

JACKSON COUNTY FACILITIES AUTHORITY
ALTUS, OKLAHOMA
ANNUAL FINANCIAL REPORT
JUNE 30, 2013

RALPH OSBORN
CERTIFIED PUBLIC ACCOUNTANT
500 SOUTH CHESTNUT
P.O. Box 1015
BRISTOW, OKLAHOMA 74010

INDEPENDENT AUDITORS' REPORT

To the Honorable Members of the Board of Trustees
Jackson County Facilities Authority
Altus, Oklahoma

I have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Jackson County Facilities Authority (a component unit of Jackson County, Oklahoma) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Jackson County Facilities Authority's basic financial statements.

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 statement that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with the auditing standards generally accepted in the United States of America. 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 judgement, 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, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. 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.

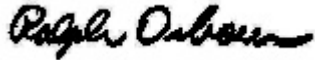
Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Jackson County Facilities Authority as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

In accordance with *Government Auditing Standards*, I have also issued my report dated June 4, 2014, on my consideration of Jackson County Facilities Authority's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

Sincerely,

A handwritten signature in black ink, appearing to read "Ralph Osborn", with a stylized, cursive script.

Ralph Osborn
Certified Public Accountant
Bristow, Oklahoma
June 4, 2014

JACKSON COUNTY FACILITIES AUTHORITY
ALTUS, OKLAHOMA
STATEMENT OF NET ASSETS
JUNE 30, 2013

	<u>Governmental Activities</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 38,049
Sales tax receivable	224,697
Dividend receivable	<u>10</u>
Total current assets	<u>262,756</u>
Non-current assets:	
Restricted for debt service	1,390,017
Bond discount, net	38,433
Deferred debt expense, net	171,634
Capital assets	
Other capital assets net of accumulated depreciation	<u>5,484,529</u>
Total non-current assets	<u>7,084,613</u>
Total assets	<u>7,347,369</u>
LIABILITIES	
Current liabilities:	
Interest payable	21,166
Bonds payable, current	<u>285,000</u>
Total current liabilities	<u>306,166</u>
Long term liabilities	
Bonds payable, non-current	<u>2,930,000</u>
Total long term liabilities	<u>2,930,000</u>
Total liabilities	<u>3,236,166</u>
NET ASSETS	
Nonspendable fund balance	2,683,137
Restricted for debt service	1,390,017
Unrestricted	<u>38,049</u>
Total net assets	<u>\$ 4,111,203</u>

The accompanying notes are an integral part of these financial statements.

JACKSON COUNTY FACILITIES AUTHORITY
ALTUS, OKLAHOMA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013

Function/Programs	<u>Expenses</u>	<u>Program Revenue</u>			<u>Net (Expenses) Revenue</u>
		<u>Charges For Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Governmental activities					
County jail	\$292,322	\$ -	\$ -	\$ -	\$ (292,322)
Total governmental activities	<u>292,322</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(292,322)</u>
Total government	<u>\$292,322</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (292,322)</u>

Governmental
Activities

Changes in net assets:

Net (expense) revenue \$ (292,322)

General revenues

Taxes

Sales tax

1,386,642

Interest/dividends

193

Transfer to Jackson County

(1,059,722)

Total general revenues and transfers

327,113

Change in net assets

34,791

Net assets - beginning

4,076,412

Net assets - ending

\$ 4,111,203

The accompanying notes are an integral part of these financial statements.

JACKSON COUNTY FACILITIES AUTHORITY
ALTUS, OKLAHOMA
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2013

	<u>General Fund</u>	<u>Debt Service</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and cash equivalents	\$ 38,049	\$ 1,390,017	\$ 1,428,066
Sales tax receivable	-	224,697	224,697
Dividend receivable	-	10	10
TOTAL ASSETS	<u>\$ 38,049</u>	<u>\$ 1,614,724</u>	<u>\$ 1,652,773</u>
LIABILITIES AND FUND BALANCES			
FUND BALANCES			
Unreserved	\$ 38,049	\$ -	\$ 38,049
Reserved for debt service	-	1,614,724	1,614,724
TOTAL FUND BALANCES	<u>38,049</u>	<u>1,614,724</u>	<u>1,652,773</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 38,049</u>	<u>\$ 1,614,724</u>	<u>\$ 1,652,773</u>

The accompanying notes are an integral part of these financial statements.

