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State Auditor & Inspector

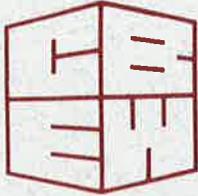
SEMINOLE COUNTY PUBLIC BUILDINGS AUTHORITY
Wewoka, Oklahoma

BASIC FINANCIAL STATEMENTS
June 30, 2011

SEMINOLE COUNTY PUBLIC BUILDINGS AUTHORITY
Wewoka, Oklahoma

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INDEPENDENT AUDITOR'S REPORT

September 13, 2011

Board of Directors
Seminole County Public Buildings Authority
Wewoka, Oklahoma

We have audited the accompanying financial statements of Seminole County Public Buildings Authority, a component unit of Seminole County, Oklahoma, as of and for the year ended June 30, 2011, which collectively comprise the Seminole County Public Buildings Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Seminole County Public Buildings Authority's governing board. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the 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 audits provide a reasonable basis for our opinion.

As discussed in Note 1, the financial statements present only the Seminole County Public Buildings Authority and do not purport to, and do not, present fairly the financial position of Seminole County, Oklahoma, as of June 30, 2011 and the changes in its financial position and cash flows in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Seminole County Public Buildings Authority as of June 30, 2011, and the changes in financial position and cash flows thereof for the years then ended in conformity with accounting principals generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated September 13, 2011, on our consideration of the Seminole County Public Buildings Authority's internal control over financial reporting and 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 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 Seminole County Public Buildings Authority 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.

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Certified Public Accountants

SEMINOLE COUNTY PUBLIC BUILDINGS AUTHORITY
Wewoka, Oklahoma

STATEMENT OF NET ASSETS
June 30, 2011

Assets:

Cash and investments:	
Cash and cash equivalents (Note 1)	\$ 1,773,111
Accounts receivable	221,424
Accrued interest receivable	2
Restricted assets:	
Trustee accounts/cash & investments (Note 1)	291,929

Capital assets:

Land	26,136
Construction in progress - jail	7,991,438

Deferred charges:

Bond issue cost (net of accumulated amortization) (Note 1)	161,309
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Other assets:

Utility deposit	<u>670</u>
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Total assets \$ 10,466,019

Liabilities:

Accounts payable	\$ 22,742
Accrued interest payable	167,344
Accrued compensated absences	1,488
Sales tax revenue notes payable (Note 3)	<u>6,375,000</u>

Total liabilities 6,566,574

Net assets:

Invested in capital assets, net of related debt	1,642,574
Unrestricted	<u>2,256,871</u>

Total net assets \$ 3,899,445

The accompanying notes are an integral part of the basic financial statements.

SEMINOLE COUNTY PUBLIC BUILDINGS AUTHORITY
Wewoka, Oklahoma

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
For the Period Ending June 30, 2011

Revenues:	
Sales tax revenue	\$ <u>1,215,776</u>
Total revenues	<u>1,215,776</u>
Expenses:	
Advertising	1,017
Bank fees	7
Disposal fees	-
Payroll expenses	324,308
Repairs and maintenance	36,319
Travel	352
Utilities	1,393
Total expenses	<u>363,396</u>
Operating income (loss)	<u>852,380</u>
Other income and expense:	
Interest income	22,526
Interest expense	(337,838)
Miscellaneous income	1,443
Amortization	(10,082)
Trustee fees	(4,000)
Total other income and expense	<u>(327,951)</u>
Net income (loss)	524,429
Net assets - beginning of year	<u>3,375,016</u>
Net assets - end of year	<u>\$ <u>3,899,445</u></u>

The accompanying notes are an integral part of the basic financial statements.

