

**Financial Statements and Reports of
Independent Certified Public Accountant
Ottawa County Governmental
Building Authority
June 30, 2011**

**TURNER & ASSOCIATES, PLC
Certified Public Accountants
P.O. Box 378
Vinita, OK 74301
(918) 256-6788**

**Ottawa County Governmental Building Authority
Board of Trustees
June 30, 2011**

Russell Earls
John Clarke
Gary Wyrick

Chairman
Vice-Chairman
Trustee

**Ottawa County Governmental Building Authority
Table of Contents**

| | |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------|
| Independent Auditor's Report | 1-2 |
| Report Required by <i>Government Auditing Standards</i> : Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> | 3-4 |
| Basic Financial Statements: | |
| Balance Sheet | 5 |
| Statement of Revenues, Expenses and Changes in Net Assets | 6 |
| Statement of Cash Flows | 7 |
| Notes to the Financial Statements | 8-15 |
| Schedule of Findings and Responses | 16 |



INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Ottawa County Governmental Building Authority

We have audited the accompanying financial statements of the business-type activities of the Ottawa County Governmental Building Authority, Ottawa County, Oklahoma, as of and for the year ended June 30, 2011, 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 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 opinion.

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 Ottawa County Governmental Building Authority, Ottawa County, Oklahoma as of June 30, 2011, and the changes in financial position and 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 September 8, 2011, on our consideration of the Ottawa County Governmental Building Authority, Ottawa County, Oklahoma'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 the 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.

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

TURNER & Associates, PLC

Vinita, Oklahoma
February 9, 2012

224 West Flint Ave., Vinita, OK 74301
Phone: 918.256.6788 Fax: 918.256.3739



**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
Ottawa County Governmental Building Authority

We have audited the financial statements of the business-type activities of the Ottawa County Governmental Building Authority, Ottawa County, Oklahoma, as of and for the year ended June 30, 2011, which comprise the Authority's basic financial statements and have issued our report thereon dated February 9, 2012. The Ottawa County Governmental Building Authority, Ottawa County, Oklahoma did not present the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to supplement, although not to be 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 Ottawa County Governmental Building Authority, Ottawa County, Oklahoma's internal control over financial reporting as a basis for designing our audit 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 Ottawa County Governmental Building Authority, Ottawa County, Oklahoma's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Ottawa County Governmental Building Authority, Ottawa County, Oklahoma'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 responses to be material weaknesses.

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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Ottawa County Governmental Building Authority, Ottawa County, Oklahoma's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants 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*.

We noted certain matters that we reported to management of the Ottawa County Governmental Building Authority, Ottawa County, Oklahoma, in a separate letter dated February 9, 2012.

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

This report is intended solely for the information and use of the Board of Directors, management, 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, PLLC

Vinita, Oklahoma
February 9, 2012

Ottawa County Governmental Building Authority
Balance Sheet
June 30, 2011

ASSETS

Current Assets

| | |
|-----------------------------|-------------------|
| Cash and Cash Equivalents | \$ 190,144.98 |
| Accrued Interest Receivable | 3.25 |
| Total Current Assets | <u>190,148.23</u> |

Noncurrent Assets

| | |
|-------------------------------------------------|---------------------|
| Restricted US Treasuries | 611,222.68 |
| Capital Assets, Net of Accumulated Depreciation | 6,117,781.21 |
| Total Noncurrent Assets | <u>6,729,003.89</u> |

Other Assets

| | |
|--------------------------|-------------------|
| Bond Issuance Costs, net | 117,234.96 |
| Bond Discount, net | 178,859.25 |
| Total Other Assets | <u>296,094.21</u> |

| | |
|--------------|----------------------------|
| Total Assets | <u><u>7,215,246.33</u></u> |
|--------------|----------------------------|

LIABILITIES

Current Liabilities

| | |
|----------------------------------|-------------------|
| Accrued Interest Payable | 89,380.63 |
| Current Portion of Bonds Payable | 120,000.00 |
| Total Current Assets | <u>209,380.63</u> |

Long Term Liabilities

| | |
|---------------------------------------|--------------|
| Bonds Payable, net of Current Portion | 6,195,000.00 |
|---------------------------------------|--------------|

| | |
|-------------------|----------------------------|
| Total Liabilities | <u><u>6,404,380.63</u></u> |
|-------------------|----------------------------|

NET ASSETS

| | |
|--------------|------------|
| Restricted | 611,222.68 |
| Unrestricted | 199,643.02 |

| | |
|------------------|-----------------------------|
| Total Net Assets | <u><u>\$ 810,865.70</u></u> |
|------------------|-----------------------------|

