

OKMULGEE COUNTY GOVERNMENTAL
BUILDING AUTHORITY

(A Component unit of Okmulgee County, Ok.)

**Financial Statements
For the Year Ended
October 31, 2012**

and

Independent Auditors' Report



Clothier & Company CPA's P.C.

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Okmulgee County Governmental Building Authority

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Independent Auditors' Report

The Board of Trustees
Okmulgee County Governmental Building Authority
Okmulgee, Oklahoma

We have audited the financial statements of the business-type activities of the Okmulgee County Governmental Building Authority, (an Oklahoma Trust), component unit of Okmulgee County, State of Oklahoma, as of and for the year ended October 31, 2012, which 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 basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the business-type activities of the Okmulgee County Governmental Building Authority as of October 31, 2012, and the respective changes in financial position and, where applicable, cash flows 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 March 29, 2013 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an

audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages I and II be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

A handwritten signature in cursive script that reads "Clothier & Company CPA's".

Clothier & Company, CPA's
March 29, 2013

Okmulgee County Governmental Building Authority
MANAGEMENT’S DISCUSSION AND ANALYSIS
October 31, 2012

Our discussion and analysis of the Authority’s financial performance provides an overview of the Authority’s financial activities for the fiscal year ended October 31, 2012.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Financial Position – Proprietary Fund, Statement of Revenues, Expenditures and Changes in Net Assets – Proprietary Fund (on pages 2 and 3), and Notes to the Financial Statements provide information about the activities of the Authority as a whole, and present a long-term view of the Authority’s finances.

FINANCIAL HIGHLIGHTS

	<u>2012</u>		<u>2011</u>
Assets	<u>\$14,617,853</u>	Assets	<u>\$15,334,889</u>
Liabilities	\$6,455,001	Liabilities	\$6,965,001
Fund Balance	<u>8,162,852</u>	Fund Balance	<u>8,369,888</u>
	\$14,617,853		\$15,334,889
Revenues	<u>\$1,307,428</u>	Revenues	<u>\$1,278,961</u>
Expenditures	<u>\$1,514,465</u>	Expenditures	<u>\$1,515,614</u>
Net Change in		Net Change in	
Fund Balance	<u>(\$207,037)</u>	Fund Balance	<u>(\$236,653)</u>
Invested in Capital Assets,		Invested in Capital Assets,	
Net Related Debt	\$(59,191)	Net Related Debt	\$(352,899)
Reserved Net Assets-Non-		Reserved Net Assets-Non-	
Expendable	1,325,605	Expendable	1,300,602
Unreserved Net Assets-		Unreserved Net Assets-	
Expendable	<u>6,893,438</u>	Expendable	<u>7,422,185</u>
Total Net Assets	<u>\$8,159,852</u>	Total Net Assets	<u>\$8,369,888</u>

AUTHORITY’S ACTIVITIES

During the 2011-2012 year, the Authority paid the following out of the Bond Proceeds account: \$1,500 in accountant fees. The interest for the Bond Proceeds account accrues every month. The Sales Tax Proceeds account zeros out every month. It begins with the monthly Sales Tax Proceeds transferred from the County, from which the monthly payment is made to BancFirst and the remainder goes to OCCJA. There is a yearly fee to BancFirst Trust for services rendered and to Clothier and Company for auditing services.

REVENUES BY SOURCE

<u>Source</u>	<u>Amount</u>	<u>Percentage</u>
Sales Tax (transfers from County)	\$1,306,235	99.91%
Investment Income	\$1,193	0.09%
Total Revenue	<u>\$1,307,428</u>	

DEBT ADMINISTRATION

Okmulgee County Governmental Building Authority is responsible for the debt incurred on the Okmulgee County jail and major assets. The 2000 Series Bonds paid for the construction of the jail and the major assets totaling \$8,598,197. On December 14, 2006 the Trustees of the Okmulgee County Governmental Building Authority authorized the refinancing of these bonds to provide funds for acquiring, constructing and equipping the county courthouse and correctional jail facilities and properties at a lower interest rate not to exceed 4.3%. The 2007 Series Bond debt at year-end is \$6,455,001 of which \$555,000 will be due in the 2012/2013 fiscal year.

