Financial Statements and Reports of
Independent Certified Public Accountant

Craig County Governmental Building Authority

December 31, 2011

TURNER & ASSOCIATES, PLC
Certified Public Accountants
P.O. Box 378
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Craig County Governmental Building Authority
Board of Trustees

Craig County Governmental Building Authority
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TURNER
& ASSOCIATES, PLC
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Craig County Governmental Building Authority
Vinita, Oklahoma

We have audited the accompanying financial statements of the business-type activities of the Craig County Governmental Building Authority, component unit of Craig County, Oklahoma, as of and for the year ended December 31, 2011, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Craig County Governmental Building Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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 the Craig County Governmental Building Authority as of December 31, 2011, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 16, 2013, on our consideration of the Craig 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 that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be considered in assessing the results of our audit.

The Craig County Governmental Building Authority, Craig County, Oklahoma has not presented the Management's Discussion and Analysis required by the Governmental Accounting Standards Board (GASB) that the GASB has determined it necessary to supplement, although not required to be part of, the basic financial statements.

Turner & Associates, PLC

Vinita, Oklahoma
July 16, 2013

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TURNER
& ASSOCIATES, PLC
Certified Public Accountants

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
Craig County Governmental Building Authority
Vinita, Oklahoma

We have audited the financial statements of the business-type activities of Craig County Governmental Building Authority, component unit of Craig County, Oklahoma, as of and for the year ended December 31, 2011, which collectively comprise the Craig County Governmental Building Authority's basic financial statements and have issued our report thereon dated July 16, 2013. The Craig County Government Building Authority did not present the Management Discussion and Analysis that accounting principles generally accepted in the United States of America require to supplement, although not be a part of, the basic financial statements. 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, we considered the Craig County Government Building Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Craig County Government Building Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Craig County Government Building Authority's internal control over financial reporting.

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. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting, describe in the accompanying schedule of findings and questioned costs that we consider to be material weaknesses in 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 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. We consider the deficiency, 2011-1, described in the accompanying schedule of findings and questioned costs to be a material weakness.

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.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Craig 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2011-2 and 2011-3.

Craig County Governmental Building Authority's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the Craig County Governmental Building Authority's response and, accordingly, we express no opinion on it.

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

Turner & Associates, PLC

Vinita, Oklahoma
July 16, 2013

Craig County Governmental Building Authority
Statement of Net Assets
December 31, 2011

	December 31, 2011	(Memo Only) December 31, 2010
ASSETS		
Current Assets		
Cash and Cash Equivalents	$ 1,880,634.73	$ 1,689,231.47
Rent Receivable	230,743.69	243,614.26
Accrued Interest Receivable	-	49.56
Total Current Assets	2,111,378.42	1,932,895.29
Restricted Assets		
U.S. Treasuries	3,550,636.21	4,316,136.51
Capital Assets		
Land	127,150.00	127,150.00
Construction in Progress	746,291.03	1,200.00
Property, Plant & Equipment, net of accumulated depreciation	9,041,602.80	9,297,551.60
Total Capital Assets	9,915,043.83	9,425,901.60
Other Assets		
Bond Issuance Costs, net of accumulated amortization	420,842.43	451,677.48
Bond Discount, net of accumulated amortization	231,498.25	247,307.63
Deferred Amount on Refunding, net of accumulated amort	582,870.44	635,067.80
Total Other Assets	1,235,211.12	1,334,052.91
Total Assets	16,812,269.58	17,008,986.31
LIABILITIES		
Current Liabilities		
Accrued Interest Payable	208,097.92	213,402.07
Current Portion of Bonds Payable	495,000.00	480,000.00
Total Current Liabilities	703,097.92	693,402.07
Long Term Liabilities		
Bonds Payable, net of Current Portion	11,399,827.04	11,670,499.84
Total Liabilities	12,102,924.96	12,363,901.91
NET ASSETS		
Invested in Capital Assets, net of Related Debt	(1,885,081.38)	(2,724,598.24)
Restricted	3,550,636.21	4,316,136.51
Unrestricted	3,043,789.79	3,053,546.13
Total Net Assets	$ 4,709,344.62	$ 4,645,084.40

The accompanying Notes to the Financial Statements are an integral part of this statement.

