

JACKSON COUNTY FACILITIES AUTHORITY  
ALTUS, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
JUNE 30, 2011

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, 2011, which collectively comprise Jackson County Facilities Authority's basic financial statements. These financial statements are the responsibility of Jackson County Facilities Authority's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my 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 I 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. I believe that my audit provides a reasonable basis for my 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, 2011, and the respective changes in financial position, thereof, in conformity with accounting principles generally accepted in the United States of America.

Jackson County Facilities Authority has not presented Management's Discussion and Analysis or budgetary comparison schedules that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statement.

In accordance with *Government Auditing Standards*, I have also issued my report dated October 11, 2011, 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.



Ralph Osborn  
Certified Public Accountant  
Bristow, Oklahoma  
October 11, 2011

JACKSON COUNTY FACILITIES AUTHORITY  
 ALTUS, OKLAHOMA  
 STATEMENT OF NET ASSETS  
 JUNE 30, 2011

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 1,374,904
Sales tax receivable	228,916
Dividend receivable	<u>10</u>
<b>Total current assets</b>	<u><b>1,603,830</b></u>
Non-current assets:	
Bond discount, net	47,089
Deferred debt expense, net	209,694
Capital assets	
Other capital assets net of accumulated depreciation	<u>5,849,152</u>
<b>Total non-current assets</b>	<u><b>6,105,935</b></u>
<b>Total assets</b>	<u><b>7,709,765</b></u>
<b>LIABILITIES</b>	
Current liabilities:	
Interest payable	23,630
Bonds payable, current	<u>280,000</u>
<b>Total current liabilities</b>	<u><b>303,630</b></u>
Long term liabilities	
Bonds payable, non-current	<u>3,495,000</u>
<b>Total long term liabilities</b>	<u><b>3,495,000</b></u>
<b>Total liabilities</b>	<u><b>3,798,630</b></u>
<b>NET ASSETS</b>	
Nonspendable fund balance	2,307,306
Restricted for debt service	1,563,909
Unrestricted	<u>39,920</u>
<b>Total net assets</b>	<u><u><b>\$ 3,911,135</b></u></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, 2011

Function/Programs	<u>Expenses</u>	Program Revenue			Net (Expenses) Revenue
		Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities					
County jail	\$347,278	\$ -	\$ -	\$ -	\$ (347,278)
Total governmental activities	<u>347,278</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(347,278)</u>
Total government	<u>\$347,278</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (347,278)</u>

	<u>Governmental Activities</u>
Changes in net assets:	
Net (expense) revenue	\$ <u>(347,278)</u>
General revenues	
Taxes	
Sales tax	1,343,110
Interest/dividends	278
Transfer to Jackson County	<u>(912,237)</u>
Total general revenues and transfers	<u>431,151</u>
Change in net assets	83,873
Net assets - beginning	<u>3,827,262</u>
Net assets - ending	<u>\$ 3,911,135</u>

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

JACKSON COUNTY FACILITIES AUTHORITY  
 ALTUS, OKLAHOMA  
 BALANCE SHEET - GOVERNMENTAL FUNDS  
 JUNE 30, 2011

	<u>General Fund</u>	<u>Debt Service</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 39,920	\$ 1,334,983	\$ 1,374,903
Sales tax receivable	-	228,916	228,916
Dividend receivable	-	10	10
	<u>39,920</u>	<u>1,563,909</u>	<u>1,603,829</u>
<b>TOTAL ASSETS</b>	<u>\$ 39,920</u>	<u>\$ 1,563,909</u>	<u>\$ 1,603,829</u>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>FUND BALANCES</b>			
Unreserved	\$ 39,920	\$ -	\$ 39,920
Reserved for debt service	<u>-</u>	<u>1,563,909</u>	<u>1,563,909</u>
<b>TOTAL FUND BALANCES</b>	<u>39,920</u>	<u>1,563,909</u>	<u>1,603,829</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 39,920</u>	<u>\$ 1,563,909</u>	<u>\$ 1,603,829</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, 2011

Total fund balance \$ 1,603,829

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>(1,443,297)</u>	5,849,152

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	47,089	
Deferred debt expense	209,694	
Interest payable	(23,630)	
Bonds payable	<u>(3,775,000)</u>	<u>(3,541,847)</u>

Total net assets \$ 3,911,135

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, 2011

	General Fund	Debt Service	Total Governmental Funds
Revenue			
Sales tax	\$ -	\$ 1,343,110	\$ 1,343,110
Interest/dividends	193	85	278
Total revenue	<u>193</u>	<u>1,343,195</u>	<u>1,343,388</u>
Expenditures			
Current			
Professional fees	2,100	-	2,100
Debt service			
Bond issue costs	-	85,764	85,764
Bond principal	-	4,165,000	4,165,000
Bond interest and fees	-	168,121	168,121
Total expenditures	<u>2,100</u>	<u>4,418,885</u>	<u>4,420,985</u>
Excess (deficiency) of revenue over (under) expenditures	(1,907)	(3,075,690)	(3,077,597)
Other financing sources (uses)			
Bond proceeds	-	3,725,141	3,725,141
Transfer to Jackson County	-	(912,237)	(912,237)
Net change in fund balances	(1,907)	(262,786)	(264,693)
Fund balances, beginning	<u>41,827</u>	<u>1,826,695</u>	<u>1,868,522</u>
Fund balances, ending	<u>\$ 39,920</u>	<u>\$ 1,563,909</u>	<u>\$ 1,603,829</u>

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, 2011

Net changes in fund balances - total governmental funds \$ (264,693)

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.

