

OKMULGEE COUNTY GOVERNMENTAL
BUILDING AUTHORITY

(A Component unit of Okmulgee County, Ok.)

**Financial Statements
For the Year Ended
October 31, 2013**

and

Independent Auditors' Report



Clothier & Company CPA's P.C.

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Okmulgee County Governmental Building Authority
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For the Year Ended October 31, 2013

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Independent Auditors' Report

Board of Trustees
Okmulgee County Governmental Building Authority
Okmulgee, Oklahoma

We have audited the accompanying financial statements of the business-type activities of Okmulgee County Governmental Building Authority, a component unit of the County of Okmulgee, Oklahoma, as of and for the year ended October 31, 2013, and the related notes to the financial statements, which comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of Okmulgee County Governmental Building Authority as of October 31, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages I – III 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 10, 2014 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. The report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.



Clothier and Company, CPA's, PC
February 10, 2014

Okmulgee County Governmental Building Authority
MANAGEMENT’S DISCUSSION AND ANALYSIS
 October 31, 2013

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, 2013.

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>2013</u>		<u>2012</u>
Assets	\$13,851,917	Assets	\$14,617,853
Liabilities	\$5,900,001	Liabilities	\$6,455,001
Fund Balance	<u>\$7,951,916</u>	Fund Balance	<u>\$8,162,852</u>
	\$13,851,917		\$14,617,853
Revenues	<u>\$1,325,815</u>	Revenues	<u>\$1,307,428</u>
Expenditures	<u>\$1,536,751</u>	Expenditures	<u>\$1,514,465</u>
Net Change in Fund Balance	<u>(\$210,936)</u>	Net Change in Fund Balance	<u>(\$207,037)</u>
Invested in Capital Assets,		Invested in Capital Assets,	
Net Related Debt	285,516	Net Related Debt	(59,191)
Reserved Net Assets-Non-Expendable	1,342,370	Reserved Net Assets-Non-Expendable	1,325,605
Unreserved Net Assets-Expendable	<u>6,324,030</u>	Unreserved Net Assets-Expendable	<u>6,893,438</u>
Total Net Assets	<u>7,951,916</u>	Total Net Assets	<u>8,159,852</u>

AUTHORITY’S ACTIVITIES

During the 2012-2013 year, the Authority paid the following out of the Bond Proceeds account: \$1,500 in accountant fees and \$675 in legal 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)	\$1,324,896	99.93%
Investment Income	\$919	0.07%
Total Revenue	<u>\$1,325,815</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 \$5,900,001 of which \$585,000 will be due in the 2013/2014 fiscal year.

FIXED ASSETS

	<u>2013</u>	<u>2012</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.	\$491,135	31.96%
Bond Payment	\$555,000	36.12%
Interest Expense	\$245,713	15.99%
Depreciation Expense	\$213,292	13.88%
Amortization Expense	\$21,145	1.38%
Professional and Trust Fees	\$10,466	0.68%
Total Expenditures	<u>\$1,536,751</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. Due to an overcrowding issue at the jail, the Authority is looking at options to solve the problem. Attorney Patrick Moore has been researching property and pursuing different avenues to possibly expand the current jail facility or building a jail annex. This would mean restructuring the current bond.

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.

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Okmulgee County Governmental Building Authority
STATEMENT OF FINANCIAL POSITION
For the Year Ended October 31, 2013

ASSETS

Current Assets

Cash and Cash Equivalents	\$136,731
Sales Tax Receivable	112,854
Total Current Assets	<u>249,585</u>

Fixed Assets :

Building	8,531,680
Equipment	67,117
Less: Accumulated Depreciation	(2,413,279)
Bond Procurement Costs	317,172
Less: Accumulated Amortization	(142,728)
Total Fixed Assets	<u>6,359,962</u>

Non-current Assets

Reserved Cash	1,342,370
Amount to be Provided	5,900,001
Total Non-current Assets	<u>7,242,371</u>

Total Assets	<u><u>13,851,918</u></u>
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LIABILITIES AND NET ASSETS

