVENUE AND EXPENSES AND CHANGES IN FUND**  
**NET ASSETS-MODIFIED CASH BASIS**  
**For the Year Ended June 30, 2011**

**Operating Revenue:**

Rent Income from County Sales Tax	\$ 2,608,695.00
Administration Fees	21,462.50
Miscellaneous	0.00
<i>Total Operating Revenues</i>	<u>2,630,157.50</u>

**Operating Expenses:**

Trustee Fees	12,500.00
Contractual Services	0.00
<i>Total Operating Expenses</i>	<u>12,500.00</u>

<i>Income (Loss) from operations</i>	<u>2,617,657.50</u>
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**Non-Operating Revenue(Expense)**

Interest Income	11,393.94
Interest Expense	0.00

<i>Total Non-Operating Revenues (Expense)</i>	<u>\$ 11,393.94</u>
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<i>Income (Loss) before Transfers</i>	2,629,051.44
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Inter-Agency Funding Transfer (OSU)	<u>(200,000.00)</u>
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Change in Net Assets	\$ 2,429,051.44
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<i>Net Assets-Beginning of Year</i>	<u>0.00</u>
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<i>Net Assets-End of Year</i>	<u><u>\$ (2,174,155.10)</u></u>
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\*The accompanying notes are an integral part of the financial statements.

**CADDO COUNTY GOVERNMENTAL BUILDING AUTHORITY**  
**STATEMENT OF CASH FLOWS**  
**MODIFIED CASH BASIS**  
**For the Year Ended June 30, 2011**

**Cash Flows from Operating Activities**

Cash receipts for rent	\$ 2,608,695
Cash receipts for administrative fees	21,463
Cash payments for trustee fees	<u>(12,500)</u>
<i>Net Cash Provided by (used for) Operating Activities</i>	<u>2,617,658</u>

**Cash Flows from Noncapital Financing Activities**

Transfers to other funds	<u>(200,000)</u>
<i>Net Cash Provided by (used for) Noncapital Financing Activities</i>	<u>(200,000)</u>

**Cash Flows from Capital and Related Financing Activities**

Cash received for bond issue	17,170,000
Purchase of Capital Assets	<u>(5,237,694)</u>
<i>Net Cash Provided by (used for) Capital and Related Financing Activities</i>	<u>11,932,306</u>

**Cash Flows from Investing Activities**

Interest Received	11,394
Interest paid	<u>0</u>
<i>Net Cash Provided by (used for) Investing Activities</i>	<u>11,394</u>

*Net Increase (Decrease) in Cash and Cash Equivalents* 14,361,357

*Cash and Cash Equivalents - Beginning of Year* 0

*Cash and Cash Equivalents - End of Year* \$ 14,361,357

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

Operating Income (Loss)	2,617,658
Adjustments to Reconcile Operating Income (Loss) to Net Cash provided (used) by Operating Activities	
Depreciation Expense	<u>0</u>
<i>Net Cash Provided by (used for) Operating Activities</i>	<u><u>\$ 2,617,658</u></u>

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

**CADDO COUNTY GOVERNMENTAL BUILDING AUTHORITY**  
**ANADARKO, OKLAHOMA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2011**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Caddo County Governmental Building Authority is a public trust created and established by Caddo County October 30, 2003.

As discussed further in Note 1 C, these financial statements are presented on a modified cash basis of accounting. This modified basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent that they are applicable to the modified cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails.

**1- A. Reporting Entity**

Caddo County Governmental Building Authority was organized to assist Caddo County, the State of Oklahoma, Governmental Agencies municipalities and private entities, agencies and citizens in making the most efficient use of all of their economic resources and powers in accord with the needs and benefit of the State of Oklahoma and Caddo County in order to lessen the burdens on government and to stimulate economic growth and development of the Caddo County; to inventory the services, facilities and resources of the Caddo County, to own, operate and manage jails, prisons, correctional and related facilities; to foster and promote an improved economic climate within the Caddo County and to otherwise promote its general welfare and prosperity and to finance any and all programs, utilities, facilities or resources promoting or intending to promote any of the foregoing and, without restriction, in furtherance of the foregoing general objectives.

**Related Organizations**

**Caddo County** The Authority is a public trust created and established pursuant to the term of Title 60, Oklahoma Statutes 1991, Section 176 et seq.; as amended and supplemented, the Oklahoma Trust Act and other applicable statutes and laws of the State of Oklahoma and Caddo County is the beneficiary of this public trust. The elected Caddo County Commissioners, acting Sheriff and acting District Attorney are also the Authority's trustees. Therefore, the Authority is considered to be a component unit of Caddo County.