Bond principal	(3,775,000)	
Amortization	(19,538)	
Bond issue costs	85,764	
Bond issue discount	49,859	
Bond interest	24,792	
Debt payments	<u>4,165,000</u>	<u>530,877</u>

Change in net assets		<u>\$ 83,873</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, 2011

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, 2011

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, 2011

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, 2011 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, 2011

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, 2011, 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 \$1,374,904 at June 30, 2011. The bank balance of the deposits at June 30, 2011 was approximately \$1,374,904.

Credit Risk

Fixed-income securities are subject to credit risk. However, the Authority did not have fixed income securities at June 30, 2011.

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, 2011, 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 2011 plus dividends receivable in July.

JACKSON COUNTY FACILITIES AUTHORITY  
 ALTUS, OKLAHOMA  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2011

Note D - DEFERRED DEBT ITEMS

The Authority incurred debt issue costs of \$239,568 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 \$19,538 amortization during 2011 resulting in total accumulated amortization of \$116,588 for debt issue costs and \$5,360 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, 2010	\$ 7,292,449	\$ -	\$ -	\$ 7,292,449
Increases	-	-	-	-
Decreases	-	-	-	-
Balance, June 30, 2011	<u>7,292,449</u>	<u>-</u>	<u>-</u>	<u>7,292,449</u>
Accumulated Depreciation				
Balance, June 30, 2010	1,260,986	-	-	1,260,986
Increase	182,311	-	-	182,311
Decreases	-	-	-	-
Balance, June 30, 2011	<u>1,443,297</u>	<u>-</u>	<u>-</u>	<u>1,443,297</u>
Governmental activities Capital Assets, Net	<u>\$ 5,849,152</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,849,152</u>

Note F - BONDS PAYABLE

The following is a summary of bond payable transactions of the Authority for the year ended June 30, 2011.

	Payable at July 1, 2010	Additions	Retirements	Balance at June 30, 2011
2010 Bonds payable	\$ -	\$ 3,775,000	\$ -	\$ 3,775,000
2001 Bonds payable	<u>4,165,000</u>	-	<u>(4,165,000)</u>	-
	<u>\$ 4,165,000</u>	<u>\$ 3,775,000</u>	<u>\$ (4,165,000)</u>	<u>\$ 3,775,000</u>

JACKSON COUNTY FACILITIES AUTHORITY  
 ALTUS, OKLAHOMA  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2011

Note F - BONDS PAYABLE (Continued)

The Authority issued Sales Tax revenue bonds, Series 2001, dated October 1, 2001 in the principal amount of \$7,400,000. The bond was secured by a one-half of one percent sales tax levied and collected by Jackson County and transferred to the Authority. One-half of the sales tax levy will terminate October 30, 2011. The purpose of the bond was to pay future obligations related to the construction of a jail facility. Principal payments were due on October 1 of each year, and interest payments are due on April 1 and October 1 of each year. The bond issue was fully paid in November 2011.

The Authority issued its Sales Tax Revenue Refunding Bonds, Series 2011 dated October 7, 2011 in the amount of \$3,775,000. The proceeds of these bonds along with money held by the trustee bank for the Series 2001 bonds was used to retire the Series 2001 bonds in November 2011. 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>
2012	\$ 280,000	\$ 93,294	\$ 373,294
2013	280,000	87,694	367,694
2014	285,000	82,044	367,044
2015	295,000	76,244	371,244
2016	300,000	70,294	370,294
2017-2021	1,620,000	239,385	1,859,385
2022-2023	715,000	24,850	739,850
Total	<u>\$ 3,775,000</u>	<u>\$ 673,805</u>	<u>\$ 4,448,805</u>

Interest paid for the fiscal year ending June 30, 2011 was \$163,117.

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, 2011. The Authority has a total of \$1,334,984 on deposit with the trustee bank available for debt service.

Note G - 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.

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 the 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, 2011, which collectively comprise Jackson County Facilities Authority's basic financial statements and have issued my report thereon dated October 11, 2011, which did not include managements Discussion and analysis or budgetary comparison. I conducted my 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 my audit, I considered Jackson County Facilities Authority's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Jackson County Facilities Authority's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of Jackson County Facilities Authority'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 combination of deficiencies, in internal control such that there is reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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 over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above.

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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the Board of Trustees, 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.

Sincerely,

A handwritten signature in cursive script that reads "Ralph Osborn".

Ralph Osborn  
Certified Public Accountant  
Bristow, Oklahoma  
October 11, 2011