

Independent Auditor's Report

Caddo County Governmental Building Authority

Year Ending June 30, 2012

**CADDO COUNTY GOVERNMENTAL
BUILDING AUTHORITY
ANADARKO, OKLAHOMA
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June 30, 2012**

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INDEPENDENT AUDITOR'S REPORT

To the Trustees of
Caddo County Governmental Building Authority
Anadarko, Oklahoma 73005

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, 2012, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

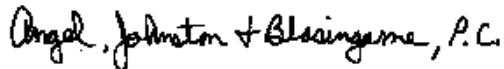
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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** as of June 30, 2012, and the respective changes in financial position-modified cash basis and cash flows-modified cash basis, thereof for the year ended in conformity with the basis of accounting described in Note 1.

Caddo County Governmental Building Authority
December 10, 2012

In accordance with *Government Auditing Standards*, we have also issued a report dated December 10, 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.



Angel, Johnston & Blasingame, P.C.
Chickasha, Oklahoma
December 10, 2012

CADDO COUNTY GOVERNMENTAL BUILDING AUTHORITY
STATEMENT OF NET ASSETS
MODIFIED CASH BASIS
For the Year Ended June 30, 2012

ASSETS

Current Assets	
Cash and cash equivalents	\$ 20,824.51
Investments	0.00
<i>Total Current Assets</i>	<u>20,824.51</u>
Non Current Assets	
Restricted cash and cash equivalents	9,521,079.19
Capital assets	11,812,617.53
Deferred Charges-Bond Issue Costs	592,850.32
<i>Total Non Current Assets</i>	<u>21,926,547.04</u>
 <i>Total Assets</i>	 \$ <u><u>21,947,371.55</u></u>

LIABILITIES

Current Liabilities	
Due to other funds	0.00
Bonds, notes and loans payable	80,000.00
<i>Total Current Liabilities</i>	<u>80,000.00</u>
Non Current Liabilities	
Due to other funds	0.00
Bonds, notes and loans payable	17,020,000.00
<i>Total Non Current Liabilities</i>	<u>17,020,000.00</u>
 <i>Total Liabilities</i>	 \$ <u><u>17,100,000.00</u></u>

NET ASSETS

Invested in Capital Assets net of Related Debt	(4,694,532.15)
Restricted	9,521,079.19
Unrestricted	<u>20,824.51</u>
 <i>Total Net Assets</i>	 \$ <u><u>4,847,371.55</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, 2012

Operating Revenue:

Rent Income from County Sales Tax	\$ 2,439,131.95
Administration Fees	0.00
Miscellaneous	0.00
<i>Total Operating Revenues</i>	<u>2,439,131.95</u>

Operating Expenses:

Trustee Fees	5,000.00
Office Expense	637.99
Ammortized Deferred Charges	27,800.34
<i>Total Operating Expenses</i>	<u>33,438.33</u>

<i>Income (Loss) from operations</i>	<u>2,405,693.62</u>
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Non-Operating Revenue(Expense)

Interest Income	26,463.33
Interest Expense	0.00

<i>Total Non-Operating Revenues (Expense)</i>	<u>\$ 26,463.33</u>
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<i>Income (Loss) before Transfers</i>	2,432,156.95
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Change in Net Assets	\$ 2,432,156.95
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<i>Net Assets-Beginning of Year</i>	<u>2,429,051.44</u>
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<i>Prior Period Adjustment (see note 3 D)</i>	<u>(13,836.84)</u>
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<i>Net Assets-End of Year</i>	<u><u>\$ 4,847,371.55</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, 2012

Cash Flows from Operating Activities

Cash receipts for rent	\$ 2,439,131.95
Cash receipts for administrative fees	0.00
Cash payments for trustee fees	(5,000.00)
Cash payments to vendors	<u>(637.99)</u>
<i>Net Cash Provided by (used for) Operating Activities</i>	<u>2,433,493.96</u>

Cash Flows from Noncapital Financing Activities

Transfers to other funds	<u>0.00</u>
<i>Net Cash Provided by (used for) Noncapital Financing Activities</i>	<u>0.00</u>

Cash Flows from Capital and Related Financing Activities

Cash received for bond issue	0.00
Cash payment of bond principle	(70,000.00)
Purchase of Capital Assets	<u>(7,209,411.00)</u>
<i>Net Cash Provided by (used for) Capital and Related Financing Activities</i>	<u>(7,279,411.00)</u>

Cash Flows from Investing Activities

Interest Received	26,463.33
Interest paid	<u>0.00</u>
<i>Net Cash Provided by (used for) Investing Activities</i>	<u>26,463.33</u>

Net Increase (Decrease) in Cash and Cash Equivalents (4,819,453.70)

Cash and Cash Equivalents - Beginning of Year 14,361,357.00

Cash and Cash Equivalents - End of Year \$ 9,541,903.30

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

Operating Income (Loss)	2,405,693.62
Adjustments to Reconcile Operating Income (Loss) to Net Cash provided (used) by Operating Activities	
Ammortized Deferred Charges	27,800.34
Depreciation Expense	<u>0.00</u>
<i>Net Cash Provided by (used for) Operating Activities</i>	<u><u>\$ 2,433,493.96</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, 2012

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.