SEMINOLE COUNTY PUBLIC BUILDINGS AUTHORITY
Wewoka, Oklahoma

STATEMENT OF CASH FLOWS
For the Period Ending June 30, 2011

Cash flows from operating activities:	\$ 1,201,882
Cash received from sales taxes	
Cash payments to suppliers for goods and contractors and other services	<u>(352,618)</u>
Net cash provided by operating activities	<u>849,264</u>
Cash flows from noncapital financing activities:	
Miscellaneous income	1,443
Net changes in restricted assets	<u>2,994,286</u>
Net cash provided (used) for noncapital financing activities	<u>2,995,729</u>
Cash flows from investing activities	
Interest income	<u>25,261</u>
Net cash provided (used) by investing activities	<u>25,261</u>
Cash flows from financing activities:	
Acquisition and construction of capital assets	(3,725,182)
Principal paid on debt	(230,000)
Interest expense	(343,875)
Trustee fees	<u>(4,000)</u>
Net cash provided (used) for capital and related financing activities	<u>(4,303,057)</u>
Net increase (decrease) in cash	(432,803)
Cash and cash equivalents at beginning of year	<u>2,205,914</u>
Cash and cash equivalents at end of year	<u>\$ 1,773,111</u>
Reconciliation of operation income to net cash provided by operating activities:	
Operating income (loss)	<u>\$ 852,380</u>
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	-
Change in assets and liabilities:	
Increase (decrease) in accounts payable	12,270
Increase (decrease) in accrued compensated absences	(822)
(Increase) decrease in utility deposits	(670)
(Increase) decrease in accounts receivable	<u>(13,894)</u>
Total adjustments	<u>(3,116)</u>
Net cash provided by operating activities	<u>\$ 849,264</u>

The accompanying notes are an integral part of the basic financial statements.

SEMINOLE COUNTY PUBLIC BUILDINGS AUTHORITY
Wewoka, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Organization and Management

Seminole County Public Buildings Authority (SCPBA) is a public trust created August 13, 2007 under the authority and pursuant to the provisions of Title 60, Oklahoma Statutes 2001, Sections 176-180.4, as amended and supplemented in the Oklahoma Trust Act.

SCPBA by virtue of common control and dependence is a component unit of Seminole County, Oklahoma. SCPBA has a five-member board consisting of resident property owners and registered voters in Seminole County, of which three are appointed by the County Commissioners to serve as Trustees of the Authority. The fourth Trustee is considered the chairman, who is also the chairman of the Board of County Commissioners. The fifth Trustee is the Sheriff of Seminole County or the Sheriff's designee. Seminole County maintains beneficial interest in SCPBA. The financial activities of Seminole County and its other component units are not included in the financial statements of SCPBA.

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

The accounts of the SCPBA are organized as a proprietary fund that is considered to be a separate accounting entity. The operations of the fund are summarized by providing a separate set of self-balancing accounts that include its assets, liabilities, net assets, revenues and expenses. A proprietary fund is used to account for operations that are financed in a manner similar to private business enterprises where the costs (expenses, including depreciation) of providing facilities is financed through sales taxes. Funds are accounted for on a cost of services or "capital maintenance" measurement focus. This means that all assets and liabilities (whether current or non-current) are included in the balance sheet.

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. In compliance with the Governmental Accounting Standards Board (GASB) Statement No. 29 SCPBA has elected to only apply Financial Accounting Standards Board (FASB), Accounting Principles Board (APB) and Accounting Research Board (ARB) materials issued on or before November 30, 1989 that do not conflict with GASB.

C. Assets, Liabilities and Equity

1. Deposits and Investments

Oklahoma Statutes authorize SCPBA to invest in certificates of deposit, repurchase agreements, passbooks, bankers' acceptances, and other available bank investments provided that all deposits are fully covered by approved securities pledged to secure those funds. In addition, SCPBA can invest in direct debt securities of the United States unless law expressly prohibits such an investment.

For financial statement presentation and for purposes of the statement of cash flows, SCPBA's cash and cash equivalents are considered to be; cash on hand, demand deposits, and certificates of deposit with a maturity date of three months or less. Debt instruments with a maturity date of more than three months are considered to be investments.

SEMINOLE COUNTY PUBLIC BUILDINGS AUTHORITY
Wewoka, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities and Equity (Continued)

1. Deposits and Investments (Continued)

Custodial Credit Risk

At June 30, 2011, SCPBA held unrestricted deposits of approximately \$2,065,040 at financial institutions. SCPBA's cash deposits, including interest-bearing certificates of deposit, are entirely covered by Federal Depository Insurance (FDIC) or direct obligation of the U.S. Government insured or collateralized with securities held by SCPBA or by its agent in SCPBA's name.

Investment Interest Rate Risk

SCPBA 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.

Investment Credit Risk

SCPBA has no policy that limits its investment choices other than the limitation of state law as follows:

- a. Direct obligations of the U.S. Government, its agencies and instrumentalities to which the full faith and credit of the U.S. Government is pledged, or obligations to the payment of which the full faith and credit of the State is pledged.
- b. Certificates of deposits or savings accounts that are either insured or secured with acceptable collateral with in-state financial institutions, and fully insured certificates of deposit or savings accounts in out-of-state financial institutions.
- c. With certain limitation, negotiable certificates of deposit, prime bankers acceptances, prime commercial paper and repurchase agreements with certain limitations.
- d. County, municipal or school district tax supported debt obligations, bond or revenue anticipation notes, money judgments, or bond or revenue anticipation notes of public trusts whose beneficiary is a county, municipality or school district.
- e. Notes or bonds secured by mortgage or trust deed insured by the Federal Housing Administrator and debentures issued by the Federal Housing Administrator, and in obligations of the National Mortgage Association.
- f. Money market funds regulated by the SEC and in which investments consist of the investments mentioned in the previous paragraphs (a.-d.).