FIXED ASSETS

	<u>2012</u>	<u>2011</u>
Building	\$8,531,680	\$8,531,680
Equipment	\$67,117	\$67,117
Bond Procurement Costs	\$317,172	\$317,172

EXPENDITURES BY SOURCE

<u>Source</u>	<u>Amount</u>	<u>Percentage</u>
Okmulgee Co. Criminal Justice Auth.	\$495,930	32.75%
Bond Payment	\$510,000	33.68%
Interest Expense	\$264,350	17.46%
Depreciation Expense	\$213,292	14.08%
Amortization Expense	\$21,145	1.40%
Accounting and Trust Fees	\$9,748	0.64%
Total Expenditures	<u>\$1,514,465</u>	

NEXT YEAR'S ACTIVITY

The Authority will continue to pay the monthly payment to BancFirst with the remainder going to Okmulgee County Criminal Justice Authority. The Authority will utilize the Bond Proceeds account in a way that will benefit the County jail facility.

CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our taxpayers and board trustees with a general overview of the Authority's finances and to show the Authority's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Authority's Secretary Becky Thomas at 918-756-0788. A second contact is County Commissioners' Administrative Assistant Shelley Stephens at 918-758-1201.

Okmulgee County Governmental Building Authority
STATEMENT OF FINANCIAL POSITION
For the Year Ended October 31, 2012

ASSETS

Current Assets

Cash and Cash Equivalents	\$140,043
Sales Tax Receivable	102,805
Total Current Assets	<u>242,848</u>

Fixed Assets :

Building	8,531,680
Equipment	67,117
Less: Accumulated Depreciation	(2,199,987)
Bond Procurement Costs	317,172
Less: Accumulated Amortization	(121,583)
Total Fixed Assets	<u>6,594,399</u>

Non-current Assets

Reserved Cash	1,325,605
Amount to be Provided	6,455,001
Total Non-current Assets	<u>7,780,606</u>

Total Assets	<u><u>14,617,853</u></u>
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LIABILITIES AND NET ASSETS

Current Liabilities

Bonds Payable (Current Portion)	<u>555,000</u>
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Long-term Liabilities

Bonds Payable	<u>5,900,001</u>
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Total Liabilities	6,455,001
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Net Assets

Invested in Capital Assets, Net Related Debt	(56,191)
Reserved Net Assets-Non-Expendable	1,325,605
Unreserved Net Assets-Expendable	6,893,438
Total Net Assets	<u>8,162,852</u>

Total Liabilities and Net Assets	<u><u>\$14,617,853</u></u>
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See accompanying footnotes and independent auditors' report.

Okmulgee County Governmental Building Authority
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN NET ASSETS
For the Year Ending October 31, 2012

Revenue:

Investment Income	\$1,193
	<hr/>
Total Revenue	1,193
	<hr/>

Expenditures:

Okmulgee County Criminal Justice Authority	495,930
Accounting Fees	4,748
Trustee Fees	5,000
Principal Payments	510,000
Interest Expense	264,350
Depreciation Expense	213,292
Amortization Expense	21,145
Capital Outlay	0
	<hr/>
Total Expenses	1,514,465
	<hr/>

Other Financing Sources (Uses):

Proceeds from sale of bonds:	0
Transfers In	1,306,236
Transfers Out	0
	<hr/>
Total Other Financing	1,306,236
	<hr/>

Change in Net Assets	(207,036)
Beginning Net Assets	8,369,888
	<hr/>
Ending Net Assets	<u>\$8,162,852</u>

See accompanying footnotes and independent auditors' report.

