Financial Statements and Reports of
Independent Certified Public Accountant

Ottawa County Governmental Building Authority

June 30, 2014

TURNER & ASSOCIATES, PLC
Certified Public Accountants
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Ottawa County Governmental Building Authority
Board of Trustees
June 30, 2014

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

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Ottawa County Governmental Building Authority

Report on the Financial Statements

We have audited the accompanying financial statements of the Ottawa County Governmental Building Authority, a special revenue fund, of the County of Ottawa, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

As discussed in Note I, the financial statements present only the Ottawa County Governmental Building Authority and do not purport to, and do not present fairly the financial position of the County of Ottawa, Oklahoma, as of June 30, 2014, and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the special revenue fund activities of the Ottawa County Governmental Building Authority, as of June 30, 2014, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted the management's discussion and analysis and budgetary comparison information that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 23, 2014, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and 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.

Turner & Associates, PLC
Vinita, Oklahoma
December 23, 2014

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
Ottawa County Governmental Building Authority

We have audited 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, the financial statements of the special revenue fund of the Ottawa County Governmental Building Authority, County of Ottawa, Oklahoma, as of and for the year ended June 30, 2014, and the related notes to the financial statements which collectively comprise the Ottawa County Governmental Building Authority's financial statements, and have issued our report thereon dated December 23, 2014. The Ottawa County Governmental Building Authority did not present the Management's Discussion and Analysis and Budgetary Comparison Schedule that accounting principles generally accepted in the United States of America require to supplement, although not to be part of, the basic financial statements.

Internal Control Over Financial Reporting

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

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 material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, 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.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.
A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Ottawa 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 an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item 2014-1.

Ottawa County Governmental Building Authority Response to Findings

The Ottawa County Governmental Building Authority's response to the findings identified in our audit are described in the accompanying schedule of findings and responses. The Ottawa County Governmental Building Authority's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Turner & Associates, PLC

Vinita, Oklahoma
December 23, 2014

Ottawa County Governmental Building Authority
Statement of Net Position
June 30, 2014

ASSETS		
Current Assets		
Cash and Cash Equivalents	$	478,415.49
Accrued Interest Receivable		2.78
Total Current Assets		478,418.27
Noncurrent Assets		
Restricted US Treasuries		570,688.40
Capital Assets, Net of Accumulated Depreciation		5,604,973.08
Total Noncurrent Assets		6,175,661.48
Total Assets		6,654,079.75
LIABILITIES		
Current Liabilities		
Accrued Interest Payable		57,931.40
Current Portion of Bonds Payable		220,000.00
Total Current Assets		277,931.40
Long Term Liabilities		
Bonds Payable, net of Current Portion		6,310,000.00
Total Liabilities		6,587,931.40
NET POSITION		
Restricted		570,688.40
Unrestricted		(504,540.05)
Total Net Position	$	66,148.35

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 Fund Net Position
For the Year Ended June 30, 2014

Operating Revenues		
Rental Income	$	563,781.58
Operating Expenses		
Bond Issuance Costs & Discount		637,561.95
Depreciation Expense		181,852.33
Professional Fees		5,320.00
Trustee Fees		2,500.01
Equipment expenses		13,559.89
Total Operating Expenses		840,794.18
Net Income (Loss) from Operations		(277,012.60)
Non Operating Revenue (Expense)		
Interest Income		643.28
Interest Expense		(281,085.95)
Total Non Operating Revenue (Expense)		(280,442.67)
Net Income (Loss)		(557,455.27)
Net Position, Beginning of Year		623,603.62
Net Position, End of Year	$	66,148.35

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, 2014

Cash Flows from Operating Activities		
Cash Inflows:		
Rental Income	$	559,353.38
Cash Outflows:		
Payments for Goods and Services		(21,379.89)
Net Cash Provided (Used) by Operating Activities		537,973.49
Cash Flows from Capital and Related Financing Activities		
Interest Expense		(482,855.18)
Purchase of Capital Assets		(4,441.00)
Net Cash Provided (Used) for Capital and Related Financing Activities		(487,296.18)
Cash Flows from Investing Activities		
Interest Received from Investments		643.74
Net Cash Inflow (Outflow) from All Activities		51,321.05
Cash and Cash Equivalents at Beginning of Year		997,782.85
Cash and Cash Equivalents at End of Year		1,049,103.90
Cash and Cash Equivalents		
Unrestricted Cash and Cash Equivalents		478,415.49
Restricted Cash and Cash Equivalents		570,688.40
		1,049,103.89
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities		
Net Operating Income (Loss)		(277,012.60)
Depreciation		181,852.33
Accrued Interest Payable		28,635.48
Bond Refunding		604,498.68
Net Cash Provided by Operating Activities	$	537,973.89