Craig County Governmental Building Authority
Statement of Revenues, Expenses and Changes in Net Assets
For the Year Ended December 31, 2011

	December 31, 2011	(Memo Only) December 31, 2010
Operating Revenues		
Rent	$ 1,014,964.97	$ 1,007,180.26
Operating Expenses		
Amortization	46,644.43	36,605.51
Depreciation	255,948.80	255,513.76
Maintenance Expense	5,652.01	13,441.96
Professional Fees	9,900.00	6,375.00
Trustee Fees	8,750.01	7,250.00
Miscellaneous Expense	10.00	10.00
Total Operating Exepenses	326,905.25	319,196.23
Net Income (Loss) from Operations	688,059.72	687,984.03
Non Operating Revenue (Expense)		
Interest Income	11,008.41	9,909.86
Interest Expense	(634,808.91)	(491,688.86)
Total Non Operating Revenue (Expense)	(623,800.50)	(481,779.00)
Net Income (Loss)	64,259.22	206,205.03
Net Assets, Beginning of Year	4,645,085.40	4,438,880.37
Net Assets, End of Year	$ 4,709,344.62	$ 4,645,085.40

The accompanying Notes to the Financial Statements are an integral part of this statement.

Craig County Governmental Building Authority
Statement of Cash Flows
For the Year Ended December 31, 2011

	December 31, 2011	(Memo Only) December 31, 2010
Cash Flows from Operating Activities		
Cash Inflows:		
Payments Received from Customers	$ 1,027,835.54	$ 1,007,001.30
Cash Outflows:		
Payments for Goods and Services	(24,312.02)	(27,076.96)
Net Cash Provided (Used) by Operating Activities	1,003,523.52	979,924.34
Cash Flows from Capital and Related Financing Activities		
Principal Payments on Bonds	(480,000.00)	(445,000.00)
Interest Payments on Bonds	(383,687.17)	(434,559.86)
Bond Additions	-	2,888,027.41
Purchase of Capital Assets - Construction in Progress	(745,091.03)	(19,030.84)
Net Cash Provided (Used) for Capital and Related Financing Activities	(1,608,778.20)	1,989,436.71
Cash Flows from Investing Activities		
Interest Received from Investments	11,057.97	9,883.81
Net Cash Inflow (Outflow) from All Activities	(594,196.71)	2,979,244.86
Cash and Cash Equivalents at Beginning of Year	6,005,367.98	3,026,123.12
Cash and Cash Equivalents at End of Year	$ 5,411,171.27	$ 6,005,367.98
Cash and Cash Equivalents	1,880,634.73	1,689,231.47
Restricted U.S. Treasuries	3,550,636.21	4,316,136.51
Cash and Cash Equivalents at End of Year	$ 5,431,270.94	$ 6,005,367.98
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities		
Net Operating Income (Loss)	$ 688,059.72	$ 687,984.03
Amortization of Bond Issuance Cost	46,644.43	36,605.51
Depreciation	255,948.80	255,513.76
Decrease in Rent Receivable	12,870.57	(178.96)
Net Cash Provided by Operating Activities	$ 1,003,523.52	$ 979,924.34

The accompanying Notes to the Financial Statements are an integral part of this statement.

Craig County Governmental Building Authority
Notes to the Financial Statements
For the Year Ended December 31, 2011

I. Summary of Significant Accounting Policies

The following notes to the financial statements are an integral part of Craig County Governmental Building Authority's financial statements.

The Craig County Governmental Building Authority (Authority) was established as a public trust under and pursuant to the laws of the State of Oklahoma (generally, but not exclusively, Sections 176-180.3, inclusive of Title 60, Oklahoma Statutes 2001 Supplement and the Oklahoma Trust Act) on behalf of the County of Craig, Oklahoma naming the County as the beneficiary. The trust is to furnish and supply to the inhabitants, owners, and occupants of property, and to industrial, commercial and mercantile establishments and enterprises within the corporate limits of Craig County, State of Oklahoma, and to the beneficiary and any other governmental agencies or endeavors, services and facilities for the conservation and implementation of the public health, safety and welfare. The trust is to conduct all business related to providing necessary physical facilities and/or services; to provide funds to acquire, hold, construct, install, equip, repair, enlarge, furnish, maintain and operate properties and to conduct all business necessary for normal operations of the Authority.