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

Ottawa County Governmental Building Authority
Statement of Revenues, Expenses and Changes in Net Assets
For the Year Ended June 30, 2011

| | |
|------------------------------------------------|---------------------------|
| Operating Revenues | |
| Rental Income | \$ 545,995.54 |
| | <hr/> |
| Operating Expenses | |
| Amortization of Bond Issuance Costs & Discount | 11,978.30 |
| Depreciation Expense | 168,430.21 |
| Professional Fees | 11,930.00 |
| Trustee Fees | 3,000.00 |
| Total Operating Expenses | <hr/> 195,338.51 <hr/> |
| Net Income (Loss) from Operations | <hr/> 350,657.03 <hr/> |
| Non Operating Revenue (Expense) | |
| Interest Income | 54.76 |
| Interest Expense | (361,338.13) |
| Total Non Operating Revenue (Expense) | <hr/> (361,283.37) <hr/> |
| Net Income (Loss) | (10,626.34) |
| Net Assets, Beginning of Year | 821,492.04 |
| Net Assets, End of Year | <hr/> \$ 810,865.70 <hr/> |

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

Ottawa County Governmental Building Authority
Statement of Cash Flows
For the Year Ended June 30, 2011

Cash Flows from Operating Activities

| | |
|--------------------------------------------------|--------------------|
| Cash Inflows: | |
| Rental Income | \$ 545,995.54 |
| Cash Outflows: | |
| Payments for Goods and Services | <u>(14,930.00)</u> |
| Net Cash Provided (Used) by Operating Activities | <u>531,065.54</u> |

Cash Flows from Capital and Related Financing Activities

| | |
|-----------------------------------------------------------------------|---------------------|
| Interest Expense | (362,610.00) |
| Payments on Bond Obligations | (115,000.00) |
| Purchase of Capital Assets | <u>(5,789.13)</u> |
| Net Cash Provided (Used) for Capital and Related Financing Activities | <u>(483,399.13)</u> |

Cash Flows from Investing Activities

| | |
|------------------------------------|--------------|
| Interest Received from Investments | <u>55.35</u> |
|------------------------------------|--------------|

| | |
|------------------------------------------------------|-----------------------------|
| Net Cash Inflow (Outflow) from All Activities | 47,721.76 |
| Cash and Cash Equivalents at Beginning of Year | 753,645.90 |
| Cash and Cash Equivalents at End of Year | <u><u>\$ 801,367.66</u></u> |

| | |
|----------------------------------------|-----------------------------|
| Cash and Cash Equivalents | |
| Unrestricted Cash and Cash Equivalents | \$ 190,144.98 |
| Restricted Cash and Cash Equivalents | <u>611,222.68</u> |
| | <u><u>\$ 801,367.66</u></u> |

**Reconciliation of Operating Income (Loss) to Net Cash
Provided by Operating Activities**

| | |
|-------------------------------------------|-----------------------------|
| Net Operating Income (Loss) | \$ 350,657.03 |
| Depreciation | 168,430.21 |
| Amortization of Bond Issuance Cost | 7,238.30 |
| Amortization of Bond Discount | <u>4,740.00</u> |
| Net Cash Provided by Operating Activities | <u><u>\$ 531,065.54</u></u> |

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

Ottawa County Governmental Building Authority
Notes to the Financial Statements
For the Year Ended June 30, 2011

I. Summary of Significant Accounting Policies

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

The Ottawa 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 2005 Supplement and the Oklahoma Trust Act) on behalf of the County of Ottawa, 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 Ottawa 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 Ottawa County, Oklahoma and will be included in Ottawa County's basic financial statements.

B. Basis of Presentation

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.

**Ottawa County Governmental Building Authority
Notes to the Financial Statements
For the Year Ended June 30, 2011**

I. Summary of Significant Accounting Policies

C. Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe *which* transactions are recorded within the various financial statements. Basis of accounting refers to *when* transactions are recorded regardless of the measurement focus applied.

The proprietary funds utilize an “*economic resources*” measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net assets.

