

# WASHINGTON COUNTY CORRECTIONAL FACILITIES AUTHORITY

June 30, 2011

WASHINGTON COUNTY  
CORRECTIONAL FACILITIES AUTHORITY

June 30, 2011

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## Independent Auditors' Report

The Board of Trustees  
Washington County Correctional Facilities Authority:

We have audited the accompanying financial statements of the governmental activities and the major fund of Washington County Correctional Facilities Authority (the "Authority") as of and for the year ended June 30, 2011, as listed in the table of contents, which collectively comprise the Authority's basic financial statements. 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 audits 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 respective financial position of the governmental activities and the major fund of Washington County Correctional Facilities Authority as of June 30, 2011, and the changes in financial position thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that management's discussion and analysis be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with evidence sufficient to express an opinion or provide any assurance.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 18, 2012 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  
June 18, 2012

**Washington County Correctional Facilities Authority**  
**Management's Discussion and Analysis**  
**June 30, 2011**

**OVERVIEW OF THE FINANCIAL STATEMENTS**

As management of the Washington County Correctional Facilities Authority's (the "Authority"), we offer readers of the financial statements this overview and analysis of the financial activities for the fiscal year ended June 30, 2011.

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. The Authority's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

The government-wide financial statements and the governmental fund financial statements are presented on one page, with an adjustments column denoting the differences between the two.

*Government-wide Financial Statements*

The government-wide financial statements are designed to provide readers with a broad overview of the Authority's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the Authority's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

The statement of activities presents information showing how the Authority's net assets changed during the most recent fiscal year presented. All changes in the net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in these statements for some items that will only result in cash flows in future periods.

*Fund Financial Statements*

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. All activities of the Authority are reflected in the general fund. However, unlike the government-wide financial statements, governmental fund financial statements focus on the near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year.

**Washington County Correctional Facilities Authority  
Management's Discussion and Analysis (Continued)  
June 30, 2011**

**OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)**

Because the focus of governmental funds is narrower than that of government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Authority maintains one governmental fund, which is the general fund. All transactions of the Authority are accounted for in the governmental fund statement of revenues, expenditures, and changes in fund balance.

**Government-wide Financial Analysis**

Our discussion and analysis of the Authority's financial performance provides an overview of the Authority's financial activities for the fiscal years ended June 30, 2011 and 2010.

**Condensed Statement of Net Assets**

	June 30, 2011	June 30, 2010
<b>ASSETS</b>		
Current assets	\$ 6,597,495	\$ 11,382,913
Noncurrent assets	12,990,965	6,517,435
<b>TOTAL ASSETS</b>	<b>\$ 19,588,460</b>	<b>\$ 17,900,348</b>
 <b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Current liabilities	\$ 2,310,357	\$ 1,607,182
Noncurrent liabilities	13,391,346	14,786,260
<b>TOTAL LIABILITIES</b>	15,701,703	16,393,442
 <b>NET ASSETS</b>		
Restricted for debt service	1,746,434	1,506,906
Restricted for capital projects	2,140,323	-
<b>TOTAL NET ASSETS</b>	<b>\$ 3,886,757</b>	<b>\$ 1,506,906</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 19,588,460</b>	<b>\$ 17,900,348</b>

**Washington County Correctional Facilities Authority  
Management's Discussion and Analysis (Continued)  
June 30, 2011**

**OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)**

The Authority's changes in net assets for the years ended June 30, 2011 and 2010 are reported as follows:

	<u>Year Ended June 30, 2011</u>	<u>Year Ended June 30, 2010</u>
Revenues		
Sales tax revenue	\$ 2,850,370	\$ 1,689,084
Investment income	<u>77,349</u>	<u>4,392</u>
Total revenues	2,927,719	1,693,476
Expenses		
Interest expense	419,527	171,129
Amortization of bond issuance costs	33,796	14,081
Other expenses	<u>5,545</u>	<u>1,360</u>
Total expenditures/expenses	<u>458,868</u>	<u>186,570</u>
Excess of revenues over expenditures/expenses	2,468,851	1,506,906
Other financing uses		
Transfers to Washington County Sheriff's Department	<u>(89,000)</u>	<u>-</u>
Change in Net Assets	2,379,851	1,506,906
Net Assets at Beginning of Year	<u>1,506,906</u>	<u>-</u>
Net Assets at End of Year	<u>\$ 3,886,757</u>	<u>\$ 1,506,906</u>

**FINANCIAL HIGHLIGHTS**

- The Authority began operations in February 2010. Sales tax revenues earned during fiscal year 2011 totaled \$2,850,370 compared to \$1,689,084 for 2010.
- The Authority paid the first principal payment of \$1,105,000 on the special, limited obligation revenue bonds during fiscal year 2011.
- Investment income increased from \$4,400 to \$77,300 from fiscal year 2010 to 2011 while interest expense increased from \$171,000 to \$420,000.