A. Financial Reporting Entity

The Authority complies with GASB Statement No. 14, *"The Financial Reporting Entity."* This statement establishes standards for defining and reporting on the financial reporting entity. It defines component units as legally separate organizations for which the elected officials of the primary government are financially accountable and other organizations for which the nature and significance of their relationship with a primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The Authority considered all potential component units in determining what organizations should be included in the financial statements. Based on these criteria, there are no component units to include in the Authority's financial statements.

The Authority is a component unit of Craig County, Oklahoma and will be included in Craig County's basic financial statements.

The Authority's fund is an enterprise fund. Enterprise funds are proprietary funds used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector.

B. Measurement Focus, Basis of Accounting and Basis of Presentation – Fund Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with Generally Accepted Accounting Principles (GAAP) promulgated in the United States of America. The accounting and financial reporting treatment is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operation are included on the statement of net assets. The operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets. Depreciation expense is provided for capital assets based upon estimated useful lives.

Financial activity is accounted for on the flow of economic resources measurement focus using the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. The District complies with generally accepted accounting principles and applies all relevant Government Accounting Standards Board (GASB) pronouncements.

Craig County Governmental Building Authority
Notes to the Financial Statements
For the Year Ended December 31, 2011

I. Summary of Significant Accounting Polices (continued)

B. Measurement Focus, Basis of Accounting and Basis of Presentation – Fund Accounting (continued)

In addition, the District applies Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. The District has elected not to follow FASB pronouncements issued since that date.

Memorandum Only – Total Column

The total column on the financial statements is captioned "Memo Only" to indicate that it is present only to facilitate financial analysis. Data in this column does not present assets and liabilities, revenues collected and expenditures paid in conformity with the statutory basis of accounting. Neither is such data comparable to a consolidation. Inter-fund eliminations have not been made in the aggregation of this data.

C. Assets, Liabilities, Net Assets and Revenues

1. Cash and Cash Equivalents

For purposes of the statement of cash flows, the Authority considers all cash on hand, demand deposits, and highly liquid investments, with an original maturity of three months or less when purchased, to be cash and cash equivalents.

2. Fair Value of Financial Instruments

The Authority's financial statements include cash and investments. The Authority's estimate of the fair value of all financial instruments does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying balance sheet. The carrying amount of these financial instruments approximates fair value because of the short maturity of these instruments.

3. Long-Term Obligations

Long-term debt is reported as a liability in the Authority's balance sheet. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as "other noncurrent assets" and amortized over the term of the related debt also using the straight-line method.

4. Capital Assets

The capital assets are recorded at cost. Donated capital assets are reported at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

All reported capital assets are depreciated on the straight-line basis over the estimated useful lives ranging from five to sixty years. The Authority currently does not have a capitalization policy.

Craig County Governmental Building Authority
Notes to the Financial Statements
For the Year Ended December 31, 2011

I. Summary of Significant Accounting Polices (continued)

C. Assets, Liabilities, Net Assets and Revenues (continued)

5. Equity Classifications

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 improvement 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 or 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."

6. Revenues

2006 Bond Series

Craig County began levying a one cent sales tax on February 1, 2003 pursuant to the Order of the Board of Commissioners and approved by the voters of Craig County. The sales tax was approved solely for the purpose of acquiring, constructing, equipping, operating and maintaining a new county courthouse and correctional facilities and paying the principal and interest on indebtedness incurred by the Authority for such purposes. The sales tax will be collected through December 31, 2022 at a rate of one cent and thereafter will be reduced to a one-fourth cent levy until repealed.

The County, pursuant to a resolution of the Board of County Commissioners will appropriate the proceeds of the sales tax to the Authority; however, this resolution is subject to repeal and the sales tax is subject to non-appropriation. The sales tax received by the Authority shall constitute gross revenues of the Authority available to pay principal of and interest on the bonds. The indenture securing the bonds creates a first lien on the gross revenues.

The Authority entered into a lease of the facilities to the County, as lessee, for a term extending to June 30, 2003, renewable at the option of the County for successive one year terms. The consideration for the lease is the payment by the County to the Authority of sums sufficient to satisfy all of the obligations of the Authority under the indenture securing the bonds and to pay the costs of making repairs to the facilities and insuring the facilities against loss. The sums appropriated and paid over to the Authority by the County representing the sales tax shall be credited to the County's obligations under the lease.