Current Liabilities

Bonds Payable (Current Portion)	<u>585,000</u>
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Long-term Liabilities

Bonds Payable	<u>5,315,001</u>
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Total Liabilities	5,900,001
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Net Assets

Invested in Capital Assets, Net Related Debt	285,518
Reserved Net Assets-Non-Expendable	1,342,370
Unreserved Net Assets-Expendable	6,324,029
Total Net Assets	<u>7,951,917</u>

Total Liabilities and Net Assets	<u><u>\$13,851,918</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, 2013

Revenue:

Investment Income	<u>\$919</u>
Total Revenue	<u>919</u>

Expenditures:

Okmulgee County Criminal Justice Authority	491,135
Professional Fees	5,465
Trustee Fees	5,000
Principal Payments	555,000
Interest Expense	245,713
Depreciation Expense	213,292
Amortization Expense	21,145
Capital Outlay	<u>0</u>
Total Expenses	<u>1,536,750</u>

Other Financing Sources (Uses):

Proceeds from sale of bonds:	0
Transfers In	1,324,896
Transfers Out	<u>0</u>
Total Other Financing	<u>1,324,896</u>

Change in Net Assets	(210,935)
Beginning Net Assets	<u>8,162,852</u>
Ending Net Assets	<u><u>\$7,951,917</u></u>

See accompanying footnotes and independent auditors' report.

Okmulgee County Governmental Building Authority
STATEMENT OF CASH FLOWS

For the Year Ending October 31, 2013

Cash Flow From Operating Activities:

Cash received from customers	\$1,314,847
Cash received from other sources	0
Cash paid to suppliers	(747,313)
Net cash flows from operating activities	<u>567,534</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	919
Reserve cash	(16,765)
Net cash used by investing activities	<u>(15,846)</u>

Cash Flows from Financing activities:

Payment of bonds	(555,000)
Net cash used for financing activities	<u>(555,000)</u>

Net Increase (Decrease) in Cash and Cash Equivalents (3,312)

Cash and Cash Equivalents Beginning of Year 140,043

Cash and Cash Equivalents End of Year \$136,731

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

Net Income	(\$210,935)
Less Investment Income	(919)
Add Depreciation/Amortization Expense	234,437
(Increase)/Decrease in Assets:	
Accounts receivables, net	(10,049)
Transfer from sinking fund	555,000

Net cash Flows from Operating Activities \$567,534

Interest Expense \$245,713

Okmulgee County Governmental Building Authority
NOTES TO FINANCIAL STATEMENTS
 At October 31, 2013

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>2013 Redemption</u>	<u>Ending Balance</u>
Revenue Bonds	\$6,455,001	\$555,000	\$5,900,001

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>
3/1/14	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	
9/1/16			80,400	839,100
3/1/17	4.000%	705,000	80,400	

Okmulgee County Governmental Building Authority

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><u>5,900,001</u></u>		<u><u>6,884,001</u></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 \$1,479,101. \$136,731 of the bank balances are covered by federal depository insurance coverage and \$1,342,370 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	2,346,162	6,185,518
Bond Procurement Costs	<u>317,172</u>	<u>0</u>	<u>142,728</u>	<u>174,444</u>
Totals	<u><u>\$8,915,969</u></u>	<u><u>\$0</u></u>	<u><u>\$2,556,007</u></u>	<u><u>\$6,359,962</u></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 February 10, 2014, 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

Board of Trustees
Okmulgee County Governmental Building Authority
Okmulgee, Oklahoma

We have audited, in accordance with the auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of Okmulgee County Governmental Building Authority, a component unit of Okmulgee County, Oklahoma, as of and for the year ended October 31, 2013, and the related notes to the financial statements, which comprise the Authority's basic financial statements, and have issued our report thereon dated February 10, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Okmulgee County Governmental Building's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

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. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in the internal control that might be material weaknesses or significant deficiencies. Given the limitations, during our audit we did not identify any deficiencies in internal control we consider to be

material weaknesses. However, material weaknesses may exist that have not been identified.

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 statements 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliances. This report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Clothier & Company, CPA's, P.C.
February 10, 2014