All proprietary funds utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund’s principal ongoing operations. The principal operating revenues of the Authority’s enterprise fund is rent charged to Ottawa County for services based on a 1/4% sales tax approved by the voters. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

D. 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.

**Ottawa County Governmental Building Authority
Notes to the Financial Statements
For the Year Ended June 30, 2011**

I. Summary of Significant Accounting Policies (continued)

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

4. Restricted Assets

Restricted assets include cash that is legally restricted as to its use. The Authority has restricted U.S. Treasuries in the amount of \$611,222.68.

| <u>Requirement</u> | | <u>Level of Compliance (As of June 30, 2011)</u> | |
|---------------------------|-------------------|--------------------------------------------------|-------------------|
| 2006 Sinking Reserve Fund | \$ 426,850.00 | Account Balance | 426,850.00 |
| 2006 Bond Fund | 114,500.65 | Account Balance | 114,500.65 |
| 2007 Sinking Fund | 0.03 | Account Balance | 0.03 |
| 2007 Sinking Reserve Fund | 53,080.39 | Account Balance | 53,080.39 |
| 2007 Bond Fund | 16,791.61 | Account Balance | 16,791.61 |
| | <u>611,222.68</u> | | <u>611,222.68</u> |

5. 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.

6. Economic Dependency

The right of the County to levy and collect the Sales Tax is provided in the statutes of the State of Oklahoma. The legislature has the ability to rescind the right of the County to levy and collect the Sales Tax. If the Authority should not receive the Sales Tax or if such collections should decline due to economic conditions, it could impair the ability of the Authority to pay the debt service requirements of the Bonds. In the event the Sales Tax is insufficient to pay the principal and interest on the Bonds, the Authority will not likely be able to generate sufficient revenues to pay the costs of operation and maintenance expenses of the Court House.

**Ottawa County Governmental Building Authority
Notes to the Financial Statements
For the Year Ended June 30, 2011**

I. Summary of Significant Accounting Policies (continued)

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

7. 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.”

8. Revenues

Ottawa County began levying a one-fourth cent sales tax on February 1, 2006 pursuant to the Order of the Board of Commissioners and approved by the voters of Ottawa 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 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, 2006, 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.

9. 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.

**Ottawa County Governmental Building Authority
Notes to the Financial Statements
For the Year Ended June 30, 2011**

II. Stewardship, Compliance and Accountability

A. Budgetary Information

Stewardship, compliance, and accountability are key concepts in defining the responsibilities of the Ottawa County Governmental Building Authority. The use of budgets and monitoring of equity status facilitate the Authority's compliance with legal requirements.

III. Detailed Notes Concerning the 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 June 30, 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.

Ottawa County Governmental Building Authority
Notes to the Financial Statements
For the Year Ended June 30, 2011

III. Detailed Notes Concerning the Funds (continued)

B. Changes in Capital Assets

Capital asset activity for the year was as follows:

| | <u>Beginning of Year</u> | <u>Additions</u> | <u>Deletions</u> | <u>End of Year</u> |
|---------------------------|--------------------------|------------------------|------------------|------------------------|
| Depreciable assets: | | | | |
| Buildings | 6,558,027.04 | 5,789.13 | - | 6,563,816.17 |
| Accumulated Depreciation: | (277,604.75) | (168,430.21) | - | (446,034.96) |
| Net Capital Assets | <u>\$ 6,280,422.29</u> | <u>\$ (162,641.08)</u> | <u>\$ -</u> | <u>\$ 6,117,781.21</u> |

C. Long-Term Debt

The Authority issued 2006 Series Revenue Bonds in the amount of \$6,045,000 on February 1, 2006. Principal payments are due annually on April 1st. Semi-annual interest payments are to be paid April and October 1 beginning October 1, 2006.

Debt service requirements for the 2006 revenue bonds are as follows:

| <u>Year Ended</u> <u>June 30,</u> | <u>Rate</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> <u>Requirements</u> |
|--------------------------------------|-------------|------------------------|------------------------|-------------------------------------|
| 2012 | 4.40% | \$ 105,000.00 | \$ 320,292.50 | \$ 425,292.50 |
| 2013 | 4.60% | 110,000.00 | 315,672.50 | 425,672.50 |
| 2014 | 4.75% | 115,000.00 | 310,612.50 | 425,612.50 |
| 2015 | 5.00% | 120,000.00 | 305,150.00 | 425,150.00 |
| 2016 | 5.00% | 125,000.00 | 299,150.00 | 424,150.00 |
| 2017-2021 | Various | 735,000.00 | 1,385,200.00 | 2,120,200.00 |
| 2022-2026 | Various | 960,000.00 | 1,157,150.00 | 2,117,150.00 |
| 2027-2031 | Various | 1,260,000.00 | 858,112.50 | 2,118,112.50 |
| 2032-2036 | Various | 2,110,000.00 | 442,800.00 | 2,552,800.00 |
| | | <u>\$ 5,640,000.00</u> | <u>\$ 5,394,140.00</u> | <u>\$ 11,034,140.00</u> |

Ottawa County Governmental Building Authority
Notes to the Financial Statements
For the Year Ended June 30, 2011

III. Detailed Notes Concerning the Funds (continued)

B. Long-Term Debt (continued)

The Authority issued 2007 Series Revenue Bonds in the amount of \$710,000 on February 1, 2007. Principal payments are due annually on April 1st. Semi-annual interest payments are to be paid April and October 1 beginning April 1, 2008.