**Washington County Correctional Facilities Authority  
Management's Discussion and Analysis (Continued)  
June 30, 2011**

**CAPITAL ASSETS**

As of June 30, 2011 the Authority had invested approximately \$8,701,000 in capital assets consisting of construction in progress, equipment and software. The Authority's fiscal year 2011 additions totaled approximately \$6,907,000. Since the Authority's capital assets had not been placed in service as of June 30, 2011, depreciation expense has not been recorded.

**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 AND GOVERNMENTAL FUND BALANCE SHEET

WASHINGTON COUNTY CORRECTIONAL FACILITIES AUTHORITY

June 30, 2011

	Governmental Fund - <u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Net Assets</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 6,597,495	\$ -	\$ 6,597,495
Investments	4,000,000	-	4,000,000
Bond issuance cost, net of accumulated amortization	-	290,076	290,076
Capital assets not being depreciated	-	<u>8,700,889</u>	<u>8,700,889</u>
Total assets	<u>\$ 10,597,495</u>	<u>\$ 8,990,965</u>	<u>\$ 19,588,460</u>
 <b>LIABILITIES AND FUND BALANCE</b>			
<b>Liabilities</b>			
Accrued interest payable	\$ 29,876	\$ -	\$ 29,876
Accounts payable	880,481	-	880,481
Revenue bonds payable, current portion	-	1,400,000	1,400,000
Revenue bonds payable, net of current portion	-	<u>13,391,346</u>	<u>13,391,346</u>
Total liabilities	910,357	14,791,346	15,701,703
 <b>Fund Balance</b>			
Restricted for debt service	1,746,434	(1,746,434)	-
Restricted for capital projects	<u>7,940,704</u>	<u>(7,940,704)</u>	-
Total fund balance	<u>9,687,138</u>	<u>(9,687,138)</u>	-
Total liabilities and fund balance	<u>\$ 10,597,495</u>		
 <b>NET ASSETS</b>			
Restricted for:			
Debt service		1,746,434	1,746,434
Capital projects		<u>2,140,323</u>	<u>2,140,323</u>
		<u>\$ 3,886,757</u>	<u>\$ 3,886,757</u>

See accompanying notes to the basic financial statements.

STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE

WASHINGTON COUNTY CORRECTIONAL FACILITIES AUTHORITY

Year Ended June 30, 2011

	Governmental Fund - <u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
<b>Revenues</b>			
Sales tax revenue	\$ 2,850,370	\$ -	\$ 2,850,370
Investment income	<u>77,349</u>	<u>-</u>	<u>77,349</u>
Total revenues	2,927,719	-	2,927,719
<b>Expenditures/expenses</b>			
Interest expense	414,441	5,086	419,527
Debt repayment	1,105,000	(1,105,000)	-
Capital outlay	6,907,326	(6,907,326)	-
Amortization of bond issuance costs	-	33,796	33,796
Other expenses	<u>5,545</u>	<u>-</u>	<u>5,545</u>
Total expenditure/expenses	<u>8,432,312</u>	<u>(7,973,444)</u>	<u>458,868</u>
Excess (deficiency) of revenues over expenditures/expenses	(5,504,593)	(7,973,444)	2,468,851
<b>Other financing uses</b>			
Transfers to Washington County Sheriff's Department	<u>(89,000)</u>	<u>-</u>	<u>(89,000)</u>
Change in fund balance/net assets	(5,593,593)	(7,973,444)	2,379,851
Fund balance/net assets, beginning of year	<u>15,280,731</u>	<u>-</u>	<u>1,506,906</u>
Fund balance/net assets, end of year	<u>\$ 9,687,138</u>	<u>\$ (7,973,444)</u>	<u>\$ 3,886,757</u>

See accompanying notes to the basic financial statements.

