

**ACCOUNTANT'S AUDIT REPORT
STEPHENS COUNTY
GOVERNMENTAL
BUILDING AUTHORITY
(A Component Unit of Stephens County)**

JUNE 30, 2013

BY



**Stephens County Governmental Building Authority
Duncan, Oklahoma
(A Component Unit of Stephens County)
Year Ended June 30, 2013**

Table of Contents

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	1-2
 <u>FINANCIAL STATEMENTS</u>	
Statement of Net Assets.....	3-4
Statement of Revenue, Expense and Changes in Net Assets.....	5
Statement of Cash Flows	6
Notes to Financial Statements	7-11
 <u>SUPPLEMENTAL INFORMATION</u>	
Report on Internal Control over Financial Reporting and On Compliance And Other Matters Based on an Audit of Financial Statements.....	12-13



INDEPENDENT AUDITOR'S REPORT

Stephens County Governmental Building Authority
Duncan, Oklahoma

We have audited the accompanying financial statements of the business-type activities of Stephens County Governmental Building Authority (a component unit of Stephens County), as of and for the year ended June 30, 2013, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

These financial statements are the responsibility of Stephens County Governmental Building Authority's management. Management is also responsible for 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 error or fraud.

Auditor's Responsibility

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 from 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 Stephens County Governmental Building Authority, as of June 30, 2013, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2013, on our consideration of the Stephens County Governmental Building 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* in considering the Authority's internal control over financial reporting and compliance.

Furrh and Associates, PC

FURRH & ASSOCIATES, PC

December 16, 2013

Stephens County Governmental Building Authority

Duncan, Oklahoma (A Component Unit of Stephens County)

Statement of Net Assets Year Ended June 30, 2013

ASSETS

Current Assets

Cash - Unrestricted	\$	<u>0</u>	
Total Current Assets			\$ 0

Fixed Assets

Jail Building	\$ 4,761,923		
Accumulated Depreciation	<u>(767,891)</u>	3,994,032	
Fairgrounds Building	6,272,831		
Accumulated Depreciation	<u>(1,006,407)</u>	5,266,424	
Conservation Building	111,260		
Accumulated Depreciation	<u>(19,474)</u>	91,786	
School Building and Equipment	6,082,587		
Accumulated Depreciation	<u>(758,960)</u>	<u>5,323,627</u>	
Total Fixed Assets			14,675,869

Other Assets and Deferred Charges

Cash - Reserve Account		747,426	
Cash - Sinking Fund Account		374,349	
Unamortized Bond Issue Costs		<u>99,622</u>	
Total Other Assets and Deferred Charges			<u>1,221,397</u>
Total Assets			<u>\$ 15,897,266</u>

Please see accompanying notes to the financial statements.

Stephens County Governmental Building Authority
Duncan, Oklahoma
(A Component Unit of Stephens County)
Statement of Net Assets
Year Ended June 30, 2013

LIABILITIES AND NET ASSETS

Current Liabilities

Bonds Payable	\$	535,000	
Accrued Interest Payable		105,034	
		105,034	
Total Current Liabilities	\$		640,034

Long-Term Liabilities

Bonds Payable		4,325,000	
Unamortized Bond Discount		(46,800)	
		(46,800)	
Total Long-Term Liabilities			4,278,200
Total Liabilities			4,918,234

Net Assets

Invested in Fixed Assets Net of Related Debt		9,857,257	
Restricted for Debt Service		1,121,775	
		1,121,775	
Total Net Assets			10,979,032
Total Liabilities and Net Assets	\$		15,897,266

Please see accompanying notes to the financial statements.

Stephens County Governmental Building Authority
Duncan, Oklahoma
(A Component Unit of Stephens County)
Statement of Revenue, Expenses and Changes in Net Assets
Year Ended June 30, 2013

Revenue

Transfer from Stephens County (Sales Tax)	\$	739,509
Interest Earned		34
 Total Revenue	 \$	 739,543

Expense

Trustee Fees		3,500
Amortization of Bond Issue Costs		22,526
Interest on Bonds		220,318
Depreciation		351,277
 Total Expense		 597,621

Net Revenue 141,922

Net Assets, June 30, 2012 10,837,110

Net Assets, June 30, 2013 \$ 10,979,032

Please see accompanying notes to the financial statements.