JACKSON COUNTY FACILITIES AUTHORITY
ALTUS, OKLAHOMA
RECONCILIATION OF BALANCE SHEET - GOVERNMENTAL FUNDS
WITH THE STATEMENT OF NET ASSETS
JUNE 30, 2013

Total fund balance \$ 1,652,773

Amounts reported in the statement of net assets
are different because:

Capital assets used in governmental activities
are not financial resources and therefore are
not reported as assets in governmental funds.

Capital assets	7,292,449	
Accumulated depreciation	<u>(1,807,920)</u>	5,484,529

Long-term liabilities and related amounts are
not due and payable in the current period and
therefore are not reported as assets and
liabilities in the fund. Long-term liabilities
and related amounts at year end consist of:

Bond discount, net amortization	38,433	
Deferred debt expense, net amortization	171,634	
Interest payable	(21,166)	
Bonds payable	<u>(3,215,000)</u>	<u>(3,026,099)</u>

Total net assets \$ 4,111,203

The accompanying notes are an integral part of these financial statements.

JACKSON COUNTY FACILITIES AUTHORITY
 ALTUS, OKLAHOMA
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2013

	General Fund	Debt Service	Total Governmental Funds
Revenue			
Sales tax	\$ -	\$ 1,386,642	\$ 1,386,642
Interest/dividends	78	115	193
Total revenue	78	1,386,757	1,386,835
Expenditures			
Current			
Debt service			
Bond principal	-	280,000	280,000
Bond interest and fees	-	88,944	88,944
Total expenditures	-	368,944	368,944
Excess (deficiency) of revenue over (under) expenditures	78	1,017,813	1,017,891
Other financing sources (uses)			
Transfer to Jackson County	-	(1,059,722)	(1,059,722)
Net change in fund balances	78	(41,909)	(41,831)
Fund balances, beginning	37,971	1,656,633	1,694,604
Fund balances, ending	\$ 38,049	\$ 1,614,724	\$ 1,652,773

The accompanying notes are an integral part of these financial statements.

JACKSON COUNTY FACILITIES AUTHORITY
 ALTUS, OKLAHOMA
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2013

Net changes in fund balances - total governmental funds \$ (41,831)

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the combined statement of net assets and allocated over their estimated useful lives as annual depreciation in the statement of activities. This is the amount by which capital outlay exceeds depreciation outlay in the period.

Depreciation expense	(182,311)	
Capital outlay	<u>-</u>	(182,311)

The proceeds of debt issuance provides current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of note obligation principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the statement of net assets and does not affect the statement of activity.

Amortization	(22,710)	
Decrease in interest payable	1,643	
Debt payments	<u>280,000</u>	<u>258,933</u>

Change in net assets		<u><u>\$ 34,791</u></u>
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The accompanying notes are an integral part of these financial statements.

JACKSON COUNTY FACILITIES AUTHORITY
ALTUS, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity - Basis of Presentation

Jackson County Facilities Authority (the Authority) was created November 22, 1999 under the provisions of Title 60, Oklahoma Statutes 1991, Section 176 et. seq., as amended and supplemented, the Oklahoma Trust Act and other applicable statutes and laws of the State of Oklahoma. The Beneficiary of the trust is Jackson County, Oklahoma. The trust is managed by a three member board of trustees. The trustees are the members of the Jackson County Board of County Commissioners. The Jackson County Clerk and Treasurer serve as the clerk and treasurer of the trust.