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, 2014

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. 61, *"The Financial Reporting Entity: Omnibus."* 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, 2014

I. Summary of Significant Accounting Policies

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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 cent 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 Position 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, 2014

I. Summary of Significant Accounting Polices (continued)

D. Assets, Liabilities, Net Position 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 $570,688.40. Restricted cash is comprised of the Principal account balance of $54,624.46; the Interest account balance of $61,100.61; and the Reserve account balance of $454,963.33.

Requirement			Level of Compliance (As of June 30, 2014)		
2013 Reserve Fund	$	454,944.00	Account Balance	$	454,963.33

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 forty 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.

7. Equity Classifications

Equity is classified as net assets and displayed in three components:

a. Net Investment in Capital Assets --- 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 position --- Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
c. Unrestricted net position --- All other net position that does not meet the definition of “restricted” or “net investment in capital assets.”

Ottawa County Governmental Building Authority
Notes to the Financial Statements
For the Year Ended June 30, 2014

I. Summary of Significant Accounting Polices (continued)

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

8. Revenues

Ottawa County began levying a 1/4 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, 2014

I. Summary of Significant Accounting Polices (continued)

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

10. Recent Accounting Pronouncements

In November 2010, GASB issued Statement No. 61, *The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34* (GASB 61). GASB 61 modifies certain requirements for inclusion of component units in the financial reporting entity. For organizations that were previously required to be included as component units by meeting the fiscal dependency criterion, a financial benefit or burden relationship also needs to be present between the primary government and that organization for it to be included in the reporting entity as a component unit. Further, for organizations that do not meet the financial accountability criteria for inclusion as component units but that, nevertheless, should be included because the primary government's management determines that it would be misleading to exclude them, GASB 61 clarifies the matter in which that determination should be made and the types of relationships that generally should be considered in making the determination.

GASB 61 amends the criteria for reporting component units as if they were part of the primary government (that is, blending) in certain circumstances. For component units that currently are blended based on the "substantially the same governing body" criterion, it additionally requires that (1) the primary government and the component unit have a financial benefit or burden relationship or (2) management (below the level of the elected officials) of the primary government have operational responsibility for the activities of the component unit.

The Authority adopted GASB 61 on July 1, 2012, which did not have a significant impact on the Authority's financial statements.

In June 2011, GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* (GASB 63). The objective of GASB 63 is to provide guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures. The pronouncement will improve financial reporting by standardizing the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government's net position. It alleviates uncertainty about reporting those financial statement elements by providing guidance where none previously existed. The provisions of this statement were effective for financial statements for periods beginning after December 15, 2011. The Authority adopted GASB 63 effective July 1, 2012. The adoption of the statement required the Authority to adopt the term "net position" as required. In addition, as required by GASB 63, the Authority determined as of June 30, 2014, there were no items of deferred inflows or outflows of resources, as presently defined, to be reported.

Ottawa County Governmental Building Authority
Notes to the Financial Statements
For the Year Ended June 30, 2014

I. Summary of Significant Accounting Polices (continued)

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

10. Recent Accounting Pronouncements (continued)

In March 2012, GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities* (GASB 65). The objective of GASB 65 is to establish accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets or liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The provisions of this statement were effective for financial statements for periods beginning after December 15, 2012.

II. Stewardship, Compliance and Accountability

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. The Authority was not in compliance with state statute 60 O.S. S. 176 regarding the preparation of a budget.

III. Detailed Notes Concerning the Fund

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, 2014 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, 75.0% 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.

Ottawa County Governmental Building Authority
Notes to the Financial Statements
For the Year Ended June 30, 2014

III. Detailed Notes Concerning the Funds (continued)

B. Changes in Capital Assets

Capital asset activity for the year was as follows:

	Beginning of Year	Additions	Deletions	End of Year
Depreciable assets:				
Buildings	$ 6,566,797.17	$ 4,441.00	$ -	$ 6,571,238.17
Accumulated Depreciation:	(784,412.76)	(181,852.33)	-	(966,265.09)
Net Capital Assets	$ 5,782,384.41	$ (177,411.33)	$ -	$ 5,604,973.08

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 to be paid on April 1st beginning April 1, 2007. Semi-annual interest payments are to be paid April 1st and October 1st beginning October 1, 2006. These bonds were paid off on April 1, 2014 with the $6,660,000 Sales Tax Revenue Bonds, Refunding Series 2013.

