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**FINANCIAL STATEMENTS  
AND REPORTS OF INDEPENDENT AUDITOR  
LEFLORE COUNTY PUBLIC BUILDINGS AUTHORITY  
POTEAU, OKLAHOMA  
YEARS ENDED JUNE 30, 2011 & 2010**

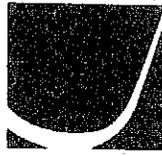
**Audited by**

**JACK H. JENKINS  
CERTIFIED PUBLIC ACCOUNTANT  
A PROFESSIONAL CORPORATION  
TULSA, OK**

**LEFLORE COUNTY PUBLIC BUILDINGS AUTHORITY  
POTEAU, OKLAHOMA  
JUNE 30, 2011**

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**Jack H. Jenkins, CPA** *A Professional Corporation*

## INDEPENDENT AUDITOR'S REPORT

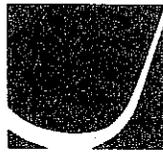
The Honorable Board of Trustees  
LeFlore County Public Buildings Authority  
A Component Unit of LeFlore County  
Poteau, Oklahoma 74953

I have audited the accompanying financial statements of the business-type activities of the LeFlore County Public Buildings Authority, a component unit of LeFlore County, Poteau, Oklahoma (Trust Authority), as of and for the years ended June 30, 2011 and 2010, which collectively comprise the Trust Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Trust Authority's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audits 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 I 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. I believe that my audits provide a reasonable basis for my opinion.

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

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position – modified cash basis of the business-type activities of the LeFlore County Public Buildings Authority, a component unit of LeFlore County, Poteau, Oklahoma as of June 30, 2011, and the respective changes in net assets and cash flows – modified cash basis thereof for the year then ended in conformity with accounting principles described in Note 1.



**Jack H. Jenkins, CPA** *A Professional Corporation*

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

The Honorable Board of Trustees  
LeFlore County Public Buildings Authority  
Poteau, Oklahoma 74953

I have audited the accompanying financial statements of the LeFlore County Public Buildings Authority, a component unit of LeFlore County, Poteau, Oklahoma (Trust Authority), as of and for the year ended June 30, 2011, which was presented on a modified cash basis of accounting, and have issued my report thereon dated October 26, 2011. I conducted my 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 my audit, I considered the Trust Authority's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Trust Authority's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Trust Authority's internal control over financial reporting.

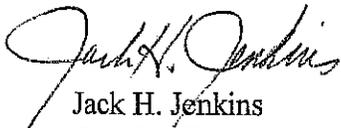
My consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses.

*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.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Trust Authority's financial statements are free of material misstatement, I 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 my audit and, accordingly, I do not express such an opinion. The results of my 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 the Board of Trustees and management of the Trust Authority and is not intended to be, and should not be, used by anyone other than these specified parties.



Jack H. Jenkins  
Certified Public Accountant, P.C.

October 26, 2011

**LEFLORE COUNTY PUBLIC BUILDINGS AUTHORITY  
POTEAU, OKLAHOMA  
SCHEDULE OF FINDINGS  
JULY 1, 2010 TO JUNE 30, 2011**

There were no findings.

**LEFLORE COUNTY PUBLIC BUILDINGS AUTHORITY  
POTEAU, OKLAHOMA  
DISPOSITION OF PRIOR YEAR'S REPORTABLE CONDITIONS  
JUNE 30, 2011**

There were no prior year findings.

**FINANCIAL STATEMENTS**

**LEFLORE COUNTY PUBLIC BUILDING AUTHORITY**  
**A COMPONENT UNIT OF LEFLORE COUNTY, POTEAU, OKLAHOMA**  
**STATEMENT OF NET ASSETS - MODIFIED CASH BASIS**  
**FOR THE YEARS ENDED JUNE 30, 2011 AND 2010**

	June 30,	
	2011	2010
<b><u>ASSETS</u></b>		
Current assets:		
Cash and investments	\$ 1,474,994	1,228,749
Total current assets	1,474,994	1,228,749
Noncurrent assets:		
Capital assets	23,504,664	23,504,664
Less: accumulated depreciation	(4,148,534)	(3,562,605)
Total noncurrent assets	19,356,130	19,942,059
Total Assets	20,831,124	21,170,808
<b><u>LIABILITIES</u></b>		
Current liabilities:		
Current portion of long-term debt	960,000	925,000
Total current liabilities	960,000	925,000
Long-term liabilities:		
Due in more than one year	13,870,000	14,830,000
Total Liabilities	14,830,000	15,755,000
<b><u>NET ASSETS</u></b>		
Invested in capital assets, net of related debt	4,526,130	4,187,059
Unrestricted	1,474,994	1,228,749
Total Net Assets	\$ 6,001,124	5,415,808