The cash and investments held at June 30, 2011 are as follows:

Type	Weighted Average Maturity (Months)	Credit Rating	Market Value	Cost
Investments				
Money Market	N/A	AAAm	\$ 291,929	\$ 291,929
Total investments			<u>\$ 291,929</u>	<u>\$ 291,929</u>

SEMINOLE COUNTY PUBLIC BUILDINGS AUTHORITY
Wewoka, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities and Equity (Continued)

1. Deposits and Investments (Continued)

Concentration of Investment Credit Risk

SCPBA places no limit on the amount it may invest in any one issuer. SCPBA has the following of credit risk: 100% in Money Market funds (\$291,929).

2. Restricted Cash and Investments

The restricted accounts of cash and investments are the result of financial requirements of the sales tax revenue note and consist of funds held in accounts with the Trustee bank. Under the terms and provisions of the Sales Tax Revenue Note Indenture, these special accounts and reserve funds are maintained for the benefit of the holders of the Note and are not subject to lien or attachment by any other creditors. These accounts and reserve funds are to be maintained so long as any notes are outstanding. Monies contained in the accounts and reserve funds held by the Trustee are required to be continuously invested in authorized securities that mature not later than the respective dates when the funds shall be required for the purpose intended by the trust indenture. The County has levied a sales tax in which related revenues are to be applied to the balance of the note.

3. Fair Value of Financial Instruments

SCPBA's financial instruments include cash and cash equivalents, temporary investments, accounts receivable, interest receivable, interest payable and accounts payable. SCPBA's estimates of the fair value of all financial instruments do not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying statement of net assets. The carrying amount of these financial instruments approximates fair value because of the short maturity of these instruments.

4. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

5. Inventories

Inventories consist of minimal amounts of expendable supplies held for consumption. The costs of inventories are recorded as expenditures when purchased rather than when consumed.

6. Capital Assets

Additions to the buildings and equipment are recorded at cost or, if contributed property, at their estimated fair value at time of contribution. Repairs and maintenance are recorded as expenses; renewals and betterments are capitalized. The sale or disposal of fixed assets is recorded by removing cost and accumulated depreciation from the accounts and charging the resulting gain or loss to income. The Authority maintains a capitalization threshold of \$500.

Depreciation for major movable equipment and building and improvements is computed on the straight-line method over useful lives of 5-20 years for equipment and 30 years for buildings and improvements.

SEMINOLE COUNTY PUBLIC BUILDINGS AUTHORITY
Wewoka, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities and Equity (Continued)

7. Deferred Charges

Bond issue costs and bond discounts are amortized ratably over the repayment period of the applicable bond using the straight-line method.

8. Compensated Absences

SCPBA provides for the salaries of County jail employees but for Federal reporting purposes all employees are reported as County employees. It is the County's policy to permit employees to accumulate earned by unused vacation and sick time. Full-time employees are granted vacation benefits in varying amounts to specified maximums depending upon tenure with the County. Generally, employees are entitled to accrued vacation leave upon termination. Sick leave may be accumulated to a maximum of 1,460 hours but employees are not compensated for unused sick leave upon termination. The expense and related liability for vested vacation benefits and compensatory time is record in these financial statements.

9. Comparative Data

No comparative information for the prior year has been presented in the accompanying financial statements in order to provide an understanding of changes in SCPBA's financial position and operations. No reclassifications have been made for comparability.

2. CAPITAL ASSETS

The following is a summary of changes in property and equipment.

	Balance 6/30/10	Additions	Deletions	Balance 6/30/11
Land	\$ 26,136	\$ -	\$ -	\$ 26,136
Construction in process	4,266,256	3,725,182	-	7,991,438
Buildings & Improvements	-	-	-	-
Total	<u>4,292,392</u>	<u>3,725,182</u>	<u>-</u>	<u>8,017,574</u>
Less accumulated depreciation	-	-	-	-
Net	<u>\$ 4,292,392</u>	<u>\$ 3,725,182</u>	<u>\$ -</u>	<u>\$ 8,017,574</u>

3. LONG-TERM DEBT

SCPBA's Sales Tax Revenue Note Series 2009 was issued to fund construction of the Seminole County jail. The County shall levy a \$0.005 sales tax as of August 13, 2007, which was approved by voters on September 6, 2006. Sales tax funding is to be used for the sole purpose of all related costs for acquiring, constructing, equipping, repairing, renovating, operating and maintaining the County jail facilities for the County of Seminole, Oklahoma.