**CADDO COUNTY GOVERNMENTAL BUILDING AUTHORITY**  
**ANADARKO, OKLAHOMA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2011**

**Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**1- B. Basis of Presentation**

Government-Wide Financial Statements – The Statement of Net Assets and Statement of Revenues, Expenses and Changes in Net Assets display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. These statements generally distinguish between governmental and business-type activities. However, all the activities of the Authority are business-type activities. 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 of the reporting entity are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts which, are comprised of each fund's assets, liabilities, net assets, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements. The funds of the financial reporting entity are described below:

**Proprietary Funds**

**1. Enterprise Funds** - Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses) of providing goods or services to the general public on a continuing basis are financed or recovered primarily through user charges. The reporting entity includes the following enterprise funds:

General Fund – Account to defray the administrative and audit costs associated or attributable to the Beneficiary's governmental facilities projects and other projects which are selected to promote the development of industry, cultural and governmental activities within Caddo County, Oklahoma.

**1- C. Measurement Focus and Basis of Accounting**

Measurement focus refers to “how” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

Measurement Focus – The proprietary funds utilize an “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or non-current, financial, or non-financial) associated with their activities are reported. Proprietary fund equity is classified as net assets.

**CADDO COUNTY GOVERNMENTAL BUILDING AUTHORITY**  
**ANADARKO, OKLAHOMA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2011**

**Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

Basis of Accounting – The financial statements are presented using a modified cash basis of accounting. This basis recognizes assets, liabilities, net assets/fund equity, revenues, and expenditures/expenses when they result from cash transactions with a provision for depreciation and payroll tax liabilities. This is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provides services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) *are not recorded* in these financial statements.

**1- D. Assets, Liabilities and Equity**

Cash and Investments - The Authority considers all demand deposit accounts, interest bearing checking accounts and time deposits accounts including certificates of deposit and U.S. Treasury bills with maturities of three months or less to be cash and cash equivalents.

Restricted Cash:

Revenue Bond Funds Accounts – The bond accounts restricted by the bond indenture for the remodel of the county courthouse and confinement facility construction.

Operations and Expenses Account- The account to receive 3/8<sup>ths</sup> of one cent sales tax, restricted for the operation and maintenance of the detention facility.

Capital Improvements- The account to receive 3/8<sup>ths</sup> of one cent sales tax, restricted for servicing the principal and interest payments of the sales tax revenue bonds.

Relocation Expense- Account established to account for expenses related to relocation of Caddo County offices while courthouse is being remodeled.

Capital Assets – Capital assets acquired are capitalized and stated at cost, donated capital assets (if any) are recorded at their fair market values as of the date received. Interest incurred or earned during the construction phase of capital assets is netted and reflected in the capitalized value of the asset constructed. The Authority does not have a capitalization threshold amount. Depreciation of exhaustible capital assets is recorded as an expense over the estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

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

**CADDO COUNTY GOVERNMENTAL BUILDING AUTHORITY**  
**ANADARKO, OKLAHOMA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2011**

**Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

Equity Classifications - In the government-wide and proprietary fund financial statements, equity is classified as net assets and 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 bonds, mortgages, notes, or other borrowings that are attributed to the acquisition, construction, or improvements of those assets.
- b. *Restricted net assets* – Consists of net assets with constraints placed on the use either by 1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or 2) law through constitutional provisions or enabling legislation.
- c. *Unrestricted net assets* – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

It is the Authority’s policy to first use restricted net assets prior to the use of unrestricted net assets when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

**1- E. Revenues, Expenditures and Expenses**

Operating and Nonoperating Revenues – Operating revenues are considered those whose cash flows are related to operating activities, while revenues related to financing, capital and investing activities are reported as non-operating.

Expenditures/Expenses – Expenditures/expenses are reported by object or activity.

Interfund Activity – Transfers are the flow of assets from one fund to another where repayment is not expected and is reported as transfers in and out.

**1- F. Use of Estimates**

The preparation of financial statements in conformity with the other comprehensive basis of accounting (OCBOA) used by the Authority requires management to make estimates and assumptions that affect certain reported amounts and disclosures (such as estimated useful lives in determining depreciation expense); accordingly, actual results could differ from those estimates.

**CADDO COUNTY GOVERNMENTAL BUILDING AUTHORITY**  
**ANADARKO, OKLAHOMA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2011**

**1.G. Differences from GAAP**

Management Discussion and Analysis- The Authority has not presented the Management's Discussion and Analysis which the Governmental Accounting Standards Board (GASB) has determined is necessary to supplement, although not required to be a part of the basic financial statements-modified cash basis.