Debt service requirements for the 2007 revenue bonds are as follows:

| Year Ended June 30, | Rate | Principal | Interest | Total Requirements |
|------------------------|---------|----------------------|----------------------|------------------------|
| 2012 | 5.25 % | \$ 15,000.00 | \$ 37,230.00 | \$ 52,230.00 |
| 2013 | 5.25 % | 15,000.00 | 36,442.50 | 51,442.50 |
| 2014 | 5.25 % | 15,000.00 | 35,655.00 | 50,655.00 |
| 2015 | 5.25 % | 15,000.00 | 34,867.50 | 49,867.50 |
| 2016 | 5.25 % | 15,000.00 | 34,080.00 | 49,080.00 |
| 2017-2021 | Various | 95,000.00 | 157,012.50 | 252,012.50 |
| 2022-2026 | Various | 125,000.00 | 128,875.00 | 253,875.00 |
| 2027-2031 | Various | 160,000.00 | 90,190.00 | 250,190.00 |
| 2032-2036 | Various | 220,000.00 | 39,005.00 | 259,005.00 |
| | | <u>\$ 675,000.00</u> | <u>\$ 593,357.50</u> | <u>\$ 1,268,357.50</u> |

Debt service requirements for all revenue bonds are as follows:

| Year Ended June 30, | Rate | Principal | Interest | Total Requirements |
|------------------------|---------|------------------------|------------------------|-------------------------|
| 2012 | Various | \$ 120,000.00 | \$ 357,522.50 | \$ 477,522.50 |
| 2013 | Various | 125,000.00 | 352,115.00 | 477,115.00 |
| 2014 | Various | 130,000.00 | 346,267.50 | 476,267.50 |
| 2015 | Various | 135,000.00 | 340,017.50 | 475,017.50 |
| 2016 | Various | 140,000.00 | 333,230.00 | 473,230.00 |
| 2017-2021 | Various | 830,000.00 | 1,542,212.50 | 2,372,212.50 |
| 2022-2026 | Various | 1,085,000.00 | 1,286,025.00 | 2,371,025.00 |
| 2027-2031 | Various | 1,420,000.00 | 948,302.50 | 2,368,302.50 |
| 2032-2036 | Various | 2,330,000.00 | 481,805.00 | 2,811,805.00 |
| | | <u>\$ 6,315,000.00</u> | <u>\$ 5,987,497.50</u> | <u>\$ 12,302,497.50</u> |

Ottawa County Governmental Building Authority
Notes to the Financial Statements
For the Year Ended June 30, 2011

III. Detailed Notes Concerning the Funds (continued)

C. Changes in 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.

| | Balance June 30, 2010 | Proceeds | Payments | Balance June 30, 2011 | Due Within One Year |
|---------------|--------------------------|----------|---------------|--------------------------|------------------------|
| Bonds Payable | \$ 6,430,000.00 | \$ - | \$ 115,000.00 | \$ 6,315,000.00 | \$ 120,000.00 |

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 February 9, 2012, 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.

**Ottawa County Governmental Building Authority
Schedule of Findings and Responses
For the Year Ended June 30, 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 the related footnotes (i.e., external financial reporting). Professional audit standards clearly indicate that the external financial statement auditor cannot take responsibility for 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. However, management is responsible for the preparation and fair presentation of the financial statements in accordance with the applicable financial reporting, even if the auditor assists in drafting the financial statements. Accordingly, the Authority's ability to prepare financial statements in accordance with GAAP is based, in part, on assistance from its external auditors, who cannot by definition be considered a part of the government's internal controls.

Cause:

Authority personnel do not possess formal knowledge, expertise, and education relative to preparing GAAP financial statements and related note disclosures without assistance from the external auditor or another outside source. Professional standards do not require that the management possess the expertise to prepare the financial statements and related note disclosures but to have the skills to understand them. As a result management was able to review the financial statements and related note disclosures and sufficiently understand them to take full responsibility for them as required by professional standards.

Effect or Potential Effect:

As a result of this condition, without assistance from its external auditors or another outside source, the Authority may lack 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:

We recommend that the Authority 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 accounting principles without assistance from 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:

None provided.