

**Financial Statements and Reports of  
Independent Certified Public Accountant  
Craig County Governmental  
Building Authority  
December 31, 2013**

**TURNER & ASSOCIATES, PLC  
Certified Public Accountants  
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**Craig County Governmental Building Authority  
Board of Trustees**

Roy Bible	Chairman
Hugh Gordon	Member
Dan Peetoom	Member
Tammy Malone	Secretary
Lisa Washam	Treasurer

**Craig County Governmental Building Authority  
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## 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, 2013, 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, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 17, 2015, 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  
November 17, 2015

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING  
STANDARDS***

To the Board of Trustees  
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, 2013, which collectively comprise the Craig County Governmental Building Authority's basic financial statements and have issued our report thereon dated November 17, 2015. 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, 2013-1, 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.

### **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 2013-2 and 2013-3.

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, PLLC*

Vinita, Oklahoma  
November 17, 2015

**Craig County Governmental Building Authority**  
**Statement of Net Assets**  
**December 31, 2013**

	<u>December 31, 2013</u>
<b>ASSETS</b>	
Current Assets	
Cash and Cash Equivalents	\$ 2,063,371.58
Rent Receivable	133,026.54
Total Current Assets	<u>2,196,398.12</u>
Restricted Assets	
U.S. Treasuries	<u>1,477,584.66</u>
Capital Assets	
Land	127,150.00
Property, Plant & Equipment, net of accumulated depreciation	11,263,063.74
Total Capital Assets	<u>11,390,213.74</u>
Total Assets	<u>15,064,196.52</u>
<b>LIABILITIES</b>	
Current Liabilities	
Accrued Interest Payable	207,770.79
Current Portion of Bonds Payable	535,000.00
Total Current Liabilities	<u>742,770.79</u>
Long Term Liabilities	
Bonds Payable, net of Current Portion	<u>10,851,996.31</u>
Total Liabilities	<u>11,594,767.10</u>
<b>NET ASSETS</b>	
Invested in Capital Assets, net of Related Debt	3,217.43
Restricted	1,477,584.66
Unrestricted	1,988,626.55
Total Net Assets	<u><u>\$ 3,469,428.64</u></u>

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, 2013**

	<u>December 31, 2013</u>
Operating Revenues	
Rent	<u>\$ 856,559.44</u>
Operating Expenses	
Depreciation	349,894.10
Maintenance Expense	-
Professional Fees	11,116.98
Trustee Fees	7,250.00
Miscellaneous Expense	860.50
Total Operating Exepenses	<u>369,121.58</u>
Net Income (Loss) from Operations	<u>487,437.86</u>
Non Operating Revenue (Expense)	
Interest Income	3,254.35
Interest Expense	(575,578.43)
Total Non Operating Revenue (Expense)	<u>(572,324.08)</u>
Net Income (Loss)	(84,886.22)
Net Assets, Beginning of Year	<u>3,554,314.86</u>
Net Assets, End of Year	<u><u>\$ 3,469,428.64</u></u>

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, 2013**

	<u>December 31, 2013</u>
<b>Cash Flows from Operating Activities</b>	
Cash Inflows:	
Payments Received from Customers	\$ 855,435.00
Cash Outflows:	
Payments for Goods and Services	<u>(19,227.48)</u>
Net Cash Provided (Used) by Operating Activities	<u>836,207.52</u>
<b>Cash Flows from Capital and Related Financing Activities</b>	
Principal Payments on Bonds	(510,000.00)
Interest Payments on Bonds	(323,722.50)
Purchase of Capital Assets - Construction in Progress	<u>(40,100.90)</u>
Net Cash Provided (Used) for Capital and Related Financing Activities	<u>(873,823.40)</u>
<b>Cash Flows from Investing Activities</b>	
Interest Received from Investments	<u>3,254.35</u>
<b>Net Cash Inflow (Outflow) from All Activities</b>	(34,361.53)
Cash and Cash Equivalents at Beginning of Year	<u>3,575,317.77</u>
<b>Cash and Cash Equivalents at End of Year</b>	<u><u>\$ 3,540,956.24</u></u>
Cash and Cash Equivalents	2,063,371.58
Restricted U.S. Treasuries	<u>1,477,584.66</u>
<b>Cash and Cash Equivalents at End of Year</b>	<u><u>\$ 3,540,956.24</u></u>
<b>Reconciliation of Operating Income (Loss) to Net Cash</b>	
<b>Provided by Operating Activities</b>	
Net Operating Income (Loss)	\$ 487,437.86
Depreciation	349,894.10
Increase in Rent Receivable	<u>(1,124.44)</u>
Net Cash Provided by Operating Activities	<u><u>\$ 836,207.52</u></u>

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, 2013**

**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, 2013**

**I. Summary of Significant Accounting Policies (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.

**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, 2013**

**I. Summary of Significant Accounting Policies (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, 2013**

**I. Summary of Significant Accounting Policies (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 2013 fiscal year.

**Craig County Governmental Building Authority  
Notes to the Financial Statements  
For the Year Ended December 31, 2013**