The accompanying notes are an integral part of the financial statements

**LEFLORE COUNTY PUBLIC BUILDING AUTHORITY**  
**A COMPONENT UNIT OF LEFLORE COUNTY, POTEAU, OKLAHOMA**  
**STATEMENT OF REVENUES, EXPENSES AND**  
**CHANGES IN NET ASSETS - MODIFIED CASH BASIS**  
**FOR THE YEARS ENDED JUNE 30, 2011 AND 2010**

	June 30,	
	2011	2010
Operating Revenues:		
Rentals	\$ 188,296	187,979
Total revenues	188,296	187,979
Operating Expenses:		
Maintenance and operations	58,635	51,026
Depreciation expense	585,929	585,929
Total expenses	644,564	636,955
Operating Income (Loss)	(456,268)	(448,976)
Other Financing Sources (Uses)		
Interest on investments	2,119	1,748
Transfer from jail bond fund	1,680,480	1,694,285
Interest expense	(641,015)	(670,991)
Total other financing sources (uses)	1,041,584	1,025,042
Net change in assets	585,316	576,066
Net assets, beginning of year	5,415,808	4,839,742
Net assets, end of year	\$ 6,001,124	5,415,808

The accompanying notes are an integral part of the financial statements

**LEFLORE COUNTY PUBLIC BUILDING AUTHORITY**  
**A COMPONENT UNIT OF LEFLORE COUNTY, POTEAU, OKLAHOMA**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEARS ENDED JUNE 30, 2011 AND 2010**

	June 30,	
	2011	2010
<b>Cash Flows from Operating Activities:</b>		
Cash received from rentals	\$ 188,296	187,979
Cash paid for maintenance and operations	(58,635)	(51,026)
Net cash flows from operating activities	129,661	136,953
<b>Cash Flows from Investing Activities:</b>		
Interest earnings	2,119	1,748
Net cash flows from investing activities	2,119	1,748
<b>Cash Flows from Financing Activities:</b>		
Interest expense	(641,015)	(670,991)
Transfers from jail bond fund	1,680,480	1,694,285
Principal paid on long-term debt	(925,000)	(895,000)
Net cash flows from financing activities	114,465	128,294
Net increase (decrease) in cash and cash equivalents	246,245	266,995
Cash and cash equivalents, beginning of period	1,228,749	961,754
Cash and cash equivalents, end of period	1,474,994	1,228,749
<b>Reconciliation of operating income (loss) to net cash provided by operating activities:</b>		
Operating income (loss)	(456,268)	(448,976)
Add depreciation expense	585,929	585,929
Increase (decrease) in reserve for outstanding	-	-
Net cash flows from operating activities	\$ 129,661	136,953

The accompanying notes are an integral part of the financial statements

**NOTES TO THE FINANCIAL STATEMENTS**

**LEFLORE COUNTY PUBLIC BUILDINGS AUTHORITY**  
**A COMPONENT UNIT OF LEFLORE COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2011 & 2010**

1. **Summary of Significant Accounting Policies**

Reporting Entity

The LeFlore County Public Buildings Authority, a component unit of LeFlore County, Poteau, Oklahoma, (the "Trust Authority") was established the 24<sup>th</sup> day of May, 1971, to finance, operate, construct and administer any public works, improvements or facilities, and for the public purposes hereinafter set forth, under the provisions of Title 60, Oklahoma Statutes 1961, Sections 176 to 180, inclusive, the Oklahoma Trust Act and other applicable statutes of the State of Oklahoma.

In accordance with accounting principles generally accepted in the United States of America, the financial statements of the Trust Authority is a legal separate component unit of LeFlore County, Poteau, Oklahoma (the primary government).

The Trust Authority is considered a component unit because the component unit's governing bodies are substantially the same as the governing body of the County, or the component unit provides services almost entirely to the primary government.

The Trust Authority prepares its financial statements on the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the Trust Authority are described below.

A. BASIS OF PRESENTATION

The Trust Authority's basic financial statements consist of a statement of net assets and a statement of revenues, expenses and changes in net assets, and the statement of cash flows. Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. The financial statements are prepared using the modified cash basis of accounting.

**LEFLORE COUNTY PUBLIC BUILDINGS AUTHORITY**  
**A COMPONENT UNIT OF LEFLORE COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2011 & 2010**

1. **Summary of Significant Accounting Policies – contd.**

B. ASSETS, LIABILITIES, AND FUND EQUITY

CASH AND CASH EQUIVALENTS - For the purpose of financial reporting, "cash and cash equivalents" includes all demand and savings accounts and certificates of deposit or short-term investments with an original maturity of three months or less.