2008 Bond Series

The State of Oklahoma has previously appropriated funds in the amount of $3,300,000 to the County for the purpose of constructing the Facilities. In addition to the aforesaid funds, the County has subsequently determined that additional funds in the amount of $500,000 are needed to complete the project. A portion of the proceeds of the Series 2008 Bonds will be utilized to complete the construction of the Facilities.

Craig County Governmental Building Authority
Notes to the Financial Statements
For the Year Ended December 31, 2011

I. Summary of Significant Accounting Polices (continued)

C. Assets, Liabilities, Net Assets and Revenues (continued)

6. Revenues (continued)

Upon completion of the Facilities, the Authority will lease the Facilities to ROCMND Area Youth Services, Inc. ("Youth Services") which is a non-profit corporation which serves the juvenile detention needs of Rogers, Ottawa, Craig, Mayes, Nowata and Delaware Counties.

In addition, Youth Services contracts with other counties throughout the State of Oklahoma to provide juvenile detention services. The lease payments paid to the Authority by Youth Services, along with any other available funds of the Authority if needed, will be utilized to pay principal of and interest on the Series 2008 Bonds. The Series 2008 Bonds are not secured by the aforesaid lease or any payments derived there from.

2010 Bond Series

This Bond is one of an issue of The Craig County Governmental Building Authority Sales Tax Revenue Bonds Series 2010, issued by the Authority under the date of September 15, 2010, in registered form in the aggregated principal amount of $ 3,127,895.70, ratably secured under an Indenture denominated "The Craig County Governmental Building Authority Series 2010 Revenue Bond Indenture" dated September 1, 2010. The Purpose of this Bond is for the Craig County Community Building and is funded by the proceeds of the three-fourths of one percent (3/4%) sales tax and two percent (2%) use levied by the County of Craig. The Bond Issue empowers the Authority to institute, furnish, provide and supply, in the County and territory with reasonable proximity, physical facilities, improvements and services for the furtherance of public purposes and to acquire, construct, install, operate and maintain any properties needful for executing the foregoing purposes.

7. Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain 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

II. Stewardship, Compliance and Accountability

A. Budgetary Information

Stewardship, compliance, and accountability are key concepts in defining the responsibilities of the Craig County Governmental Building Authority. The use of budgets and monitoring of equity status facilitate the Authority's compliance with legal requirements. The Authority did not prepare a budget for the 2011 fiscal year.

Craig County Governmental Building Authority
Notes to the Financial Statements
For the Year Ended December 31, 2011

III. Detailed Notes Concerning Funds

A. Deposits and Investments

State statutes govern the Authority's investment policy. Permissible investments include direct obligations of the United States Government and Agencies; certificates of deposit of savings and loan associations, and bank and trust companies; and savings accounts or savings certificates of savings and loan associations and trust companies. Collateral is required for demand deposits and certificates of deposit for all amounts not covered by federal deposit insurance. Investments are stated at cost. The Authority invests entirely in certificates of deposit and U.S. Treasury Securities.

Custodial Credit Risk – Deposits: Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. The Authority's cash deposits, including interest-bearing certificates of deposit and U.S. Treasury Securities, are maintained in financial institutions. As of December 31, 2011 none of Authority's deposits were exposed to custodial credit risk.

Interest rate risk: This is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Authority does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Repurchase agreements: The Authority is invested in Goldman Sachs Financial Square Treasury Obligations Fund. According to the Financial Square Treasury Obligations Fund holdings report, 77.7% of the investments are subject to repurchase agreements. The Authority's investments are collateralized by Treasury securities; however, current and future earnings are subject to risk.

Money Market Funds: The Authority is invested in Federated Government Obligations Tax-Managed Funds. According to the Federated Government Obligations Tax-Managed Fund portfolio, 55.2% are invested in short term government securities; 44.8% are invested in U.S. Treasury securities. An investment in money market funds is neither insured nor guaranteed by the Federal Deposit Insurance Corporation or any other government agency. Although money market funds seek to preserve the value of an investment at $1.00 per share, it is possible to lose money by investing in these funds.