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

**NOTE 2 - DETAILED NOTES ON TRANSACTION CLASSES/ACCOUNTS**

**2- A. Deposits, Investments, and Collateral**

Deposits and Investments – The Authority does not have a written investment policy that limits its investment choices. Investments are limited by state statute.

Custodial Credit Risk - Deposits – Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. The Authority does not have a written policy for custodial risk, but *Oklahoma Statutes* requires collateral for all uninsured deposits of public trust funds in financial institutions. As of June 30, 2011, none of the Authority's bank balances were exposed to custodial credit risk.

**2- B. Restricted Assets**

The amounts reported as restricted assets on the Statement of Net Assets are comprised of cash restricted by bond indenture, sales tax resolution or governing body. The restricted assets as of June 30, 2011 were as follows:

<u>Type of Restricted Asset</u>	<u>Cash and Cash Equivalents</u>	<u>Current Investments</u>	<u>Total</u>
Cash Restricted by Indenture	\$12,433,110	-	\$12,433,110
Cash Restricted by Resolution	\$ 1,885,739		\$ 1,885,739
Cash Restricted by Trustees	\$ 21,046		\$ 21,046

**CADDO COUNTY GOVERNMENTAL BUILDING AUTHORITY**  
**ANADARKO, OKLAHOMA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2011

**2- C. Capital Assets**

The following is a summary of the capital assets of the Proprietary Fund at June 30, 2011:

<u>Business-type Activities</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>
Capital assets:				
Land (nondepreciable)	\$ 0	\$ 72,534	\$ 0	\$ 72,534
Construction in Progress:				
Construction Costs:	\$ 0	\$ 4,184,089	\$ 0	\$ 4,256,623
Interest to be capitalized (Net)	\$ <u>0</u>	\$ <u>346,584</u>	\$ <u>0</u>	\$ <u>346,584</u>
Total capital assets	\$ 0	\$ 4,603,207	\$ 0	\$ 4,603,207
Less accumulated depreciation:				
Detention Center Facilities	\$ 0	\$ 0	\$ 0	\$ 0
Food Service Equipment	\$ 0	\$ 0	\$ 0	\$ 0
Equipment and Furniture	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>
Total accumulated depreciation	\$ 0	\$ 0	\$ 0	\$ 0
Net capital assets	\$ <u>0</u>	\$ 4,603,207	\$ <u>0</u>	\$ 4,603,207

There is no depreciation expense for construction in progress until projects are completed.

**NOTE 3- OTHER NOTES**

**3- A. Employee Pension Plans**

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

**3- B. Lease Agreement and Operation and Maintenance Contract**

On September 2, 2010 the Authority (lessor) and the County (lessee) entered into a lease agreement and operation and maintenance contract, whereby the County leases the detention facilities from the Authority and agrees to operate and maintain the jail facilities or to pay the cost thereof. The lease term commences September 2, 2010 and ends September 2, 2041, unless terminated sooner: provided that all indebtedness secured by the facilities has been paid. The funding and amounts of the debt payments are described in note 3 C.

**3- C. General Long-term Debt**

Sales Tax Revenue Bonds Series 2010:

In September 2010 the Authority issued \$17,170,000 in 4.13% to 5.09% sales tax bonds to fund construction of the Caddo County Detention Facility and County Courthouse renovation. The bonds were backed by a three quarters (0.75) of one percent county sales tax approved by a majority of voters in Caddo County and expires September, 2040, (30 years). On June 30, 2011, \$17,170,000 was the outstanding balance on the general obligation sales tax revenue bonds.

**CADDO COUNTY GOVERNMENTAL BUILDING AUTHORITY**  
**ANADARKO, OKLAHOMA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2011

**3- C. General Long-term Debt (continued)**

	Beginning Balance	Additions	Principal Paid	Interest Paid	Ending Balance
2010 Sales Tax Revenue Bond	\$0	\$17,170,000	\$0	\$543,570	\$17,170,000

Debt Service Schedule:

	Fiscal Year	Principal Payments	Estimated Interest
Current Portion	2012	70,000	1,090,177
Non-Current Portion	2013	80,000	1,091,017
	2014	100,000	1,088,506
	2015	120,000	1,085,368
	2016	140,000	1,081,603
	2017	165,000	1,076,720
	2018-2022	1,180,000	5,253,846
	2023-2027	1,935,000	4,847,762
	2028-2032	2,955,000	4,129,190
	2033-2037	4,315,000	2,981,630
	2038-2040	6,110,000	1,199,545
	Total	<u>17,170,000</u>	<u>24,925,364</u>

**3- D. Risk Management**

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

Property – Fire and extended coverage insurance on the facility when complete

Comprehensive – General public liability and property damage.

