

WASHINGTON COUNTY CORRECTIONAL FACILITIES AUTHORITY

June 30, 2010

WASHINGTON COUNTY CORRECTIONAL FACILITIES AUTHORITY

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Independent Auditors' Report

The Board of Trustees
Washington County Correctional Facilities Authority:

We have audited the accompanying statement of net assets of Washington County Correctional Facilities Authority (the "Authority") as of June 30, 2010, and the related statements of revenues, expenses and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. 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 audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Washington County Correctional Facilities Authority as of June 30, 2010, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 20, 2011 on our consideration of the Authority's internal control over financial reporting and on 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 read in conjunction with this report in considering the results of our audit.

Cole & Reed P.C.

Oklahoma City, Oklahoma
September 20, 2011

**Washington County Correctional Facilities Authority
Management's Discussion and Analysis
June 30, 2010**

OVERVIEW OF THE FINANCIAL STATEMENTS

This section of the Washington County Correctional Facilities Authority's (the "Authority") annual financial report presents a discussion and analysis of its financial performance for the year ended June 30, 2010. Please read it in conjunction with the financial statements which follow this section. The following tables summarize the net assets and changes in net assets as of and for the year ended June 30, 2010.

Condensed Statement of Net Assets

| | <u>June 30, 2010</u> |
|--|-----------------------------|
| ASSETS | |
| Current assets | \$ 11,382,913 |
| Noncurrent assets | <u>6,517,435</u> |
| TOTAL ASSETS | <u><u>\$ 17,900,348</u></u> |
| LIABILITIES AND NET ASSETS | |
| LIABILITIES | |
| Current liabilities | \$ 1,607,182 |
| Noncurrent liabilities | <u>14,786,260</u> |
| TOTAL LIABILITIES | <u>16,393,442</u> |
| NET ASSETS | |
| Restricted - expendable for capital projects | <u>1,506,906</u> |
| TOTAL NET ASSETS | <u><u>1,506,906</u></u> |
| TOTAL LIABILITIES AND NET ASSETS | <u><u>\$ 17,900,348</u></u> |

**Washington County Correctional Facilities Authority
Management's Discussion and Analysis (Continued)
June 30, 2010**

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

Condensed Statement of Revenues, Expenses and Changes in Net Assets

| | <u>Year Ended June 30, 2010</u> |
|-------------------------------------|-------------------------------------|
| Operating Revenues | |
| Sales tax revenue | \$ 1,689,084 |
| Investment income | <u>4,392</u> |
| Total Operating Revenues | 1,693,476 |
| Operating Expenses | |
| Interest expense | 171,129 |
| Amortization of bond issuance costs | 14,081 |
| Other expenses | <u>1,360</u> |
| Total Operating Expenses | <u>186,570</u> |
| Change in net assets | 1,506,906 |
| NET ASSETS AT BEGINNING OF YEAR | <u>-</u> |
| NET ASSETS AT END OF YEAR | <u>\$ 1,506,906</u> |

The three financial statements presented within the financial statements are as follows:

- Statement of Net Assets – This statement presents information reflecting the Authority's assets, liabilities and net assets. Net assets represent the amount of total assets less total liabilities. The statement of net assets is categorized as to current and noncurrent assets and liabilities. For purposes of the financial statements, current assets and liabilities are those assets and liabilities with immediate liquidity or which are collectible or becoming due within 12 months of the statement date.
- Statement of Revenues, Expenses and Changes in Net Assets – This statement reflects the operating revenues and expenses, as well as nonoperating revenues and expenses during the fiscal year. Major sources of operating revenues are sales tax revenue and investment income and major sources of operating expenses are interest expense and amortization expense. The change in net assets for an enterprise fund is similar to net profit or loss for any other business enterprise.
- Statement of Cash Flows – The statement of cash flows presents cash flows from operating, financing and investing activities. Cash collections and payments are reflected in this statement to arrive at the net increase or decrease in cash for the fiscal year.