Craig County Governmental Building Authority
Notes to the Financial Statements
For the Year Ended December 31, 2011

III. Detailed Notes Concerning Funds (continued)

B. Changes in Capital Assets

Capital asset activity for the year was as follows:

	Balance December 31, 2010	Additions	Disposals	Balance December 31, 2011
Non-depreciable asset:				
Land	$ 127,150.00	$ -	$ -	$ 127,150.00
Construction Cost	1,200.00	745,091.03	-	746,291.03
Total Nondepreciable assets	128,350.00	745,091.03	-	873,441.03
Depreciable asset:				
Building	10,220,752.27	-	-	10,220,752.27
Equipment	4,300.00	-	-	4,300.00
Total Depreciable asset	10,225,052.27	-	-	10,225,052.27
Accumulated Depreciation	(927,500.67)	(255,948.80)	-	(1,183,449.47)
	9,297,551.60	(255,948.80)	-	9,041,602.80
Net Capital Assets	$ 9,425,901.60	$ 489,142.23	$ -	$ 9,915,043.83

C. Rent Receivable

Following is an aged schedule of rent receivable as of December 31, 2011:

0-30 days	31-60 days	61-90 days	Total
$74,732.92	$76,123.03	$79,887.74	$230,743.69

D. Long-Term Debt

Long-term debt consists of bonds payable. The following is a summary of the changes in long-term debt of the Authority for the fiscal year.

	Restated Balance 12/31/2010	Additions	Payments	Balance 12/31/2011	Due Within One Year
Refunding Bonds	$ 8,345,000.00	$ -	$ 460,000.00	$ 7,885,000.00	$ 475,000.00
Revenue Bonds	615,000.00	-	20,000.00	595,000.00	20,000.00
Capital Appreciation Bonds	3,190,499.84	224,327.20	-	3,414,827.04	-
	$ 12,150,499.84	$ 224,327.20	$ 480,000.00	$ 11,894,827.04	$ 495,000.00

Craig County Governmental Building Authority
Notes to the Financial Statements
For the Year Ended December 31, 2011

III. Detailed Notes Concerning the Funds (Continued)

D. Long-Term Debt (continued)

General obligation bonds are direct obligations and pledge the full faith and credit of the Authority. General obligation bonds currently outstanding are:

Purpose	Rate	Face Amount	Carrying Amount
Refunding Bonds - 2006	VAR	7,885,000.00	7,885,000.00
Revenue Bonds - 2008	6.50%	595,000.00	595,000.00
Capital Appreciation Bonds - 2010	N/A	13,080,000.00	3,414,827.04
		$ 21,560,000.00	$ 11,894,827.04

Annual debt service requirements to maturity for general obligation bonds are as follows for government type activities:

Year Ended December 31,	Principal	Interest	Total Requirements
2012	$ 495,000.00	$ 343,587.50	$ 838,587.50
2013	510,000.00	323,722.50	833,722.50
2014	535,000.00	303,701.25	838,701.25
2015	550,000.00	282,675.00	832,675.00
2016	580,000.00	260,621.25	840,621.25
2017-2021	3,265,000.00	927,750.00	4,192,750.00
2022-2026	4,220,000.00	199,856.25	4,419,856.25
2027-2031	3,905,000.00	17,225.00	3,922,225.00
2032-2036	3,750,000.00	-	3,750,000.00
2037-2040	3,750,000.00	-	3,750,000.00
	$ 21,560,000.00	$ 2,659,138.75	$ 24,219,138.75

2006 Sales Tax Revenue Refunding Bonds

On March 1, 2006, the Authority issued $9,940,000 in sales tax revenue refunding bonds with interest rates ranging between 3.70% and 4.25%. The Authority issued the bonds to advance refund $9,175,000 of the outstanding series 2003 and 2004 sales tax revenue bonds with interest rates ranging from 1.9% to 5.95%. The authority used the net proceeds along with other resources to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service on the refunded portion of the 2003 and 2004 series bonds. As a result, that portion of the 2003 and 2004 series bonds is considered defeased, and the authority has removed the liability from its accounts. The outstanding principal of the defeased bonds is $7,885,000 at December 31, 2011.

The advance refunding reduced the total debt service payments over the next 17 years by $719,030 and provided additional funds of approximately $213,000. The resulting economic gain (difference between the present values of the debt service payments on the old and new debt) has not been determined.

Interest on the bonds is payable semi-annually on March 1st and September 1st at varying rates. Principal payments are due annually on March 1st.

