

**MCINTOSH COUNTY PUBLIC FACILITIES AUTHORITY  
EUFAULA, OKLAHOMA  
FINANCIAL STATEMENTS  
AND INDEPENDENT AUDITOR'S REPORT  
FOR THE YEAR ENDED JUNE 30, 2011**

**Audited By:  
KERRY JOHN PATTEN, C.P.A.**

**MCINTOSH COUNTY PUBLIC FACILITIES AUTHORITY  
EUFAULA, OKLAHOMA  
JUNE 30, 2011**

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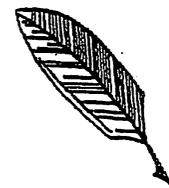
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**MCINTOSH COUNTY PUBLIC FACILITIES AUTHORITY  
EUFAULA, OKLAHOMA  
TRUSTEES  
JUNE 30, 2011**

Chairman	Bobby James
Vice-Chairman	Ernie Moore
Secretary/Treasurer	Diana Curtis
Member	Winford Chiles
Member	Allen Mayhar
Member	Kevin Ledbetter

# KERRY JOHN PATTEN, C.P.A.

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## INDEPENDENT AUDITOR'S REPORT

Board of Trustees  
McIntosh County Public Facilities Authority  
Eufaula, Oklahoma

I have audited the basic financial statements of McIntosh County Public Facilities Authority as of June 30, 2011, and for the year then ended, as listed in the table of contents. These financial statements are the responsibility of the McIntosh County Public 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 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 general purpose 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.

As described in Note 2 to the financial statements, capital assets of the McIntosh County Public Facilities Authority are not being depreciated over their useful lives to conform with accounting principles generally accepted in the United States of America.

McIntosh County Public Facilities Authority has not presented a Management Discussion and Analysis with the financial statements that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be a part of, the basic financial statements.

In my opinion, except for the effects of not depreciating capital assets as explained in the third paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of McIntosh County Public Facilities Authority as of June 30, 2011, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued a report dated April 9, 2012, on my consideration of the McIntosh County Public 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 results of that testing. 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.

Kerry John Patten, C.P.A.  
April 9, 2012

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

**MCINTOSH COUNTY PUBLIC FACILITIES AUTHORITY**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2011**

	<u>Governmental Activities</u>
<b><u>ASSETS</u></b>	
Current Assets	
Restricted cash and cash equivalents	\$ 1,079,280
Unrestricted cash	153,938
Sales tax receivable	132,095
Use tax receivable	7,579
Total Current Assets	<u>1,372,892</u>
Noncurrent Assets	
Land	82,423
Capital Assets	7,558,640
Total Noncurrent Assets	<u>7,641,063</u>
Total Assets	<u>\$ 9,013,955</u>
<b><u>LIABILITIES</u></b>	
Current Liabilities	
Accounts payable	\$ 1,007
Interest payable	5,148
Current portion of Long Term Liabilities	-
Capital lease payable	92,452
Revenue bonds payable	264,545
Total Current Liabilities	<u>363,152</u>
Noncurrent Liabilities	
Capital lease payable	195,695
Revenue bonds payable	6,675,866
Total Noncurrent Liabilities	<u>6,871,561</u>
Total Liabilities	<u>\$ 7,234,713</u>
<b><u>NET ASSETS</u></b>	
Invested in capital assets, net of related debt	\$ 412,505
Restricted	1,079,280
Unrestricted	287,457
Total Net Assets	<u>\$ 1,779,242</u>

The notes to the financial statements are an integral part of this statement.

**MCINTOSH COUNTY PUBLIC FACILITIES AUTHORITY  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2011**

	Expenses	Program Revenues Charges for Services	Net (Expenses) Revenue and Changes in Net Assets Government Activities
Programs/Projects			
Governmental Activities:			
Personnel services	\$ (356,957)	\$ -	(356,957)
Maintenance and operation	(310,888)	-	(310,888)
Total Governmental Activities	\$ (667,845)	\$ -	(667,845)
General Revenues			
Interest and investment earnings			2,675
Sales tax			916,959
Use tax			43,666
Miscellaneous			-
Total General Revenues			963,300
Interest expense			(122,282)
Change in Net Assets			173,173
Net assets - Beginning			1,606,069
Net assets - Ending			\$ 1,779,242

The notes to the financial statements are an integral part of this statement.