The Authority issued 2007 Series Revenue Bonds in the amount of $710,000 on February 1, 2007. Principal payments are to be paid annually on April 1st beginning April 1, 2009. Semi-annual interest payments are to be paid April 1st and October 1st beginning April 1, 2008. These bonds were paid off on April 1, 2014 with the $6,660,000 Sales Tax Revenue Bonds, Refunding Series 2013.

On September 1, 2013 the Authority issued the $6,660,000 Sales Tax Revenue Bonds, Refunding Series 2013 for the purpose of providing funds to advance refund the Sales Tax Revenue Bonds, Series 2006 and Series 2007, establish a bond fund reserve, and pay certain costs associated with the issuance of the bonds. Principal payments are to be paid annually on April 1st beginning April 1, 2014 and maturing on April 1, 2036. Semi-annual interest payments are to be paid April 1st and October 1st beginning April 1, 2014.

Debt service requirements for the Sales Tax Revenue Bonds, Refunding Series 2013 are as follows:

Year Ended June 30,	Rate	Principal	Interest	Total Requirements
2015	2.00%	$ 220,000.00	$ 234,944.00	$ 454,944.00
2016	2.00%	220,000.00	230,544.00	450,544.00
2017	1.50%	225,000.00	226,144.00	451,144.00
2018	1.75%	230,000.00	222,769.00	452,769.00
2019	2.00%	235,000.00	218,744.00	453,744.00
2020-2024	Various	1,260,000.00	1,003,802.00	2,263,802.00
2025-2029	Various	1,480,000.00	778,856.00	2,258,856.00
2030-2034	Various	1,815,000.00	446,825.00	2,261,825.00
2034-2036	Various	845,000.00	58,969.00	903,969.00
		$ 6,530,000.00	$ 3,421,597.00	$ 9,951,597.00

Ottawa County Governmental Building Authority
Notes to the Financial Statements
For the Year Ended June 30, 2014

III. Detailed Notes Concerning the Funds (continued)

D. 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, 2013	Proceeds	Payments	Balance June 30, 2014	Due Within One Year
Bonds Payable	$ 6,070,000.00	$ 6,660,000.00	$ 6,200,000.00	$ 6,530,000.00	$ 220,000.00

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 December 23, 2014 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 Correction of an Error

The beginning net position of $895,741.23 was overstated in the prior year due to bond discount costs of $142,000.00 less the amortization of $34,445.04 and bond costs of $217,148.78 less the amortization of $52,716.13 for a net of $272,137.61. GASBS No. 65 identified debt issuance costs as items that should be expensed in the period incurred. GASBS No. 65 took effect for financial statements for periods beginning after December 15, 2012, therefore the June 30, 2013 financial statements should have restated the bond issuance costs at that time. To correct this error, the beginning net assets of $895,741.23, as originally reported, has been decreased to $623,603.62.

Ottawa County Governmental Building Authority
Schedule of Findings and Responses
For the Year Ended June 30, 2014

FINDINGS - FINANCIAL STATEMENT AUDIT

2014-1 Preparation of a Budget

Criteria:
According to Oklahoma State Statute (60 O.S., S. 176.G.) public trusts created pursuant to this section shall file annually, with their respective beneficiaries, copies of financial documents and reports sufficient to demonstrate the fiscal activity of such trust, including, but not limited to, budgets, financial reports, bond indentures, and audits. Amendments to the adopted budget shall be approved by the trustees of the public trust and recorded as such in the official minutes of such trust.

Condition:
The Authority is required by state statute to prepare and file a budget annually with the beneficiary.

Cause:
Management was under the impression that the Authority was not required to prepare a budget; therefore a budget had never been prepared.

Effect:
The Authority is not in compliance with state statute.

Recommendation:
We recommend that the Authority implement procedures to prepare an annual budget and file it with the county.

Client Response:
The Authority understands the requirement to prepare a budget and file it annually with the beneficiary and will do so in the future.