Craig County Governmental Building Authority
Notes to the Financial Statements
For the Year Ended December 31, 2011

III. Detailed Notes Concerning the Funds (Continued)

D. Long-Term Debt (continued)

Debt service requirements for the sales tax revenue refunding bonds, series 2006, are as follows:

Year Ended December 31,	Rate	Principal	Interest	Total Requirements
2012	4.00%	$ 475,000.00	$ 304,912.50	$ 779,912.50
2013	3.70%	490,000.00	286,347.50	776,347.50
2014	3.75%	515,000.00	267,626.25	782,626.25
2015	3.80%	530,000.00	247,900.00	777,900.00
2016	3.85%	555,000.00	227,146.25	782,146.25
2017-2021	VAR	3,125,000.00	785,725.00	3,910,725.00
2022-2023	VAR	2,195,000.00	109,831.25	2,304,831.25
		$ 7,885,000.00	$ 2,229,488.75	$ 10,114,488.75

2008 First Mortgage Revenue Bonds

The Authority issued bonds in the amount of $645,000 on November 1, 2008. Interest on the bonds is payable May 1st and November 1st at 6.5%. The bonds were issued to institute, furnish, provide and supply, in the County and in territory in reasonable proximity thereto, juvenile detention facilities and to acquire, construct, install, operate and maintain any properties needful for executing foregoing purposes. Payments are made on the bonds by the Craig County Juvenile Detention Center.

Debt service requirements for the 2008 Series Bonds are as follows:

Year Ended December 31,	Rate	Principal	Interest	Total Requirements
2012	6.50%	$ 20,000.00	$ 38,675.00	$ 58,675.00
2013	6.50%	20,000.00	37,375.00	57,375.00
2014	6.50%	20,000.00	36,075.00	56,075.00
2015	6.50%	20,000.00	34,775.00	54,775.00
2016	6.50%	25,000.00	33,475.00	58,475.00
2017-2021	6.50%	140,000.00	142,025.00	282,025.00
2022-2026	6.50%	195,000.00	90,025.00	285,025.00
2027-2028	6.50%	155,000.00	17,225.00	172,225.00
		$ 595,000.00	$ 429,650.00	$ 1,024,650.00

Craig County Governmental Building Authority
Notes to the Financial Statements
For the Year Ended December 31, 2011

III. Detailed Notes Concerning the Funds (Continued)

D. Long-Term Debt (continued)

Sales Tax Revenue Series 2010 Capital Appreciation Bond

The Sales Tax Revenue Bonds Series 2010 is dated September 15, 2010, in the amount of $3,127,895.70. The bond is payable in annual installments beginning August 1, 2024 at a variable interest rate. The bond was issued to institute, furnish, provide and supply, in the County and territory with reasonable proximity, physical facilities, improvements and services for the furtherance of public purposes and to acquire, construct, install, operate and maintain any properties needful for executing the foregoing purposes.

The bonds are being issued as Capital Appreciation Bonds (CAB's). The bonds accrete in value beginning on September 15, 2010. A Capital Appreciation Bond is a municipal security on which the investment return on an initial principal ($3,127,895.70) amount is reinvested at a stated compound rate until maturity, at which time the investor receives a single payment (the "Maturity Value") representing both the initial principal and the total investment return. For this reason only the initial principal amount of the CAB counts against the statutory debt limit.

Debt Service Schedule – 2010 Capital Appreciation Bonds:

Cap Appr Bond-2010	Original Principal	Accretion to Date	Currently Payable	Future Accretion	Total
2024	440,953.20	38,340.12	479,293.32	600,706.68	1,080,000.00
2025	284,602.50	24,978.22	309,580.72	440,419.28	750,000.00
2026	264,210.00	23,404.11	287,614.11	462,385.89	750,000.00
2027	244,995.00	21,902.04	266,897.04	483,102.96	750,000.00
2028	226,912.50	20,471.01	247,383.51	502,616.49	750,000.00
2029	209,925.00	19,109.90	229,034.90	520,965.10	750,000.00
2030	193,980.00	17,817.21	211,797.21	538,202.79	750,000.00
2031	179,047.50	16,591.72	195,639.22	554,360.78	750,000.00
2032	165,067.50	15,431.39	180,498.89	569,501.11	750,000.00
2033	152,002.50	14,334.56	166,337.06	583,662.94	750,000.00
2034	139,807.50	13,299.27	153,106.77	596,893.23	750,000.00
2035	128,445.00	12,323.72	140,768.72	609,231.28	750,000.00
2036	117,877.50	11,406.10	129,283.60	620,716.40	750,000.00
2037	108,045.00	10,543.50	118,588.50	631,411.50	750,000.00
2038	98,925.00	9,734.56	108,659.56	641,340.44	750,000.00
2039	90,465.00	8,976.47	99,441.47	650,558.53	750,000.00
2040	82,635.00	8,267.44	90,902.44	659,097.56	750,000.00
Totals	3,127,895.70	286,931.34	3,414,827.04	9,665,172.96	13,080,000.00