**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, 2013 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 Federal Fund. According to the Financial Square Federal Fund holdings report, none 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, 75.0% are invested in short term government securities; 25.0% 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, 2013**

**III. Detailed Notes Concerning Funds (continued)**

**B. Changes in Capital Assets**

Capital asset activity for the year was as follows:

	Balance December 31, 2012	Additions	Disposals	Balance December 31, 2013
Non-depreciable asset:				
Land	\$ 127,150.00	\$ -	\$ -	\$ 127,150.00
Depreciable asset:				
Building	13,015,719.01	40,100.90	-	13,055,819.91
Equipment	4,300.00	-	-	4,300.00
Total Depreciable asset	13,020,019.01	40,100.90	-	13,060,119.91
Accumulated Depreciation	(1,447,162.07)	(349,984.10)	-	(1,797,146.17)
	11,572,856.94	(309,883.20)	-	11,262,973.74
Net Capital Assets	\$ 11,700,006.94	\$ (309,883.20)	\$ -	\$ 11,390,123.74

**C. Rent Receivable**

Following is an aged schedule of rent receivable as of December 31, 2013:

0-30 days	31-60 days	Total
\$66,513.27	\$66,513.27	\$133,026.54

**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.

	Balance 12/31/2012	Additions	Payments	Balance 12/31/2013	Due Within One Year
Refunding Bonds	\$ 7,410,000.00	\$ -	\$ 490,000.00	\$ 6,920,000.00	\$ 515,000.00
Revenue Bonds	575,000.00	-	20,000.00	555,000.00	20,000.00
Capital Appreciation Bonds	3,654,954.26	257,042.05	-	3,911,996.31	-
	\$ 11,639,954.26	\$ 257,042.05	\$ 510,000.00	\$ 11,386,996.31	\$ 535,000.00

**Craig County Governmental Building Authority**  
**Notes to the Financial Statements**  
**For the Year Ended December 31, 2013**

**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	\$ 6,920,000.00	\$ 6,920,000.00
Revenue Bonds - 2008	6.50%	555,000.00	555,000.00
Capital Appreciation Bonds - 2010	N/A	13,080,000.00	3,911,996.31
		<u>\$ 20,555,000.00</u>	<u>\$ 11,386,996.31</u>

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
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	600,000.00	237,100.00	837,100.00
2018	625,000.00	212,562.50	837,562.50
2019-2023	4,305,000.00	585,318.75	4,890,318.75
2024-2028	4,360,000.00	7,150.00	4,367,150.00
2029-2033	3,750,000.00	-	3,750,000.00
2034-2038	3,750,000.00	-	3,750,000.00
2039-2040	1,500,000.00	-	1,500,000.00
	<u>\$ 20,555,000.00</u>	<u>\$ 1,889,128.75</u>	<u>\$ 22,444,128.75</u>

**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 \$6,920,000 at December 31, 2013.

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 1<sup>st</sup> and September 1<sup>st</sup> at varying rates. Principal payments are due annually on March 1<sup>st</sup>.



**Craig County Governmental Building Authority**  
**Notes to the Financial Statements**  
**For the Year Ended December 31, 2013**

**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
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	3.70 %	575,000.00	205,250.00	780,250.00
2018	3.9	600,000.00	182,337.50	782,337.50
2019-2023	VAR	4,145,000.00	507,968.75	4,652,968.75
		<u>\$ 6,920,000.00</u>	<u>\$ 1,638,228.75</u>	<u>\$ 8,558,228.75</u>

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
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	6.50 %	25,000.00	31,850.00	56,850.00
2018	6.50 %	25,000.00	30,225.00	55,225.00
2019-2023	6.50 %	160,000.00	77,350.00	237,350.00
2024-2028	6.50 %	280,000.00	7,150.00	287,150.00
		<u>\$ 555,000.00</u>	<u>\$ 250,900.00</u>	<u>\$ 805,900.00</u>

**Craig County Governmental Building Authority**  
**Notes to the Financial Statements**  
**For the Year Ended December 31, 2013**