Workers Compensation – Insurance covering all persons employed in connection with the work and with respect to whom death or bodily injury claims could be asserted against the Authority

**3- F. Commitments and Contingencies**

The Authority is dependent upon repayment of bonds solely from the County sales tax revenue. If the beneficiary defaulted on the bond payment due to a significant drop in sales tax collections, it would not have a significant impact on the Authority's financial condition.

**CADDO COUNTY GOVERNMENTAL BUILDING AUTHORITY**  
**ANADARKO, OKLAHOMA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2011**

**NOTE 4 – Subsequent Events**

Subsequent events were evaluated through January 17, 2012 which is the date the financial statements were available to be issued.

## *Supplemental Information*



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

To the Board of Trustees  
Caddo County Governmental Building Authority  
Anadarko, Oklahoma

We have audited the accompanying modified cash basis financial statements of the business-type activities of **Caddo County Governmental Building Authority**, a component unit of Caddo County, Oklahoma, as of and for the year ended June 30, 2011, which comprise the Authority's basic financial statements and have issued our report thereon dated, January 12, 2012. The Authority did not prepare a Management's Discussion and Analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be a 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 Caddo County Governmental Building 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 the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affect the Authority's ability to initiate, authorize, record, process, or report financial data reliably in accordance

Caddo County Governmental Building Authority  
January 12, 2012

with the modified cash basis of accounting such that there is more than a remote likelihood that a misstatement of the Authority's financial statements that is more than inconsequential will not be prevented or detected by the Authority's internal control. We do not consider the deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Authority's internal control.

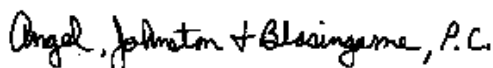
Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses.

#### **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 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*.

The Authority's response to the findings identified in our audit is described in the accompanying schedule of findings. We did not audit the Authority's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the governing board, management, and all applicable state agencies, 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.



Angel, Johnston & Blasingame, P.C.  
Certified Public Accountants  
Chickasha, Oklahoma  
January 12, 2012

**Caddo County Governmental Building Authority**  
**Schedule of Findings**  
**For the Year Ended June 30, 2011**

**11-01** Criteria - A good system of internal control provides for a proper monitoring of compliance with various Oklahoma Statutes.

Condition - The Authority is not an authorized collector of sales tax. There is a fund designated as CCGBA ST-Jail/Courthouse, on the County books, where sales tax revenue is collected. This fund should not be designated as a CCGBA fund.

Cause and Effect – The designation of the fund being a CCGBA fund gives the impression the Authority is collecting sales tax. This could be a violation of Oklahoma Statutes.

Recommendation – The Authority should contact their beneficiary to resolve any perception that the Authority is collecting County taxes.

Management response – Accounts will be properly titled and the County funds will be initially deposited into a County account.

**11-02** Criteria - A good system of internal control provides for a proper verification of construction expenditures certified by the Authority's architect. Applications and certifications for payment by the architect should agree with the amount paid.

Condition – During analysis and testing of expenditures it was noted 3 of 3 payment applications tested did not balance with the supporting documentation lead sheets for contractor, labor, and materials.

Cause and Effect – In 2 of the 3 instances less was paid than was certified, however payment application #4 showed \$10,705 more paid than was certified. There is a possibility of the Authority overpaying for project costs.

Recommendation – We recommend the Authority develop a system to balance payments to certified payment applications, to prevent paying more than was certified by the architect.

Management response – Billing statements will be reconciled prior to payment. If they do not reconcile then they will not be paid.

**Caddo County Governmental Building Authority**  
**Schedule of Findings**  
**For the Year Ended June 30, 2011**

**11-03** Criteria - A good system of internal control provides for a proper monitoring and compliance with various agreements the Authority has entered into.

Condition – The Authority entered into a sales tax agreement with Caddo County, which requires establishing an account at a depository bank. This bank account was established, but a corresponding ledger account was not established to account for transactions.

Cause and Effect – By not establishing a means of accounting for bank account transactions there is a more than likely chance of fraud occurring and not being detected in a timely manner.

Recommendation – We recommend the Authority establish the revenue account on its books, so banking transactions can be accounted for.

Management response – The account was a pass-through account and we felt it did not need to be set up as a fund. In the future this revenue account will be set up as a fund in the County's records.