**Washington County Correctional Facilities Authority
Management's Discussion and Analysis (Continued)
June 30, 2010**

FINANCIAL HIGHLIGHTS

- Washington County voters approved a sales tax increase on June 9, 2009 to construct and equip a new jail facility. Sales tax revenues earned during fiscal year 2010 totaled \$1,689,084.
- The Authority issued \$15,940,000 in special, limited obligation revenue bonds during fiscal year 2010. The Authority's first principal payment of \$1,105,000 is due on December 1, 2010.
- The Authority entered into a contract totaling \$8,167,000 with a construction company to construct the new jail facility.
- As of June 30, 2010, capital asset additions totaled \$1,793,563 and consisted of land and construction in progress. Accordingly, there was no depreciation expense for the year ended June 30, 2010.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Authority's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Washington County Correctional Facilities Authority, Washington County Courthouse, 420 S. Johnstone Ave., Bartlesville, Oklahoma 74003.

STATEMENT OF NET ASSETS

WASHINGTON COUNTY CORRECTIONAL FACILITIES AUTHORITY

June 30, 2010

ASSETS

CURRENT ASSETS

Cash and cash equivalents \$ 11,382,913

NONCURRENT ASSETS

Investments 4,400,000

Bond issuance cost, net of accumulated amortization 323,872

Capital assets not being depreciated 1,793,563

TOTAL NONCURRENT ASSETS 6,517,435

TOTAL ASSETS \$ 17,900,348

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accrued interest payable \$ 36,216

Accounts payable 465,966

Revenue bonds payable, current portion 1,105,000

TOTAL CURRENT LIABILITIES 1,607,182

REVENUE BONDS PAYABLE, net of current portion 14,786,260

TOTAL LIABILITIES 16,393,442

NET ASSETS

Restricted - expendable for capital projects 1,506,906

TOTAL NET ASSETS 1,506,906

TOTAL LIABILITIES AND NET ASSETS \$ 17,900,348

See notes to financial statements.

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

WASHINGTON COUNTY CORRECTIONAL FACILITIES AUTHORITY

Year Ended June 30, 2010

OPERATING REVENUES

| | | |
|--------------------------|----|--------------|
| Sales tax revenue | \$ | 1,689,084 |
| Investment income | | <u>4,392</u> |
| TOTAL OPERATING REVENUES | | 1,693,476 |

OPERATING EXPENSES

| | | |
|-------------------------------------|--|----------------|
| Interest expense | | 171,129 |
| Amortization of bond issuance costs | | 14,081 |
| Other expenses | | <u>1,360</u> |
| TOTAL OPERATING EXPENSES | | <u>186,570</u> |

INCREASE IN NET ASSETS 1,506,906

NET ASSETS AT BEGINNING OF YEAR -

NET ASSETS AT END OF YEAR \$ 1,506,906

See notes to financial statements.

STATEMENTS OF CASH FLOWS

WASHINGTON COUNTY CORRECTIONAL FACILITIES AUTHORITY

Year Ended June 30, 2010

| | |
|---|----------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | |
| Sales tax receipts | \$ 1,689,084 |
| Trustee fees paid | <u>(1,360)</u> |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | 1,687,724 |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | |
| Proceeds from issuance of bonds | 15,551,187 |
| Cash paid for capital assets | <u>(1,327,597)</u> |
| NET CASH PROVIDED BY CAPITAL AND RELATED FINANCING ACTIVITIES | <u>14,223,590</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | |
| Interest income received | 4,392 |
| Interest paid to bondholders | (132,793) |
| Purchases of investments | <u>(4,400,000)</u> |
| NET CASH USED IN INVESTING ACTIVITIES | <u>(4,528,401)</u> |
| NET CHANGE IN CASH AND CASH EQUIVALENTS | 11,382,913 |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR | <u>-</u> |
| CASH AND CASH EQUIVALENTS AT END OF YEAR | <u>\$ 11,382,913</u> |
| RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES | |
| Operating income | \$ 1,506,906 |
| Adjustments to reconcile operating income to net cash used in operating activities: | |
| Changes in assets and liabilities: | |
| Amortization | 14,081 |
| Interest income | (4,392) |
| Interest expense | <u>171,129</u> |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | <u>\$ 1,687,724</u> |
| NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES | |
| Construction in progress financed through accounts payable | <u>\$ 465,966</u> |

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

WASHINGTON COUNTY CORRECTIONAL FACILITIES AUTHORITY

June 30, 2010

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity: Washington County Correctional Facilities Authority (the "Authority") was created by a Declaration of Trust Indenture dated July 9, 2007, for the furtherance of public purposes and the benefit of Washington County, Oklahoma (the "County"), pursuant to the provisions of Title 60, Oklahoma Statutes 2001, Section 176 et seq., as amended, Title 60, Oklahoma Statutes 2001, Section 175.1 et seq., as amended and other applicable statutes and laws of the State of Oklahoma (the "State"). The Authority is considered a related party of the County. The Authority had no operations prior to February 2010.