**FUND FINANCIAL STATEMENTS**

**MCINTOSH COUNTY PUBLIC FACILITIES AUTHORITY  
BALANCE SHEET  
JUNE 30, 2011**

	General Fund
<b><u>ASSETS</u></b>	
Restricted cash	\$ 1,079,280
Unrestricted cash	153,938
Taxes receivable	139,674
Total assets	\$ 1,372,891
<b><u>LIABILITIES</u></b>	
Accounts payable	\$ 1,007
Interest payable	5,148
Capital lease payable	92,452
Revenue bonds payable	264,545
Total liabilities	\$ 363,152
<b><u>FUND BALANCE</u></b>	
Restricted	\$ 1,079,280
Unrestricted	(69,540)
Total fund balance	\$ 1,009,740
Total liabilities and fund balance	\$ 1,372,891
<p>Amounts reported for governmental activities in the statement of net assets are different because:</p>	
Capital assets used in governmental activities are not financial resources and therefore, are not reported as assets in governmental funds. The cost of the assets is \$4,499,082.	7,641,063
Long term liabilities are not due and payable in the current period and, therefore are not reported as liabilities in the funds. These include a capital lease and revenue bonds payable.	(6,871,561)
Net assets of governmental activities	\$ 1,779,242

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

**MCINTOSH COUNTY PUBLIC FACILITIES AUTHORITY  
STATEMENT OF REVENUE, EXPENDITURES AND  
CHANGES IN FUND BALANCE  
FOR YEAR ENDED JUNE 30, 2011**

	<u>General Fund</u>
Operating Revenues	
Sales tax	\$ 916,959
Use tax	43,666
Interest income	2,675
	<u>963,300</u>
Total Revenues	\$ 963,300
Operating Expenses	
Personnel services	356,957
Maintenance & operation	51,471
Interest	381,699
Debt service	356,997
	<u>1,147,124</u>
Total Expenses	\$ 1,147,124
Excess operating revenue over (under) expenses	<u>\$ (183,824)</u>
Other Income (expenses)	
Gain (loss) on disposal of fixed assets	\$ -
	<u>-</u>
Total Other Income (Expense)	\$ -
Excess revenue over (under) expenses	<u>\$ (183,824)</u>
Fund balance, beginning of year	<u>\$ 1,193,564</u>
Fund balance, end of year	<u>\$ 1,009,740</u>

The accompanying notes are an integral part of these financial statements

**MCINTOSH COUNTY PUBLIC FACILITIES AUTHORITY  
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 change in fund balances-governmental funds	\$	(183,824)
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Amounts reported for governmental activities in the statement of revenues, expenditures, and changes in net assets 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 statement and allocated over their estimated useful lives as annual depreciation expenses in the statement of revenues, expenditures, and changes in net assets.

Capital outlay expenditures		-
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Repayment of long-term debt is reported as an expenditure in governmental funds, but repayment reduces long-term liabilities in the statement of net assets.		<u>356,997</u>
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Changes in net assets of governmental activities	\$	<u><u>173,173</u></u>
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The notes to the financial statement are an integral part of this statement.

**NOTES TO THE FINANCIAL STATEMENTS**

**MCINTOSH COUNTY PUBLIC FACILITIES AUTHORITY  
EUFAULA, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
FOR YEAR ENDED JUNE 30, 2011**

**1. Organization**

The McIntosh County Public Facilities Authority was created under the statutory provision of 60 O.S. 2001, Sections 176-180.4, inclusive, as amended, pursuant to the provisions of a declaration of trust dated as of October 30, 1968, as amended, and the Oklahoma Trust Act for the use and benefit of McIntosh County, Oklahoma. The purpose of the Authority is to assist McIntosh County, Governmental Agencies and private entities in making the most efficient use of all their economic resources and powers to stimulate economic growth and development.