SCPBA's long-term debt and amounts to be repaid from business-type activities are described below.

\$6,695,000 Series 2009 Sales Tax Revenue Note dated July 30, 2009 due in semi-annual installments of \$90,000 to \$280,000 through July 1, 2027 with interest payable semi-annually at 5.25%.

SEMINOLE COUNTY PUBLIC BUILDINGS AUTHORITY
Wewoka, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

3. LONG-TERM DEBT (Continued)

The following is a summary of long-term debt transactions of SCPBA:

	Original Amount	Balance Outstanding 6/30/10	Issued	or Defeased During Year	Balance Outstanding 6/30/10
SCPBA					
Series 2009 Note	\$ 6,695,000	\$ 6,605,000	\$ -	\$ (230,000)	\$ 6,375,000
Total	<u>\$ 6,695,000</u>	<u>\$ 6,605,000</u>	<u>\$ -</u>	<u>\$ (230,000)</u>	<u>\$ 6,375,000</u>

The annual debt service requirements to maturity, including principal and interest, for long-term debt are as follows:

Year Ending June 30,	Principal	Interest	Totals
2012	\$ 250,000	\$ 331,406	\$ 581,406
2013	265,000	318,150	583,150
2014	275,000	304,106	579,106
2015	295,000	289,406	584,406
2016	305,000	273,787	578,787
2017-2021	1,810,000	1,105,125	2,915,125
2022-2026	2,345,000	570,019	2,915,019
2027-2028	830,000	43,838	873,838
Total Liability	<u>\$ 6,375,000</u>	<u>\$ 3,235,837</u>	<u>\$ 9,610,837</u>

4. RISK MANAGEMENT

SCPBA is exposed to various risks of loss related to general liability and torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The Authority continues to carry commercial insurance for these risks, including general liability, property damage, and public officials' liability.

5. CONCENTRATIONS

Approximately 100% of the Authority's revenues were derived from sales tax collections for June 30, 2011. Any significant change in sales tax appropriations by Seminole County could have a significant impact on operations.

6. SUBSEQUENT EVENTS

Management has evaluated subsequent events through September 13, 2011, which is the date the financial statements were available to be issued and has determined that no additional information needs to be added to the financial statements.

SEMINOLE COUNTY PUBLIC BUILDINGS AUTHORITY
Wewoka, Oklahoma

REPORT REQUIRED BY *GOVERNMENT AUDITING STANDARDS*
June 30, 2011



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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**

September 13, 2011

Board of Directors
Seminole County Public Buildings Authority
Wewoka, Oklahoma

We have audited the basic financial statements of the Seminole County Public Buildings Authority (SCPBA), a component unit of Seminole County, Oklahoma, as of and for the year ended June 30, 2011, and have issued our report thereon dated September 13, 2011. 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 SCPBA's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of the SCPBA's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the SCPBA's 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.

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. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies in internal control over financial reporting. The finding reference number is 10-1. 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 over Other Matters

As part of obtaining reasonable assurance about whether the SCPBA's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Seminole County Public Buildings Authority
September 13, 2011

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

This report is intended solely for the information and use of management, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

CBEW Professional Group, LLP

CBEW Professional Group, LLP
Certified Public Accountants

SEMINOLE COUNTY PUBLIC BUILDINGS AUTHORITY
Wewoka, Oklahoma

SCHEDULE OF FINDINGS AND RESPONSES
For the Year Ended June 30, 2011

11-1. Internal Control – Financial Statements

Criteria: The Authority's management is responsible for internal controls over financial reporting. This includes controls over the fair and complete presentation of the government's annual financial statements in accordance with 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 needed 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 generally accepted accounting principles (GAAP) is based, in part, on assistance from its external auditors, who cannot by definition be considered a part of the Authority's internal controls. This finding was also noted in 2010.

Cause: Authority personnel do not possess formal knowledge, expertise and education relative to preparing GAAP financial statements and related 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 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 could also place the auditor in a questionable position regarding auditor independence.

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.

Responsible Official's Response: The Authority concurs with the recommendation, and will strive to expand their knowledge and understanding of the presentation and disclosure requirements of the financial statements.