The purpose of the Authority is primarily to provide funds for the acquisition, construction and equipping of a new county correctional facility and certain improvements to the existing county courthouse, to fund a debt service reserve, and to pay certain costs of issuance.

Basis of Accounting: For financial reporting purposes, the Authority is considered a special-purpose government engaged only in business-type activities. Accordingly, the Authority's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned and expenses when incurred.

In June 1999, the Governmental Accounting Standards Board ("GASB") issued Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*. The objectives of Statement No. 34 are to establish a basic reporting model that will result in greater accountability by governments, while providing useful information to a wider range of users. The Authority presents its financial statements in accordance with the provisions of GASB Statement No. 34.

The Authority has the option to apply all Financial Accounting Standards Board ("FASB") pronouncements issued after November 30, 1989, unless FASB conflicts with GASB. The Authority has elected not to apply FASB pronouncements issued after the applicable date.

Cash and Cash Equivalents: Highly liquid investments with an original maturity of three months or less at the date of purchase are considered cash equivalents.

Investments: The Authority's investments consist solely of certificates of deposit and U.S. Agency securities at June 30, 2010. The investments are carried at amortized cost.

Bond Issuance Costs: Costs incurred in connection with the issuance of bonds are amortized using the straight-line method over the life of the associated bonds. Costs are shown net of accumulated amortization of \$14,081 at June 30, 2010.

NOTES TO FINANCIAL STATEMENTS--Continued

WASHINGTON COUNTY CORRECTIONAL FACILITIES AUTHORITY

June 30, 2010

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--Continued

Net Assets: Restricted net assets – expendable include resources in which the Authority is legally or contractually obligated to spend in accordance with restrictions imposed by the bond indenture.

Sales Tax Revenue: On June 9, 2009, voters in Washington County approved a proposition increasing their sales tax by ½ percent. The sales tax was voted specifically for the acquisition, construction and equipping of the new county jail facility (the “Facility”). The sales tax became effective October 1, 2009 and the County began receiving proceeds during December 2009. The term of the sales tax is for a period of 10 years or until the principal and interest on the Series 2010 Bonds are paid in full, whichever occurs first. Thereafter, the sales tax will be reduced to one-quarter of one percent and will be used, along with other moneys appropriated by the County, to operate and maintain the Facility. Sales tax revenue is recognized as earned.

Investment Income: Investment income includes interest income, realized gains and losses, and unrealized changes in fair value of investments. Interest income is recognized as earned.

Arbitrage Rebate: The proceeds from the Authority’s tax exempt bond issues are subject to arbitrage rebate laws under the Internal Revenue Code. This arbitrage rebate limits the earnings on investment of tax exempt proceeds in non-purpose investments. The Authority had no arbitrage rebate liability at June 30, 2010.

Classification of Revenues and Expenses: Because the issuance of bonds and related investment of bond proceeds constitute the Authority’s principal ongoing operations, the Authority has classified the revenues and expenses associated with those activities as operating revenues and expenses.

Capital Assets, Net: Capital assets are carried at cost. The Authority’s capital assets at June 30, 2010 consist of land and construction in progress; therefore, depreciation expense was \$0 for the year ended June 30, 2010.

Bonds Payable, Net: Bonds payable are shown net of unamortized discounts. Discounts on bonds payable are deferred and amortized to interest expense over the expected life of the bond issue.

Income Taxes: As a public trust, the income of the Authority, which is derived from the exercise of any essential government function, is not subject to federal or state income taxes.

NOTES TO FINANCIAL STATEMENTS--Continued

WASHINGTON COUNTY CORRECTIONAL FACILITIES AUTHORITY

June 30, 2010

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--Continued

Use of Estimates: Management has made a number of estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities to prepare the financial statements in conformity with accounting principles generally accepted in the United States of America. Actual results could differ from these estimates.