Okmulgee County Governmental Building Authority
STATEMENT OF CASH FLOWS

For the Year Ending October 31, 2012

Cash Flow From Operating Activities:

Cash received from customers	\$1,304,737
Cash received from other sources	0
Cash paid to suppliers	(770,028)
Net cash flows from operating activities	<u>534,709</u>

Cash Flows from Capital and Related Financing Activities:

Purchase of capital assets	0
Net cash used for capital and related financing activities	<u>0</u>

Cash Flows from Investing Activities:

Receipt of interest	1,193
Reserve cash	(25,003)
Net cash used by investing activities	<u>(23,810)</u>

Cash Flows from Financing activities:

Payment of bonds	(510,000)
Net cash used for financing activities	<u>(510,000)</u>

Net Increase (Decrease) in Cash and Cash Equivalents 899

Cash and Cash Equivalents Beginning of Year 139,144

Cash and Cash Equivalents End of Year \$140,043

Reconciliation of Operating Income to Net Cash Flows From Operating Activities:

Net Income	(\$207,036)
Less Investment Income	(1,193)
Add Depreciation/Amortization Expense	234,437
(Increase)/Decrease in Assets:	
Accounts receivables, net	(1,499)
Transfer from sinking fund	<u>510,000</u>

Net cash Flows from Operating Activities \$534,709

Interest Expense \$264,350

Okmulgee County Governmental Building Authority
NOTES TO FINANCIAL STATEMENTS
At October 31, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Creation of the Trust

The Okmulgee County Governmental Building Authority (the Authority) is a public trust, created November 22, 1999, under title 60 of the Oklahoma Statutes Sections 176 to 180.3, to provide the County of Okmulgee with facilities and/or services of any kind necessary for the functioning of local government.

Component Unit

The Authority is a component unit of Okmulgee, County Oklahoma. Statement No. 14 of the Governmental Accounting Standards Board "The Financial Reporting Entity" defines a component unit. That definition includes a legal entity that is a separate governmental organization but has the same board of trustees as the primary government.

Fixed Assets

Property and equipment are stated at cost. Additions, renewals, and improvements are capitalized whereas expenditures for maintenance and repairs are charged to expense.

It is the policy of the Authority to provide depreciation based on the estimated useful life of the individual units of property and equipment. Depreciation methods and the estimated useful lives used as the basis for the application of those methods are as follows:

<u>Description</u>	<u>Method</u>	<u>Estimated Useful Life</u>
Building	Straight-line	40 Years
Equipment	Straight-line	5 Years

Cash and Cash Equivalents

For the purpose of the cash flow statement, the Authority considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. The Authority has defined cash and cash equivalents to include cash on hand, demand deposits and money market accounts with original maturities of 3 months or less.

Basis of Presentation

The financial statements of the Authority are prepared in accordance with generally accepted accounting principles (GAAP) of the United States of America. The Authority is considered a governmental entity as defined by the governmental Accounting Standards Board (GASB) and applies all relevant GASB pronouncements. Its operations are considered proprietary in nature, and therefore, the Authority has adopted a reporting framework similar to that of proprietary type funds. Proprietary funds apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails.

Measurement Focus/Basis of Accounting

Basis of accounting refers to when revenue and expenditures are recognized in the accounts and reported in the financial statements. Measurement focus refers to what is being

Okmulgee County Governmental Building Authority

measured. Basis of accounting is related to the timing of the measurement made regardless of the measurement focus applied. The Authority uses a financial resources measurement focus and is accounted for by the accrual basis of accounting. Revenue is recognized when earned, expenditures are recognized when the related fund liability is incurred, if measurable. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The Authority considers sales tax transferred from the County as available if they are collected by the County within 30 days after year end. Expenditures are recorded when the related fund liability is incurred. Exceptions to this general rule include principal and interest on general long-term debt which are recorded as fund liabilities when due or when amounts have been accumulated in the Debt Service Fund for payments to be made early in the following year.

The revenues susceptible to accrual are sales tax transfers and interest income. Sales taxes collected for the County and held by the state at year end on behalf of the government are also recognized as revenue. All other revenues are recognized when received.

Income Taxes

The Authority has been granted exemption from income taxes under Code Section 115(a) of the Internal Revenue Code.