**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:

		<b>Original Principal</b>	<b>Accretion to Date</b>	<b>Currently Payable</b>	<b>Future Accretion</b>	<b>Total</b>
Cap Appr Bond -2010						
2024	\$	440,953.20	\$ 34,088.35	\$ 545,339.21	\$ 534,660.79	\$ 1,080,000.00
2025		284,602.50	22,235.92	352,650.51	397,349.49	750,000.00
2026		264,210.00	20,860.57	328,008.56	421,991.44	750,000.00
2027		244,995.00	19,546.03	304,735.40	445,264.60	750,000.00
2028		226,912.50	18,291.68	282,783.68	467,216.32	750,000.00
2029		209,925.00	17,096.69	262,113.12	487,886.88	750,000.00
2030		193,980.00	15,960.03	242,667.60	507,332.40	750,000.00
2031		179,047.50	14,880.69	224,413.88	525,586.12	750,000.00
2032		165,067.50	13,857.23	207,286.98	542,713.02	750,000.00
2033		152,002.50	12,888.28	191,245.06	558,754.94	750,000.00
2034		139,807.50	11,972.32	176,238.10	573,761.90	750,000.00
2035		128,445.00	11,107.89	162,223.92	587,776.08	750,000.00
2036		117,877.50	10,293.50	149,160.25	600,839.75	750,000.00
2037		108,045.00	9,526.88	136,979.68	613,020.32	750,000.00
2038		98,925.00	8,806.82	125,655.96	624,344.04	750,000.00
2039		90,465.00	8,131.07	115,129.35	634,870.65	750,000.00
2040		82,635.00	7,498.10	105,365.05	644,634.95	750,000.00
Totals		<u>\$ 3,127,895.70</u>	<u>\$ 257,042.05</u>	<u>\$ 3,911,996.31</u>	<u>\$ 9,168,003.69</u>	<u>\$ 13,080,000.00</u>

**Craig County Governmental Building Authority  
Schedule of Findings and Comments  
For the Year Ended December 31, 2013**

**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 November 17, 2015, 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.

**C. Changes in Accounting Principles**

According to GASB 65, bond issuance costs and premiums are to be expensed in the current period. Previously, these costs were capitalized and amortized over the life of the debt, but this change in accounting standards caused the remaining balance of bond costs and bond discount to be expensed in the current period. The effective date for GASB 65 is for financial periods beginning after December 15, 2012, with earlier application encouraged. This was applied to the above financial statements by making a prior period adjustment to Net Assets for \$1,136,369.33.

**Craig County Governmental Building Authority  
Schedule of Findings and Comments  
For the Year Ended December 31, 2013**

**FINDINGS - FINANCIAL STATEMENT AUDIT**

**2013-1 Material Adjusting Journal Entries**

*Criteria:*

The Authority's management is responsible for internal controls over accounting and financial reporting. This responsibility includes the design and implantation of controls over the fair and complete presentation of the government's annual financial statements in accordance with generally accepted accounting principles (GAAP) from trial balances derived from the government's accounting records. For trial balances to be both complete and accurate, the government must have effective internal controls over recording, processing, summarizing, and adjusting accounting data. As evidence of effective internal controls over accounting and financial reporting, there should generally be few, if any, material adjustments to the trial balances required that are detected and corrected solely as a result of the financial statement audit. In other words, government management should not rely on the external auditor to detect and correct material misstatements in the books and records as part of its internal control, but rather should have its own procedures designed and in place that are independent of the external auditor to provide reasonable, although not absolute, assurance that material misstatements will be detected and corrected in its trial balances prior to audit.

*Condition:*

The Authority's trial balances for the year ended December 31, 2013, required a number of material adjusting journal entries in order for the financial statements to be prepared in accordance with GAAP. These necessary adjusting entries, identified solely as a result of the financial statement audit, included such adjustments as the following: adjusting accounts receivable/accounts payable, reclassify income/expense accounts, and adjusting accumulated depreciation. This is a repeat finding.

*Cause:*

The Authority's accounting and financial reporting staff lacks the necessary knowledge, expertise and education, relative to the complex nature of applying GAAP applicable to state and local governments, sufficient to provide reasonable assurance that the trial balances used for preparing the GAAP financial statements are complete and accurate prior to audit. As a result, management has had to rely on the external auditors to identify and correct a number of material misstatements in the trial balances.

*Effect:*

As a result of this condition, without reliance on its external auditors, the Authority lacks the necessary internal controls over the completeness and accuracy of the trial balances that are used in the preparation of its financial statements in accordance with GAAP. This condition can result in undetected and uncorrected material misstatements in the financial statements that are not detected by management and may also not be detected by the financial statement audit. In addition, if management's intentions are to continue to rely on the external auditor to detect and correct material misstatements, this condition could place the auditor in a questionable position regarding auditor independence as a result of the auditor performing part of management's functions regarding to the trial balances.

**Craig County Governmental Building Authority  
Schedule of Findings and Comments  
For the Year Ended December 31, 2013**

**FINDINGS - FINANCIAL STATEMENT AUDIT (continued)**

**2013-1 Material Adjusting Journal Entries (continued)**

*Recommendation:*

The Authority should consider designing and implementing sufficient internal controls over the completeness and accuracy of trial balances by obtaining the necessary knowledge, expertise, and continuing education to apply GAAP in the development of working trial balances that will be used to prepare the government's annual financial statements. 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:*

**Craig County Governmental Building Authority  
Schedule of Findings and Comments  
For the Year Ended December 31, 2013**

**FINDINGS - FINANCIAL STATEMENT AUDIT**

**2013-2      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, 2013**

**FINDINGS - FINANCIAL STATEMENT AUDIT**

**2013-3 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.