CAPITAL ASSETS – The Trust Authority's modified cash basis of accounting reports capital assets resulting from cash transactions and reports depreciation when appropriate. The accounting treatment over property, plant, and equipment (capital assets) depends on whether the assets are used in governmental fund operations or proprietary fund and similar discretely presented component unit operations and whether they are reported in the government-wide or fund financial statements.

LONG-TERM DEBT – All long-term debt arising from cash basis transactions to be repaid from business-type resources is reported as a liability, separated between the current liability of long-term debt (due in one year) and the long term liability (due in more than one year).

EQUITY CLASSIFICATION

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 attributable 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."

**LEFLORE COUNTY PUBLIC BUILDINGS AUTHORITY**  
**A COMPONENT UNIT OF LEFLORE COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2011 & 2010**

**1. Summary of Significant Accounting Policies – contd.**

**B. ASSETS, LIABILITIES, AND FUND EQUITY – contd.**

It is the Trust 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.

**2. Capital Assets**

Capital asset activity, resulting from modified cash basis transactions, for the fiscal year ended June 30, 2011, was as follows:

<i>Governmental-type activities:</i>	<u>Balance at</u> <u>7/1/2010</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance at</u> <u>6/30/2011</u>
Capital assets -				
Building	\$ 23,504,664	-	-	23,504,664
Total capital assets	<u>23,504,664</u>	<u>-</u>	<u>-</u>	<u>23,504,664</u>
Less accumulated depreciation for -				
Building (40 years, S/L)	(3,562,605)	(585,929)	-	(4,148,534)
Total accumulated depreciation	<u>(3,562,605)</u>	<u>(585,929)</u>	<u>-</u>	<u>(4,148,534)</u>
Capital assets, net	<u>\$ 19,942,059</u>	<u>(585,929)</u>	<u>-</u>	<u>19,356,130</u>

**3. Deposits and Investments**

The Trust Authority's cash deposits, including interest-bearing certificates of deposit, are entirely covered by Federal Depository Insurance (FDIC) or direct obligation of the U.S. Government insured or collateralized with securities held by the Trust Authority or by its agent in the Trust Authority's name.

**LEFLORE COUNTY PUBLIC BUILDINGS AUTHORITY**  
**A COMPONENT UNIT OF LEFLORE COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2011 & 2010**

**4. Long-term Debt**

The Issuer is an Oklahoma public trust and was formed under the provisions of 60 O.S. Section 176, et. Seq., for the benefit of LeFlore County, Oklahoma, and the instruments creating such trust have been hereto filed with and the Secretary of State of Oklahoma; in addition, notice of filing such instrument with the Secretary of State has been given to the office of the State Auditor and Inspector. The Trustees of the LeFlore County Public Buildings Authority, in conformity with 60 O.S. Section 176(d), have heretofore approved the issuance of the afore described Bonds and such body has competitively bid such Bonds, all in conformity with requirements of 60 O.S. Section 176(e).

Gross Lease Revenue Refunding Bonds, Series 1998, totaling \$1,905,000, For the Department of Human Services Building Project, interest rate of 4.80-7.00%, annual principal and interest payments beginning Dec. 1, 1998 for various amounts; final payment due Dec. 1, 2016;

The remaining bond and interest payments are as follows:

Year ending June 30	Principal	Interest	Total
2012	\$ 120,000	41,865	161,865
2013	125,000	35,403	160,403
2014	135,000	28,445	163,445
2015	140,000	20,950	160,950
2016	150,000	12,863	162,863
Thereafter	150,000	4,312	154,312
Total	<u>\$ 820,000</u>	<u>143,838</u>	<u>963,838</u>

**LEFLORE COUNTY PUBLIC BUILDINGS AUTHORITY**  
**A COMPONENT UNIT OF LEFLORE COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2011 & 2010**

**4. Long-term Debt – contd.**

Gross Lease Revenue Bonds, Series 2003, totaling \$9,850,000, dated June 1, 2004, for the LeFlore County Jail and Courthouse Expansion Project, interest rate of 2.75-4.25%, annual principal and interest payments beginning June 1, 2004 for various amounts; final payment due Dec. 1, 2020;

The remaining bond and interest payments are as follows:

Year ending June 30	Principal	Interest	Total
2012	\$ 570,000	248,813	818,813
2013	590,000	229,373	819,373
2014	610,000	208,367	818,367
2015	630,000	186,042	816,042
2016	655,000	162,100	817,100
Thereafter	3,680,000	392,220	4,072,220
Total	<u>\$ 6,735,000</u>	<u>1,426,915</u>	<u>8,161,915</u>