The primary purpose of the Authority is to assist Jackson County, Oklahoma (the County) and its governmental agencies in acquiring and maintaining physical properties. The Authority receives sales tax revenue from Jackson County, Oklahoma. The Authority and the County are related organizations. The Authority is a component unit of the County. The County is separately audited by the State of Oklahoma, Office of the Auditor and Inspector.

Government-Wide and Fund Financial Statements

The government-wide financial statements include the statement of net assets and the statement of activities. These statements report financial information for the Authority as a whole excluding fiduciary activities such as employee pension plans. Individual funds are not displayed but the statements distinguish governmental activities, generally supported by taxes and Authority general revenues, from business-type activities, generally financed in whole or in part with fees charged are an integral part of these external customers.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A functional program is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include (1) charges for services which report fees, fines and forfeitures, and other charges to users of the Authority's services; (2) operating grants and contributions which finance annual operating activities including restricted investment income; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets and include fees to developers. These revenues are subject to externally imposed restrictions to programs uses. Taxes and other revenue sources not properly included with program revenues are reported as general revenues.

Fund Financial Statements

Fund financial statements of the Authority are provided for governmental funds. Major individual governmental funds are reported in separate columns with composite columns for non-major funds.

JACKSON COUNTY FACILITIES AUTHORITY
ALTUS, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus and Basis of Accounting

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

The financial statements of the Authority are prepared in accordance with generally accepted accounting principles (GAAP). The Authority's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements and applicable Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements. The Authority's reporting entity does not apply FASB pronouncements or APB opinions issued after November 30, 1989.

The government-wide statements report using the economic resources measurement focus and the accrual basis of accounting generally including the reclassification or elimination of internal activity (between or within funds). Reimbursements are reported as reductions to expenses. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The Authority considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported as expenditures in the year due.

Major revenue sources susceptible to accrual include: sales taxes, intergovernmental revenues, and investment income. In general, other revenues and expenses are recognized when cash is received.

FUND TYPES AND MAJOR FUNDS

The Authority reports the following major governmental funds:

General Fund - The main operating fund of the Authority accounting for non-debt service activity.

Debt Service - The Debt Service Fund reports activity associated with retiring long-term debt.

Budget

The Authority has not adopted an annual operating budget. Therefore, the budget comparisons are not reported.

JACKSON COUNTY FACILITIES AUTHORITY
ALTUS, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriations, is employed in the governmental funds. Encumbrances outstanding at year end are cancelled if not used. Any cancelled encumbrances are added to fund balance.

Inventory and Prepaids

Inventories in governmental funds consist of expendable supplies held for consumption stated on a first-in, first-out basis. They are reported at cost which is recorded as an expenditure at the time individual inventory items are used. The Authority has not maintained inventory records, however, the value of inventory on hand at June 30, 2013 is not believed to be material.

Prepaids record payments to vendors that benefit future reporting periods and are also reported on the consumption basis. Both inventories and prepaids are similarly reported in government-wide and fund financial statements.

Capital Assets, Depreciation, and Amortization

The Authority's property, plant, equipment, and infrastructure with useful lives of more than one year are stated at historical cost or at estimated historical cost for those items not previously reported and comprehensively reported in the government-wide financial statements. The Authority maintains infrastructure assets records consistent with all other capital assets. Donated assets are stated at fair value on the date donated. The cost of normal maintenance and repairs that do not add to the assets value or materially extend useful lives are not capitalized. Capital assets, including those of component units, are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are moved from the respective accounts, and the resulting gain or loss is recorded in operations.

Estimated useful lives, in years, for depreciable assets are as follow:

Buildings	5-60
Improvements, other than buildings	2-50
Mobile equipment	3-40
Furniture, machinery, and equipment	3-30
Utility system	5-60

Employee Benefits

The Authority does not have employees.