NOTE B--CASH, AND CASH EQUIVALENTS

Cash equivalents represent short-term investment funds held by the Washington County Treasurer ("County Treasurer") and the Authority's trustee. The Authority's deposits are restricted according to the Series 2010 bond indenture. The cash equivalents held by the Authority's trustee are primarily money market mutual funds held in the bond trustee's name on the Authority's behalf. The Authority is authorized by the bond indenture to invest in repurchase and investment agreements, U.S. Treasury-based mutual funds, municipal obligations, certificates of deposit and general obligations of the U.S. Government and its agencies.

At June 30, 2010, cash and cash equivalents were:

| | | |
|---------------------------------|----|-------------------|
| Cash | \$ | 473,850 |
| Money market mutual funds | | <u>10,909,063</u> |
| Total cash and cash equivalents | \$ | <u>11,382,913</u> |

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging institution, or collateralized with securities held by the pledging institution's trust department or agency but not in the depositor-government's name. The Authority does not have a deposit policy for custodial credit risk. The Authority's cash is held by the County Treasurer. State statutes require financial institutions with which the County maintains funds to deposit collateral securities to secure the County's deposits. The amount of collateral securities to be pledged is established by the County Treasurer; this amount must be at least the amount of the deposit to be secured, less the amount, if any, insured by the FDIC. The Authority's money market mutual funds are not subject to custodial credit risk. The money market funds held by the Authority's trustee are held in the bond trustee's name on the Authority's behalf.

NOTES TO FINANCIAL STATEMENTS--Continued

WASHINGTON COUNTY CORRECTIONAL FACILITIES AUTHORITY

June 30, 2010

NOTE C--INVESTMENTS

The Authority's investments at June 30, 2010 consist of Federal Home Loan Board ("FHLB") securities totaling \$400,000 and certificates of deposit totaling \$4,000,000. The FHLB securities mature on March 23, 2012, bear an interest rate of 1.05%, and have a Standard & Poor's credit rating of AAA. The securities are reported at amortized cost. The securities are callable, and were subsequently called on September 24, 2010.

The Authority has non-negotiable certificates of deposit totaling \$4,000,000 at June 30, 2010. Maturity dates range from April 30, 2013 to October 30, 2013 and interest rates range from 1.60% to 2.15%. Certificates of deposit are stated at cost plus accrued interest, which approximates fair value. The Authority's certificates of deposit are spread over 17 different financial institutions; therefore, no one certificate of deposit exceeds \$250,000.

The Authority does not have a formal investment policy that limits investment maturities as a means of managing exposure to fair value losses arising from increasing interest rates. The bond indenture restricts the type of investments that the Authority may carry. The Authority has no investment policy that would further limit or restrict its investment choices. Additionally, the Authority places no limit on the amount the Authority may invest in any one issuer.

NOTE D--CAPITAL ASSETS

As the Authority's capital assets consist of land and construction in progress at June 30, 2010, no depreciation expense was recorded during fiscal year 2010. A summary of capital assets at June 30, 2010 follows:

| | Balance July 1, 2009 | Additions | Retirements | Balance June 30, 2010 |
|--------------------------------------|----------------------------|---------------------|-------------|-----------------------------|
| Land | \$ - | \$ 182,500 | \$ - | \$ 182,500 |
| Construction in progress | - | 1,611,063 | - | 1,611,063 |
| Capital assets not being depreciated | <u>\$ -</u> | <u>\$ 1,793,563</u> | <u>\$ -</u> | <u>\$ 1,793,563</u> |

NOTES TO FINANCIAL STATEMENTS--Continued

WASHINGTON COUNTY CORRECTIONAL FACILITIES AUTHORITY

June 30, 2010

NOTE E--REVENUE BONDS PAYABLE

The Authority's bond issue (listed below) was issued during fiscal year 2010. The bonds are special, limited obligations of the Authority, payable solely out of the revenue receipts and lease receivables pledged under the indentures. The bonds do not constitute a general obligation or indebtedness of the Authority, nor do they constitute a debt or obligation of the State of Oklahoma, or any political subdivision, agency or instrumentality thereof and shall not constitute a lien on or pledge of any property of the Authority except as provided in the indenture. The Authority has no taxing powers.