The trustees of the Authority consist of five (5) persons, which shall include the current chairman of the McIntosh Board of County Commissioners; the current sheriff of McIntosh County, Oklahoma, or his/her designee; and three (3) residents of McIntosh County, Oklahoma, none of which shall be elected officials, and one of which shall be nominated to serve by the current McIntosh County Commissioners.

The County Clerk of McIntosh County serves as Secretary-Treasurer of the Authority.

The Authority has adopted the period July 1 through June 30, as its fiscal year.

**2. Significant Accounting Policies**

**Government-Wide Financial Statements**

The statement of net assets and the statement of activities display information about the Authority. These statements include the financial activities of the overall governmental program activities excluding fiduciary and internal service activities. The Authority does not have fiduciary activities or internal service activities. Governmental activities are normally supported by sales and use taxes, and other revenues.

The statement of activities presents a comparison between direct expenses and general revenues for each function of the governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. General revenues include all other sources. The comparison of program revenues and expenses identifies the extent to which each program is self-financing or draws from the general revenues of the Authority.

**Fund Financial Statements**

Fund financial statements are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for through a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues and expenditures/expenses. Generally, funds are organized into three major categories: governmental, proprietary, and fiduciary. The emphasis of fund financial statements is on major governmental and enterprise funds. The Authority has one major fund, the General Fund and no enterprise funds. There are no non-major funds.

**Governmental Fund**

The Authority reports one major governmental fund:

The General Fund is the general operating fund of the authority and is always classified as a major fund. It is used to account for all the revenues and expenditures necessary to carry out basic governmental activities of the Authority that are not required to be accounted for through other funds.

**MCINTOSH COUNTY PUBLIC FACILITIES AUTHORITY  
EUFAULA, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
FOR YEAR ENDED JUNE 30, 2011**

Measurement Focus and Basis of Accounting

Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. The Authority has no proprietary or fiduciary funds.

The accounting objectives of the economic resources 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. Fund equity is classified as net assets.

Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred or economic asset used. Revenues, expenses, gain, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the current financial resources measurement focus, only current financial assets and liabilities are generally included on the balance sheet. The operating statement presents sources and uses of available financial resources during a given period. The fund balance is used as the measure of available expendable financial resources at the end of the period.

Revenues are recognized when measurable and available. Measurable means knowing or being able to reasonably estimate the amount. Available means collecting within the current period or within ninety days after year-end.

Equity Classifications

In government-wide and proprietary fund financial statements, equity is classified as net assets and divided into three components:

- *Investment in Capital Assets, Net of Related Debt* – This category groups all capital assets into one component of net assets. Accumulated depreciation and outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category.
- *Restricted Net Assets* – This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.
- *Unrestricted Net Assets* – This category represents net assets of the Authority, not restricted for any project or other purpose.

In governmental fund financial statements, equity is classified as fund balance. Reservations and designations segregate portions of fund balance that are either not available or have been earmarked for specific purposes.

Property

All costs associated with the Authority's construction project have been capitalized at cost. The costs include construction, legal, architectural, and interest. Fixed assets are not being depreciated as required by accounting principles generally accepted in the United States of America.

**MCINTOSH COUNTY PUBLIC FACILITIES AUTHORITY  
EUFAULA, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
FOR YEAR ENDED JUNE 30, 2011**

Estimates

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

**3. Restricted Net Assets**

The note indenture for the public facilities Sales Tax Revenue Note provides that certain reserve accounts be established. The reserve accounts, as of June 30, 2011, are comprised of restricted net assets as follows:

Gross Revenue Fund	\$	478,422
Note Interest Fund		802
Debt Service Reserve		600,055
 Total Restricted Net Assets	 \$	 1,079,279

Interest earned on the Debt Service Reserve fund is transferred to the Note Interest Fund.

A debt service reserve account has been capitalized in an amount of \$600,000, and that amount shall be maintained until final payment on the note.

The Project Fund was established to pay the cost of acquiring, constructing, and equipping the project.

The Sales Tax Fund receives transfers of sales taxes collected on its behalf by the county; and the Dep. With County is use taxes collected by the county on the Authority's behalf, but has yet to transfer over to Authority.

The Lease Purchase Proceeds is additional funding needing to complete the project.