Reserves and Designations

Reserves represent those portions of fund balance not available for expenditure or legally segregated for a specific future use. Designated fund balances represent tentative plans for future use of financial resources.

JACKSON COUNTY FACILITIES AUTHORITY
ALTUS, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of 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 the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

NOTE B - DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS

Custodial Credit Risk

Custodial credit risk is the risk that in the event of failure of counterparty, the Authority will not be able to recover the value of its deposits or investments. Deposits are exposed to custodial credit risk if they are uninsured and uncollateralized. Investment securities are exposed to custodial credit risk if they are uninsured, are not registered in the name of the Authority, and are held by counterparty or the counterparty's trust department but not in the name of the Authority. The Authority's policy requires that all deposits and investments in excess of amounts covered by federal deposit insurance be fully collateralized by the entity holding the deposits or investments. As of June 30, 2013, all of the Authority's deposits and investments were either covered by federal deposit insurance or were fully collateralized.

Deposits

The Authority had deposits at financial institutions with a carrying amount of approximately \$1,428,066 at June 30, 2013. The bank balance of the deposits at June 30, 2013 was approximately \$1,428,066.

Credit Risk

Fixed-income securities are subject to credit risk. However, the Authority did not have fixed income securities at June 30, 2013.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Board of Directors monitor's the investment performance on an ongoing basis to limit the Authority's interest rate risk. As of June 30, 2013, the Authority's deposits consisted of demand deposits and trust deposits with a trustee bank for debt reserves.

Note C - RECEIVABLES

The Authority has accrued sales tax to be received in July and August 2013 plus dividends receivable in July.

JACKSON COUNTY FACILITIES AUTHORITY
ALTUS, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

Note D - DEFERRED DEBT ITEMS

The Authority incurred total debt issue costs of \$325,332 when the bonds payable were issued. The Authority also had a bond discount of \$49,859 on its 2010 issue. This debt issue costs and bond discount are amortized over the term of the issue using the straight-line method. The Authority recorded \$22,710 amortization during 2013 resulting in total accumulated amortization of \$153,698 for debt issue costs and \$11,426 for bond discounts.

Note E - CAPITAL ASSETS

Changes in capital assets.

The following table provides a summary of changes in capital assets:

	CAPITAL ASSETS, DEPRECIATED			
	Buildings	Infrastructure & Improvements Other Than Buildings	Furniture, Machinery, And Equipment	Totals
Governmental activities				
Balance, June 30, 2012	\$ 7,292,449	\$ -	\$ -	\$ 7,292,449
Increases	-	-	-	-
Decreases	-	-	-	-
Balance, June 30, 2013	<u>7,292,449</u>	<u>-</u>	<u>-</u>	<u>7,292,449</u>
Accumulated Depreciation				
Balance, June 30, 2012	1,625,609	-	-	1,625,609
Increase	182,311	-	-	182,311
Decreases	-	-	-	-
Balance, June 30, 2013	<u>1,807,920</u>	<u>-</u>	<u>-</u>	<u>1,807,920</u>
Governmental activities				
Capital Assets, Net	<u>\$ 5,484,529</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,484,529</u>

Note F - BONDS PAYABLE

The following is a summary of bond payable transactions of the Authority for the year ended June 30, 2013.

	Payable at July 1, 2012	Additions	Retirements	Balance at June 30, 2013
2010 Bonds payable	\$ 3,495,000	\$ -	\$ (280,000)	\$ 3,215,000
	<u>\$ 3,495,000</u>	<u>\$ -</u>	<u>\$ (280,000)</u>	<u>\$ 3,215,000</u>

JACKSON COUNTY FACILITIES AUTHORITY
ALTUS, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

Note F - BONDS PAYABLE (Continued)

The Authority issued its Sales Tax Revenue Refunding Bonds, Series 2010 dated October 7, 2010 in the amount of \$3,775,000. The bond was secured by a one-half of one percent sales tax levied and collected by Jackson County and transferred to the Authority. The purpose of the bond was to retire a prior bond and pay future obligations related to the construction and operation of a jail facility. Principal payments are due on October 1 of each year, and interest payments are due on April 1 and October 1 of each year.