Stephens County Governmental Building Authority

Duncan, Oklahoma

(A Component Unit of Stephens County)

Statement of Cash Flow Year Ended June 30, 2013

Cash Flow from Operating Activities

Sales Tax Transferred from Stephens County	\$ 739,509	
Operating Expenses	(3,500)	
Interest Expense	<u>(220,318)</u>	
Cash Provided by Operating Activities		\$ 515,691

Cash Flow from Capital and Related Financing Activities

Bonds Paid	(500,000)	
Decrease in Accrued Interest Payable	(10,250)	
Increase in Reserve Accounts	<u>(5,475)</u>	
Cash Used by Capital and Related Financing Activities		(515,725)

Cash Flow from Investing Activities

Interest Earned	<u>34</u>	
Cash Provided (Used) by Investing Activities		<u>34</u>

Net Cash Provided or (Used) 0

Cash and Cash Equivalents, June 30, 2012 0

Cash and Cash Equivalents, June 30, 2013 \$ 0

Adjustments to Reconcile Operating Income to Cash

Provided by Operating Activities

Net Operating Revenue	\$ 141,922
Less, Interest Earned	(34)
Add, Depreciation	351,277
Decrease in Bond Issue Costs	15,326
Decrease in Bond Issue Discount	<u>7,200</u>
Cash Provided by Operating Activities	<u>\$ 515,691</u>

See accompanying notes to basic financial statements.

Stephens County Governmental Building Authority
Duncan, Oklahoma
(A Component Unit of Stephens County)
Notes to Basic Financial Statements
Year Ended June 30, 2013

Note 1 - Significant Accounting Policies

The Stephens County Governmental Building Authority (the Authority) is a public trust organized April 17, 2000, under Title 60 of the Oklahoma statutes, for the purposes, among others, of constructing, owning, and operating public buildings and other facilities within Stephens County, Oklahoma. The Authority is a component unit of Stephens County, as its governing board is the County Commissioners of Stephens County, Oklahoma.

The Authority operates as an autonomous proprietary fund and its bookkeeping accounts and financial statements are maintained and presented as enterprise fund accounts.

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.

GAAP for proprietary fund types are generally those applicable to similar businesses in the private sector; the measurement focus is on the determination of net income, financial position, and cash flows. All assets, liabilities, equities, revenues, expenses and transfers relating to the government's business, including fixed assets and debt are accounted for in a single proprietary fund rather than a series of funds and account groups.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Note 2 - Restricted Cash and Investments

Cash and cash equivalents include all unrestricted cash and investments with a maturity date of 90 days or less from date of issue.

The Authority also had the following restricted cash and investment accounts:

Cash - BancFirst #872917026 (Sinking Fund)	374,349
Cash - BancFirst #872917075 (Reserve)	747,426 *
Total	\$ 1,121,775

*Includes investment in U.S. Treasury obligations, issued 11/15/90, maturity 11/15/20.

Stephens County Governmental Building Authority
Duncan, Oklahoma
(A Component Unit of Stephens County)
Notes to Basic Financial Statements
Year Ended June 30, 2013

The cash accounts, including restricted funds, are temporarily invested in federal obligations; consequently, no collateral pledge is required.

Note 3 - Fixed Assets

Fixed assets are recorded at cost. The jail building, fairgrounds building were complete and depreciation is recorded for the year. The school was complete and depreciated with funds still on hand for the purchase of equipment or improvements. The Authority also purchased the Stephens County Soil Conservation office building for use as an office for the fairgrounds. Depreciation is computed by the straight line method, using estimated useful lives of 10 to 50 years. Total depreciation for the year was \$351,277, which was charged against current operations.

Current year changes to fixed assets were as follows:

Fixed Assets	Beginning Balance	Change	Ending Balance
Fairgrounds Building	\$ 6,272,831	\$ 0	\$ 6,272,831
Jail Building	4,761,923	0	4,761,923
Conservation Building	111,260	0	111,260
School Building and Equipment	6,082,587	0	6,082,587
 Total	 \$ 17,228,601	 \$ 0	 \$ 17,228,601

Accumulated Depreciation	Beginning Balance	Change	Ending Balance
Fairgrounds Building	\$ 880,530	\$ 125,877	\$ 1,006,407
Jail Building	671,875	96,016	767,891
Conservation Building	16,692	2,782	19,474
School Building and Equipment	632,358	126,602	758,960
 Total	 \$ 2,201,455	 \$ 351,277	 \$ 2,552,732

Stephens County Governmental Building Authority
Duncan, Oklahoma
(A Component Unit of Stephens County)
Notes to Basic Financial Statements
Year Ended June 30, 2013