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.

CADDO COUNTY GOVERNMENTAL BUILDING AUTHORITY
ANADARKO, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

1- B. Basis of Presentation (continued)

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 fund:

CCGBA – 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.

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.

CADDO COUNTY GOVERNMENTAL BUILDING AUTHORITY
ANADARKO, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

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 3/8th of one-cent sales tax, restricted for the operation and maintenance of the detention facility.

Capital Improvements- The account to receive 3/8th 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

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.

CADDO COUNTY GOVERNMENTAL BUILDING AUTHORITY
ANADARKO, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

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.

1.G. Differences from GAAP

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, 2012, none of the Authority's bank balances were exposed to custodial credit risk.

CADDO COUNTY GOVERNMENTAL BUILDING AUTHORITY
ANADARKO, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

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, 2012 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	\$ 6,056,561	-	\$ 6,056,561
Cash Restricted by Resolution	\$ 3,448,058		\$ 3,448,058
Cash Restricted by Trustees	\$ 16,460		\$ 16,460

2- C. Capital Assets

The following is a summary of the capital assets of the Proprietary Fund at June 30, 2012:

<u>Business-type Activities</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>
Capital assets:				
Land (non depreciable)	\$ 72,534	\$ 44,375	\$ 0	\$ 116,909
Construction in Progress:				
Construction Costs:	\$ 4,184,089	\$ 6,455,076	\$ 0	\$ 10,639,165
Interest to be capitalized (Net)	\$ <u>346,584</u>	\$ <u>709,960</u>	\$ <u>0</u>	\$ <u>1,056,544</u>
Total capital assets	\$ 4,603,207	\$ 7,209,411	\$ 0	\$ 11,812,618
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>4,603,207</u>	\$ <u>7,209,411</u>	\$ <u>0</u>	\$ <u>11,812,618</u>

There is no depreciation expense for construction in progress until projects are completed. At June 30, 2012 the project had not been completed.

NOTE 3- OTHER NOTES

3- A. Employee Pension Plans

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

CADDO COUNTY GOVERNMENTAL BUILDING AUTHORITY
ANADARKO, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

NOTE 3- OTHER NOTES (continued)

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, 2012, \$17,100,000 was the outstanding balance on the general obligation sales tax revenue bonds.

	Beginning Balance	Additions	Principal Paid	Interest Paid	Ending Balance
2010 Sales Tax Revenue Bond	\$17,170,000	\$0	\$70,000	\$1,092,115	\$17,100,000

Debt Service Schedule:

	Fiscal Year	Principal Payments	Estimated Interest
Current Portion	2013	80,000	1,091,017
Non-Current Portion	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	185,000	1,070,220
	2019-2023	1,315,000	5,194,419
	2024-2028	2,115,000	4,732,109
	2029-2033	3,195,000	3,938,572
	2034-2038	4,640,000	2,690,022
	2039-2040	5,045,000	786,631
	Total	<u>17,100,000</u>	<u>24,925,364</u>

CADDO COUNTY GOVERNMENTAL BUILDING AUTHORITY
ANADARKO, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

3-D. Net Assets

Prior Period Adjustment - Adjustments were made to net assets to reflect the effect of changes for correction of errors as follows:

	<u>Business-Type Activities</u>
Beginning fund balance/net assets (as previously reported)	\$ 2,429,051.44
Prior period adjustments for corrections of errors:	
Reclassify prior year deferred charges-bond issue costs	<u>(13,836.84)</u>
Beginning net assets, restated	<u><u>\$ 2,415,214.60</u></u>

3- E. 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.

NOTE 4 – Subsequent Events

Subsequent events were evaluated through December 10, 2012, which is the date the financial statements were available to be issued.

*Report on Internal Control
and Compliance*

**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 Trustees
Caddo County Governmental Building Authority
Anadarko, Oklahoma 73005

We have audited the modified cash basis financial statements of the business-type activities of the Caddo County Governmental Building Authority, a component unit of Caddo County, Oklahoma, 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 December 10, 2012. 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

Management of Caddo County Governmental Building Authority, Caddo County, Oklahoma, is responsible for establishing and maintaining effective 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 opinions on the financial statements, but not for the purpose of expressing an opinion on 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.

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 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 preceding paragraph 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.

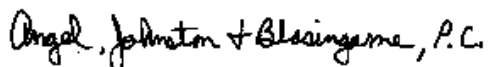
Caddo County Governmental Building Authority
December 10, 2012

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*.

We noted certain matters that we reported to management of the Caddo County Governmental Building Authority, in a separate letter dated December 10, 2012

This report is intended solely for the information of management, the governing board, 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 and Blasingame, P.C.
Certified Public Accountants
Chickasha, Oklahoma
December 10, 2012