**4. Cash and Investments**

Deposits and investments made by the Authority are summarized below. The deposits and investments are classified as to credit risk within the following three categories:

1. Insured or registered, or securities held by the Authority or its agent in the authorities name.
2. Uninsured and unregistered, with the securities held by the counterparty's trust department or agent in the Authority's name.
3. Uninsured and unregistered, with securities held by the counterparty or by its trust department or agent, but not in the Authorities name.

**MCINTOSH COUNTY PUBLIC FACILITIES AUTHORITY  
EUFAULA, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
FOR YEAR ENDED JUNE 30, 2011**

Investments Not Subject to Categorization

GASB No. 3 does not require categorization of guaranteed investments contracts because they are direct contractual investments and are not securities. All such investments are not required to be categorized under interpretive guidelines issued by the GASB.

	<u>Category 1</u>	<u>Category 2</u>	<u>Category 3</u>	<u>Not required to be categorized</u>
Deposits	\$ 153,938	\$ -	\$ -	1,079,279
Investments	-	-	-	-
Total	<u>\$ 153,938</u>	<u>\$ -</u>	<u>\$ -</u>	<u>1,079,279</u>

**5. Accounts Receivable**

The Authorities receivables consist of sales taxes and use taxes collected by county and to be remitted to Trust, and the remaining portion of the sales tax revenue bonds held by the trustee bank in a construction fund.

**6. Fixed Assets**

The Authority is maintaining records of historical costs of its general fixed assets. Generally Accepted Accounting Principals in the U.S. require the capitalization of all fixed assets and the recognition of depreciation on the fixed assets.

	<u>Balance June 30, 2010</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2011</u>
Governmental activities: Capital assets, not being depreciated:				
Land	\$ 82,423	\$ -	\$ -	\$ 82,423
Jail Facility	<u>7,558,640</u>	<u>-</u>	<u>-</u>	<u>7,558,640</u>
Total capital assets not depreciated	<u>\$ 7,641,363</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,641,363</u>

**7. Risk Management**

The Authority is exposed to various risks of loss related to theft of, damage to, or destruction of assets. Management utilizes commercial insurance as a method of managing these types of losses and believes such coverage is sufficient to preclude any significant uninsured losses to the Authority.

**8. Budget**

The Authority is not required to prepare a formal budget by Oklahoma law.

**9. Economic Dependence**

The Authority is dependent on McIntosh County for a large portion of its operating revenues.

**MCINTOSH COUNTY PUBLIC FACILITIES AUTHORITY  
EUFAULA, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
FOR YEAR ENDED JUNE 30, 2011**

**10. Note Indenture**

On June 1, 2006, McIntosh County Public Facilities Authority authorized the issuance of Sales Tax Revenue Note – Bank Qualified (County Capital Improvement Projects) Series 2006 in the aggregate principal amount of \$7,875,000, for the purpose of financing, constructing and equipping a new county detention facility and certain courthouse improvements.

The Sale Tax Revenue Note bears interest at a variable interest rate equal to 65% of the LIBOR Rate plus one hundred twenty-five (125) basis points payable semi-annually on November 1 and May 1, of each year. The LIBOR Rate is the rate of interest equal to the rate per annum equal to the British Bankers Association LIBOR rate as published by a commercially available service providing quotations of BBA LIBOR.

The following maturity schedule reflects outstanding principal amounts at June 30, 2011:

Year ending June 30,	Annual Payments
2012	\$ 264,545
2013	278,196
2014	292,551
2015	307,646
2016-2020	1,793,381
2021-2025	2,306,349
2026-2027	<u>1,697,743</u>
Total	<u>\$ 6,940,411</u>

The Sales Tax Revenue Note is secured by sales tax revenue levied and collected by McIntosh County and paid over to the Authority. The Authority has created a security interest in the sales tax revenue which has been assigned to the bank serving as trustee of the note indenture.