Note 4 - Amortization

The Authority capitalized the bond issue costs of the above bond issues, and will amortize the cost in equal annual amounts over the period of the bond issue. Cost and amortization for the year ended June 30, 2013, were as follows:

<u>Bond Issue</u>	<u>Issue Cost</u>	<u>Amortization</u>	
		Prior	6/30/2013
Series 2007, 2/1/07 (Fair)	197,966	83,017	15,326
Total	\$ 197,966	\$ 83,017	\$ 15,326

Note 5 - Long Term Leases

The Authority entered into a renewable annual lease with Stephens County for the lease of the correctional jail facilities of the Stephens County jail. The lease calls for the payment of a sum equal to the amount last remitted to the County of the proceeds of a one-half percent sales tax approved by the voters of Stephens County, Oklahoma, on August 22, 2000; provided, said rental shall in no event be less than the amount necessary to satisfy the principal and interest due on the bonds payable during the year.

The Authority entered into a long-term lease with the Duncan School District for the lease of the school buildings and fixtures to be constructed by the Authority. The lease calls for the payment of lease payments in an amount necessary to satisfy the principal and interest due on the bonds payable during the year.

Note 6 - Long Term Debt

On February 1, 2007, the Authority issued its Series 2007 Sales Tax Refunding Revenue Bonds in the amount of \$7,440,000, for the purpose of refinancing the Series 2001 bonds. The bonds are payable annually in various principal amounts over the period July 1, 2007, through July 1, 2020. The interest rate on the individual bonds is 3.75 to 4.45 per cent per annum. The bonds were sold at a discount of \$93,000.00, making the effective average interest rate of approximately 5.00% per annum.

Stephens County Governmental Building Authority
Duncan, Oklahoma
(A Component Unit of Stephens County)
Notes to Basic Financial Statements
Year Ended June 30, 2013

	Principal	Interest	Total
7/1/12	0	115,284	115,284
1/1/13	500,000	115,284	615,284
7/1/13	0	105,034	105,034
1/1/14	535,000	105,034	640,034
7/1/14	0	93,933	93,933
1/1/15	575,000	93,933	668,933
7/1/15	0	81,857	81,857
1/1/16	610,000	81,857	691,857
7/1/16-1/1/17	630,000	137,790	767,790
7/1/17-1/1/20	2,510,000	245,190	2,755,190
Total	\$ 5,360,000	\$ 1,175,196	\$ 6,535,196

Note 7 - Changes in Long Term Debt

Changes in long – term debt during the year were as follows:

	Balance 6/30/2012	Decrease	Balance 6/30/2013	Due in One Year
<u>Bonds Payable</u>				
Series 2007 (Fair)	5,360,000	(500,000)	4,860,000	535,000
Total	\$ 5,360,000	\$ (500,000)	\$ 4,860,000	\$ 535,000

Note 8 - Working Capital

Following is a summary of net working capital, and changes for the year ended June 30, 2013:

	6/30/13	6/30/12	Change
Current Assets	\$ 0	\$ 0	\$ 0
Current Liabilities	640,034	615,284	(24,750)
Net Working Capital	\$ (640,034)	\$ (615,284)	\$ (24,750)

Stephens County Governmental Building Authority
Duncan, Oklahoma
(A Component Unit of Stephens County)
Notes to Basic Financial Statements
Year Ended June 30, 2013

Note 9 - Supplemental Disclosures

Supplemental disclosure of cash flow information:

Cash Paid during the year for interest expense was \$220,318.

Note 10 - Risk Protection

The Authority is covered by the following insurance policies, issued to Stephens County, as protection against possible loss contingencies:

- Worker's Compensation and Employer Liability
- Property and Casualty
- Comprehensive General Liability
- Law Enforcement Liability
- Public Officials Errors and Omissions
- Automobile Liability and Physical Damage
- Public Officials Wrongful Acts



**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***

Stephens County Governmental Building Authority
Duncan, Oklahoma

We have audited the financial statements of the business-type activities of Stephens County Governmental Building Authority (a component unit of Stephens County), as of and for the year ended June 30, 2013, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated December 16, 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

In planning and performing our audit of the financial statements, we considered Stephen County Governmental Building Authority'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 Stephens County Governmental Building Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of Stephens County Governmental Building 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 a 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 internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did

not identify any deficiencies in internal control that 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 Stephens 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*.

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 compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Furrh and Associates, PC

FURRH & ASSOCIATES, PC

Certified Public Accountants

December 16, 2013