Gross Lease Revenue Bonds, Series 2004, totaling \$3,450,000, dated December 1, 2004, for the LeFlore County Jail and Courthouse Expansion Project, interest rate of 3.00-5.00%, annual principal and interest payments beginning December 1, 2004 for various amounts; final payment due Dec. 1, 2020;

The remaining bond and interest payments are as follows:

Year ending June 30	Principal	Interest	Total
2012	\$ 200,000	97,365	297,365
2013	205,000	90,124	295,124
2014	215,000	82,244	297,244
2015	220,000	73,815	293,815
2016	230,000	64,350	294,350
Thereafter	1,315,000	153,112	1,468,112
Total	<u>\$ 2,385,000</u>	<u>561,010</u>	<u>2,946,010</u>

**LEFLORE COUNTY PUBLIC BUILDINGS AUTHORITY  
A COMPONENT UNIT OF LEFLORE COUNTY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011 & 2010**

**4. Long-term Debt – contd.**

Gross Lease Revenue Bonds, Series 2005, totaling \$5,200,000, dated December 1, 2005, for the LeFlore County Jail and Courthouse Expansion Project, interest rate of 3.00-5.00%, annual principal and interest payments beginning December 1, 2005 for various amounts; final payment due Dec. 1, 2044;

The remaining bond and interest payments are as follows:

Year ending June 30	Principal	Interest	Total
2012	\$ 70,000	220,238	290,238
2013	70,000	217,700	287,700
2014	75,000	215,072	290,072
2015	75,000	212,353	287,353
2016	80,000	209,444	289,444
Thereafter	4,520,000	3,777,347	8,297,347
Total	<u>\$ 4,890,000</u>	<u>4,852,154</u>	<u>9,742,154</u>

Changes in General Long-Term Debt

Long-term debt consists of four (4) gross lease revenue bonds. The following is a summary of the changes in general long-term debt of the Authority for the fiscal year.

	Balance June 30, 2010	Proceeds	Payments	Balance June 30, 2011
Totals	\$ <u>15,755,000</u>	<u>0</u>	<u>925,000</u>	<u>14,830,000</u>

**5. Risk Management**

The Trust Authority is exposed to various risks of loss related to torts: theft of, damage to and destruction of assets; errors and omissions; injuries to employees; or acts of God. The Trust Authority purchases commercial insurance to cover these risks, including general and auto liability, property damage, and public officials liability. Settled claims resulting from these risks have not exceeded the commercial insurance coverage in any of the past three fiscal years.

**LEFLORE COUNTY PUBLIC BUILDINGS AUTHORITY**  
**A COMPONENT UNIT OF LEFLORE COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2011 & 2010**

**6. Commitments and Contingencies**

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. These programs are subject to financial and compliance audits by the grantors or their representatives. Such audits could lead to requests for reimbursement to the grantor agency for expenditures disallowed under terms of the grant. The amount for expenditures that may be disallowed by the granting agencies cannot be determined at this time although it is believed by the Trust Authority that the amount, if any, would not be significant.

**7. Lease with Option to Purchase Agreement**

The County entered into a lease agreement on the 22<sup>nd</sup> day of January, 2007 with the Oklahoma Department of Human Services (OKDHS). The lessor, County, leases the facility located at 511 South Harper Street, Poteau, Oklahoma for a term beginning the 1<sup>st</sup> day of March, 2007 and ending on the 28<sup>th</sup> day of February, 2018 or when the bonds and equity payments are retired, whichever occurs first.

The County gives and grants the lessee, OKDHS, the right to purchase the leased facilities at any time on or after March 1, 2007 by giving prior thereto sixty (60) days notice of the exercise of such option in writing at a purchase price to be paid to the Trustee Bank that shall be an amount required to pay all outstanding principal of the bonds, plus interest to the dated fixed for redemption, plus any redemption premium for which provision is made in the now present draft of the indenture, plus all expenses incidental to the redemption and retirement of the balance of the aforesaid indebtedness.

The lessee, OKDHS, agrees to pay a monthly rate for the leased facilities, which equals 1/12<sup>th</sup> of annual debt service obligation owed pursuant to the terms of the bond indenture agreement with the Trustee Bank. Lessee, OKDHS, shall pay lessor, County, an additional rental sum of \$1,000 per month or a total of \$132,000 over the remaining 132-month life of the lease to satisfy Trust Authority's equity interest in the property.

When all indebtedness secured by the monthly payments from the leased facility has been retired, County shall deliver a Warranty Deed to OKDHS granting, bargaining, selling and conveying all the rights, title and interest in the above-described property free and clear from all encumbrances. Upon delivery of the above described Deed and Abstract of Title, the lease shall become void and all provisions recited herein shall terminate.