**11. Lease Purchase Financing**

On January 12, 2007, the Authority entered into a lease purchase financing agreement with the Banc of America Public Capital Corp. in the amount of \$625,000.00 for the purpose of financing the acquisition of certain equipment for use in the new county detention facility. The annual payment schedule is as follows:

Year Ending June 30,	Principal	Interest	Total
2012	\$ 92,452	10,093	\$ 102,545
2013	96,004	6,541	102,545
2014	<u>99,691</u>	<u>2,854</u>	<u>102,545</u>
Total	<u>\$ 288,147</u>	<u>\$ 19,488</u>	<u>\$ 307,635</u>

The lease purchase is secured by sales tax revenue levied and collected by McIntosh County and paid over to the Authority. The Authority pledged the sales tax revenue to the lessor as security for the lease financing. The security is subordinate to the Authority's pledge on a Sales Tax Revenue Note.

**MCINTOSH COUNTY PUBLIC FACILITIES AUTHORITY  
EUFULA, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
FOR YEAR ENDED JUNE 30, 2011**

**12. Lease Agreement**

The Authority entered into a facilities lease and operation agreement on June 1, 2006, with McIntosh County, Oklahoma to lease a new county detention facility to the county. Under provisions of the agreement, the county must pay rent annually to the trustee of the Authority's Sales Tax Revenue Note dated June 1, 2006, and must cover a portion of the costs of operation of the new county detention facility for all the years the Sales Tax Revenue Note remains outstanding.

**13. Subsequent Event**

An election was held and taxpayers approved an additional Sales and Use Tax effective on and after January 1, 2012. One eighth cent portion of such additional sales tax shall be limited to a duration of 15 years (ending on December 31, 2026) and the remaining three eighths cent shall have an unlimited duration to pay costs of operating and maintaining the McIntosh County Detention facilities.

**14. General Long-Term Debt**

The Authority's long term debt consisted of revenue bonds and a lease-purchase commitment.

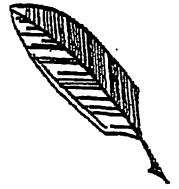
The following is a summary of the long-term debt transactions for the year ended June 30, 2011:

	Balance July 1, 2010	Additions	Retirements	Balance June 30, 2011
Leases Payable	\$ 377,180	\$ -	\$ 89,033	\$ 288,147
Revenue Bonds Payable	7,191,976	-	251,565	6,940,411
<b>Total</b>	<b>\$ 7,569,156</b>	<b>\$ -</b>	<b>\$ 340,598</b>	<b>\$ 7,228,558</b>
Less: Amounts Due Within One Year				356,997
Total Long-Term Debt				<b>\$ 6,871,561</b>

**REPORTS REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

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## 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

The Board of Trustees  
McIntosh County Public Facilities Authority  
Eufaula, Oklahoma

I have audited the financial statements of McIntosh County Public Facilities Authority (the "Authority"), Eufaula, Oklahoma, as of and for the year ended June 30, 2011, and have issued my report thereon dated date. 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 McIntosh County Public 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 the McIntosh County Public Facilities Authority's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

My consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Audit Results and Findings, I did not identify any deficiencies in internal control over financial reporting that I consider to be a material weakness, as defined above.

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.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether McIntosh County Public Facilities Authority's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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. I noted certain immaterial instances of noncompliance that I have reported to management in the Schedule of Comments included on pages 14 of this audit report.

This report is intended solely for the information and use of the audit committee, management 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.

  
Kerry John Patten, C.P.A.  
April 9, 2012

**MCINTOSH COUNTY PUBLIC FACILITIES AUTHORITY  
EUFAULA, OKLAHOMA  
SCHEDULE OF COMMENTS  
JULY 1, 2010 TO JUNE 30, 2011**

The following conditions, while not representing material weaknesses in the system of internal accounting control, represent areas noted during my review of the county's accounting system in which I feel improvements in the internal control and/or operational efficiency may be attained.

- I. **Condition:** The McIntosh County Public Facilities Authority Note Indenture document states in Section 4.01 B "The Debt Service Reserve Fund shall be created with the Bank and shall be fully funded out of the Initial Advance in the amount of \$600,000.00. The Debt Service Reserve amount shall be maintained until final payment of the Note." During the months of August, September, and October 2011, the balance of the account fell below the designated requirement of \$600,000.00

**Recommendation:** The McIntosh County Public Facilities Authority follows the required designated amount of maintaining \$600,000.00, in the Debt Service Reserve.