The following is a listing of bonds outstanding and related activity for the year ended June 30, 2010:

| <u>Bond Issue</u> | <u>Maturity</u> | <u>Interest Rate At 6/30/2010</u> | <u>2010 Issuance</u> | <u>2010 Retirement</u> | <u>Principal Balance 6/30/2010</u> |
|--------------------------------|-----------------|---|--------------------------|----------------------------|--|
| 2010 Series Revenue Bond Issue | 12/1/2019 | 2.50-3.25% | \$ 15,940,000 | \$ - | \$ 15,940,000 |

Debt service requirements for fiscal years 2011 through 2015 and in five year increments thereafter to maturity for bonds payable as of June 30, 2010 are as follows:

| <u>Fiscal Year</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--------------------|----------------------|---------------------|----------------------|
| 2011 | \$ 1,105,000 | \$ 350,089 | \$ 1,455,089 |
| 2012 | 1,400,000 | 406,969 | 1,806,969 |
| 2013 | 1,435,000 | 371,969 | 1,806,969 |
| 2014 | 1,470,000 | 336,094 | 1,806,094 |
| 2015 | 1,505,000 | 299,344 | 1,804,344 |
| 2016-2020 | 9,025,000 | 890,414 | 9,915,414 |
| | <u>\$ 15,940,000</u> | <u>\$ 2,654,879</u> | <u>\$ 18,594,879</u> |

NOTE F--COMMITMENTS

The Authority has entered into a contract with a construction company to construct the correctional facility. The total contract amount is \$8,167,000.

Independent Auditors' 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
Washington County Correctional Facilities Authority:

We have audited the statement of net assets of Washington County Correctional Facilities Authority (the Authority) as of June 30, 2010, and the related statements of revenues, expenses and changes in net assets and cash flows for the year then ended, and have issued our report thereon dated September 20, 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 of America.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion of the effectiveness of the 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 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 was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We noted certain matters that we consider to be a material weakness as described above. Such matters are included in the Schedule of Reportable Findings as Finding 2010-01.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations and contracts, 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*.

This report is intended solely for the information and use of the governing board and management of the Authority and is not intended to be and should not be used by anyone other than these specified parties.

Cole & Reed P.C.

Oklahoma City, Oklahoma
September 20, 2011

SCHEDULE OF REPORTABLE FINDINGS

WASHINGTON COUNTY CORRECTIONAL FACILITIES AUTHORITY

June 30, 2010

Findings Required to be Reported by Government Auditing Standards

FINDING 2010-01

Criteria: Appropriately designed controls should incorporate an adequate year-end financial statement close process to ensure financial statements and the related footnote disclosures are prepared in accordance with GAAP.

Condition: Several errors in the financial statements were discovered by Cole & Reed P.C. during the June 30, 2010 audit. Also, financial statement footnote disclosures are not prepared by the Authority.

Cause: The Authority lacks an appropriate year-end financial statement closing process, a sufficient general ledger accounting system, as well as personnel with experience in preparing financial statements and footnote disclosures in accordance with GASB No. 34.

Effect: The errors found by Cole & Reed P.C. had the following effects:

- Bond issuance costs were understated by approximately \$8,400
- Interest expense was understated by approximately \$36,200
- Construction in progress and accounts payable were understated by approximately \$466,000
- Bonds payable were understated by approximately \$8,100

Recommendation: A formal year-end financial statement close process should be implemented to ensure the inclusion of all standard account balances in the preparation of financial statements. The use of an accounting software package would help with accuracy as well as efficiency. In order for the Authority to facilitate more timely and accurate preparation of financial statements, we also recommend that the Authority provide training in preparation of financial statements in accordance with GASB No. 34. We recommend such training should include but not be limited to:

- The preparation of annual and monthly comparative statements of net assets, statements of revenues, expenses and changes in net assets, and statements of cash flows, which include line items for all major account balances.
- Preparation of the notes to the financial statements for the year-end.
- Familiarity and compliance with GASB pronouncements.

SCHEDULE OF REPORTABLE FINDINGS--Continued

WASHINGTON COUNTY CORRECTIONAL FACILITIES AUTHORITY

June 30, 2010

FINDING 2010-01--Continued

- Coordinating preparation of schedules and documents required to reconcile individual accounts and transaction classes including schedules necessary for the audit and reviews of the Authority's financial statements.

It is our belief that there is a sufficient need for additional training and that as the Authority's operations expand this training will become an absolute necessity.

Views of Responsible Official: Due to the small size and staff of the Authority, we have not allocated the resources to this function. We will consider outsourcing our accounting functions as a possible solution to correcting the matters noted in the Finding.