Annual debt service requirements to maturity, including principal and interest, for the combined bond issues is as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2014	\$ 285,000	\$ 82,044	\$ 367,044
2015	295,000	76,244	371,244
2016	300,000	70,294	370,294
2017	310,000	64,194	374,194
2018	315,000	57,156	372,156
2019-2023	<u>1,710,000</u>	<u>142,884</u>	<u>1,852,884</u>
Total	<u>\$ 3,215,000</u>	<u>\$ 492,816</u>	<u>\$ 3,707,816</u>

Interest and fees paid for the fiscal year ending June 30, 2013 was \$90,587.

The reserve requirement for the Series 2010 bonds is the lesser of 10% of the stated principal amount, the maximum annual principal and interest requirement, or 125% of the average annual debt service requirement.

The Authority bond fund reserve account with the trustee bank had a balance of \$377,500 at June 30, 2013. The Authority has a total of \$1,390,017 on deposit with the trustee bank available for debt service.

NOTE G - SALES TAX

The County is levying a sales tax of one-half of one percent (0.50%), as approved by the qualified electors of the County at an election held February 1, 2010, which shall be used for the payment of the debt service, including payment of interest and principal and premium. The County and the Authority have entered into a Sales Tax Agreement dated as of October 7, 2010 (the "Sales Tax Agreement"), pursuant to which the County agrees, subject to availability and appropriation of funds, to transfer, as received, to the Trustee on behalf of the Authority, and hereby appropriates to the Authority proceeds of the one-half of one percent Sales Tax Revenues.

<u>FY</u>	<u>1/2 Cent</u>	<u>Avg Monthly</u>	<u>Change</u>
2012/13	\$1,386,642	\$ 115,554	-3.43%
2011/12	1,435,814	119,651	6.91%
2010/11	1,343,110	111,926	N/A

JACKSON COUNTY FACILITIES AUTHORITY
ALTUS, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE H - DEBT SERVICE COVERAGE

Debt service coverage for the Series 2011 would have been as follows, had the Series been issued previously.

	<u>2013</u>	<u>2012</u>	<u>2011</u>
County Sales Tax Revenue (1/2 cent)	\$1,386,642	\$1,435,814	\$1,343,110
Projected Debt Service, Series 2012	367,044	367,694	373,294
Debt Service Coverage	3.78x	3.91x	3.60x

Note I - RISK MANAGEMENT

The Authority is exposed to various risks of loss related to; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The Authority is included in coverage obtained by Jackson County.

NOTE J - SUBSEQUENT EVENT/CONTINGENCY

The Authority has evaluated subsequent events and contingencies through June 4, 2014, the date which financial statements were available. The Authority does not believe there are any events requiring disclosure.

INDEPENDENT AUDITOR'S 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 Honorable Members of the Board of Trustees
Jackson County Facilities Authority
Altus, Oklahoma

I have audited, in accordance with the 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 governmental activities, each major fund, and the aggregate remaining fund information of Jackson County Facilities Authority, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Jackson County Facilities Authority's basic financial statements and have issued my report thereon dated June 4, 2014 which did not include Management's Discussion and Analysis.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered Jackson County Facilities 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 my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Jackson County Facilities Authority's internal control. Accordingly, I do not express an opinion of the effectiveness of Jackson County Facilities Authority's internal control.

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.

My 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 that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

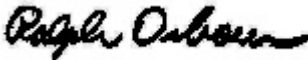
Compliance and Other Matters

As part of obtaining reasonable assurance about whether Jackson County Facilities Authority's financial statements are free of material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed one instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of the 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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Sincerely,



Ralph Osborn
Certified Public Accountant
Bristow, Oklahoma
June 4, 2014