2. REVENUE BONDS

Series 2007 Revenue Bonds

On January 19, 2007 The Okmulgee County Governmental Building Authority authorized the issuance and delivery of \$9,125,000 aggregate principal amount of The Okmulgee County Governmental Building Authority First Mortgage Sales Tax Refunding Revenue Bonds the beginning interest rate of 4.125%. Each bond is dated January 19, 2007, and interest is payable semi-annually on the first day of March and September each year commencing March 1, 2007.

	<u>Beginning Balance</u>	<u>2012 Redemption</u>	<u>Ending Balance</u>
Revenue Bonds	\$6,965,001	\$510,000	\$6,455,001

Redemption and Debt Service Schedule

Bonds are subject to the following mandatory sinking fund redemption prior to maturity out of any available funds, on any March 1st. Also shown are the interest rates, interest payments and annual debt service.

<u>Date</u>	<u>Interest Rate</u>	<u>Mandatory Redemption</u>	<u>Interest Due</u>	<u>Annual Debt Service</u>
3/1/13	3.500%	555,000	127,713	
9/1/13			118,000	800,713
3/1/14	4.000%	585,000	118,000	
9/1/14			106,300	809,300
3/1/15	4.000%	630,000	106,300	
9/1/15			93,700	830,000
3/1/16	4.000%	665,000	93,700	

Okmulgee County Governmental Building Authority

9/1/16			80,400	839,100
3/1/17	4.000%	705,000	80,400	
9/1/17			66,300	851,700
3/1/18	4.000%	755,000	66,300	
9/1/18			51,200	872,500
3/1/19	4.000%	805,000	51,200	
9/1/19			35,100	891,300
3/1/20	4.000%	<u>1,755,001</u>	35,100	<u>1,790,101</u>
9/1/20		<u>6,455,001</u>		<u>7,684,714</u>

The revenue bond indenture requires the establishment of several bank accounts, which include the following:

Bond Account: To be used solely for the purpose of providing for the payments into the Sinking Fund.

Sinking Fund Account: This account is for the purpose of a) paying interest on the Bonds b) paying at maturity the principal of the Bonds c) retiring, before maturity, d) paying any funds due the bank.

Sinking Fund Reserve Fund Account: Is for the purpose of supplying any deficiency in the Sinking Fund Account whenever sufficient money is not in that fund.

3. CASH AND INVESTMENTS

Deposits: Custodial Credit Risk

Custodial Credit Risk is the risk that in the event of bank failure, the Authority's deposits may not be returned to it.

At the year-end the carrying amount of the Authority's deposits was \$1,465,648. \$140,043 of the bank balances are covered by federal depository insurance coverage and \$1,325,605 by federated government obligations tax management fund.

The Authority limits their investments to securities in Federated Government Obligations Tax Managed Fund #637.

4. FIXED ASSETS

	<u>Cost</u>	<u>Additions/ (Deletions)</u>	<u>Accumulated Deprec/Amort.</u>	<u>Book Value</u>
Equipment	\$67,117	\$0	\$67,117	\$0
Building	8,531,680	0	2,132,870	6,398,810
Bond Procurement Costs	317,172	0	121,583	195,589
Totals	<u>\$8,915,969</u>	<u>\$0</u>	<u>\$2,321,570</u>	<u>\$6,594,399</u>

5. USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that effect certain reported amounts and disclosures. Accordingly, actual amounts could differ from these estimates.

6. EVALUATION OF SUBSEQUENT EVENTS

The Authority has evaluated subsequent events through March 29, 2013, the date which the financial statements were available to be issued with none found.



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**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
Okmulgee County Governmental Building Authority
Okmulgee County, Oklahoma

We have audited the financial statements of Okmulgee County Governmental Building Authority, a component unit of Okmulgee County, Oklahoma, as of and for the year ended October 31, 2012, and have issued our report thereon dated March 29, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of Okmulgee County Governmental Building Authority is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion of 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.

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 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 previously.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Okmulgee County Governmental Building Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the Board of Trustees, others within the entity, and State of Oklahoma and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Clothier & Company CPA's".

Clothier & Company, CPA's, P.C.
March 29, 2013