Craig County Governmental Building Authority
Schedule of Findings and Comments
For the Year Ended December 31, 2011

IV. Other Information

A. Risk Management

The 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 and natural disasters. The Authority carries commercial insurance for risks of loss. There were no significant reductions in insurance coverage from the prior year. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

B. Subsequent Events

Management has evaluated subsequent events through July 16, 2013, which is the date the financial statements were available to be issued and have determined that no additional information needs to be added to the financial statements.

Craig County Governmental Building Authority
Schedule of Findings and Comments
For the Year Ended December 31, 2011

FINDINGS - FINANCIAL STATEMENT AUDIT

2011-1 Material Weakness in Internal Control over Financial Reporting – Preparation of Financial Statements in Accordance with GAAP

Criteria:
The Authority's management is responsible for internal controls over financial reporting. This includes controls over the fair and complete presentation of the Authority's annual financial statements in accordance with generally accepted accounting principles (GAAP). The preparation of financial statements in accordance with GAAP requires internal controls over both (1) recording, processing, and summarizing accounting data (i.e. maintaining internal books and records, and (2) reporting government-wide and fund financial statements, including related footnotes (i.e. external financial reporting). Professional audit standards clearly indicate that the external financial statement auditor cannot perform any part of management's control activities or be a component of the internal controls over financial reporting.

Condition:
As is the case with many smaller and medium-sized entities, the Authority has historically relied extensively on its independent external auditors to provide the necessary expertise to assist in the preparation of the financial statements and footnotes as part of its controls over the external financial reporting process. Accordingly, the Authority's ability to prepare financial statements in accordance with GAAP is based, in part, on its external auditors, who cannot by definition be considered a part of the authority's internal controls.

Cause:
The Authority lacks the necessary knowledge, expertise and education relative to preparing GAAP financial statements. As a result, management has elected to use outside assistance from the external auditors to assist in meeting its responsibilities relative to preparing its annual financial statements.

Effect or Potential Effect:
As a result of this condition, without reliance on its external auditors, the Authority lacks the necessary internal controls over the preparation of financial statements in accordance with GAAP. This condition also places the auditor in a questionable position regarding auditor independence as a result of potentially performing part of management's functions.

Recommendation:
The Authority should consider designing and implementing sufficient internal controls over financial reporting by obtaining the necessary knowledge, expertise, and continuing education to prepare financial statements in accordance with generally accepted account principles without reliance on the external financial statement auditor. This could be achieved through employment of qualified accounting staff or the outsourcing of these control activities to a qualified accounting firm other than the external auditor.

Client Response:
No response.

Craig County Governmental Building Authority
Schedule of Findings and Comments
For the Year Ended December 31, 2011

FINDINGS - FINANCIAL STATEMENT AUDIT

2011-2 Preparation of Budget

Criteria:
According to state law regarding Public Trust Budget (60 O.S., S.176g), public trusts shall file annually with their respective beneficiaries a copy of certain financial documents, including a budget.

Condition:
The Authority did not complete a budget.

Effect or Potential Effect:
The Authority is not in compliance with Oklahoma State laws.

Recommendation:
We recommend that the Authority complete an annual budget for Board approval. Any amendments to the adopted budget should be approved by the trustees and recorded in the minutes.

Client Response:
No response.

Craig County Governmental Building Authority
Schedule of Findings and Comments
For the Year Ended December 31, 2011

FINDINGS - FINANCIAL STATEMENT AUDIT

2011-3 Annual Audit

Criteria:
The bond covenants require an annual audit within 180 days of the close of the fiscal year.

Condition:
The annual audit was not completed within 180 days of the close of the fiscal year.

Effect:
The Authority is not in compliance with the bond covenants.

Recommendation:
Management should implement procedures to ensure compliance with the bond covenants.

Client Response:
No response.