RECONCILIATION OF GOVERNMENTAL FUND STATEMENTS TO  
GOVERNMENT-WIDE STATEMENTS

WASHINGTON COUNTY CORRECTIONAL FACILITIES AUTHORITY

Year Ended June 30, 2011

Reconciliation of fund balance to net assets:

Fund balance	\$ 9,687,138
Capital assets reported in the statement of net assets are not financial resources and, therefore, are not reported in the general fund.	8,700,889
Bond issuance costs reported in the statement of net assets are not financial resources and, therefore, are not reported in the general fund.	290,076
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the general fund	<u>(14,791,346)</u>
Net assets	\$ 3,886,757

Reconciliation of change in fund balance to change in net assets:

Change in fund balance	\$ (5,593,593)
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense (once placed in service). There was no depreciation during the year so this is the amount of capital asset additions.	6,907,326
Debt service principal retirement expensed in fund level financial statements but treated as reduction in outstanding debt in government-wide financial statements	1,105,000
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore are not reported as expenditures in the governmental funds	<u>(38,882)</u>
Change in net assets of governmental activities	<u>\$ 2,379,851</u>

See accompanying notes to the basic financial statements.

## NOTES TO FINANCIAL STATEMENTS

### WASHINGTON COUNTY CORRECTIONAL FACILITIES AUTHORITY

June 30, 2011

#### 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 a component unit of the County. The Authority had no operations prior to February 2010. The Washington County Sheriff's Department moved into the facility on October 31, 2011, and inmates were received on December 29, 2011.

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: The *government-wide financial statements* (i.e., the statement of net assets and the statement of activities) displays information about the reporting entity as a whole. They report on all of the nonfiduciary activities of the government. The Authority's activities are primarily supported by sales tax revenue.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

The *governmental fund financial statements* are reported using the current financial resources measurement focus and the modified-accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. Modifications to the accrual basis of accounting include:

- Capital outlays are recorded as expenditures in the governmental fund financial statements.
- Debt service principal retirement is recorded as an expenditure in the governmental fund financial statements.

All operations of the Authority are recorded in the governmental fund type, in the General Fund. Governmental funds are accounted for using a spending (or financial flow) measurement focus. Only current assets and current liabilities are included on the balance sheet. The operations statement presents sources and uses of available expendable resources during a given period of time. The general fund is used to account for the Authority's expendable financial resources and related liabilities.

NOTES TO FINANCIAL STATEMENTS--Continued

WASHINGTON COUNTY CORRECTIONAL FACILITIES AUTHORITY

June 30, 2011

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

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 at June 30, 2011. 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 \$47,877 at June 30, 2011.

Net Assets: Restricted net assets 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, 2011.

Capital Assets, Net: Capital assets are carried at cost. The Authority capitalizes all property and equipment purchases of \$500 or more. The Authority's capital assets consist of land construction in progress, software and equipment that were not placed in service as of June 30, 2011; therefore, depreciation expense was \$0 for the year ended June 30, 2011.

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, 2011

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, CASH EQUIVALENTS AND INVESTMENTS

Cash equivalents represent short-term investment funds held by 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 2011, cash and cash equivalents were:

	2011
Cash	\$ 1,934,684
Money market mutual funds	4,662,811
Total cash and cash equivalents	<u>\$ 6,597,495</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.

The weighted average maturities of the Authority's money market mutual funds were less than one year at June 30, 2011. Standard & Poor's credit ratings were AAA.

NOTES TO FINANCIAL STATEMENTS--Continued

WASHINGTON COUNTY CORRECTIONAL FACILITIES AUTHORITY

June 30, 2011

NOTE B--CASH, CASH EQUIVALENTS AND INVESTMENTS--Continued

The Authority has non-negotiable certificates of deposit totaling \$4,000,000 at June 30, 2011. 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 C--CAPITAL ASSETS

No capital assets have been placed in service as of June 30, 2011; therefore, no depreciation has been recognized during 2011. The following is a summary of changes in capital assets during fiscal year 2011:

	Balance July 1, 2010	Additions	Retirements	Balance June 30, 2011
Land	\$ 182,500	\$ -	\$ -	\$ 182,500
Construction in progress	1,611,063	6,390,121	-	8,001,184
Software	-	227,859	-	227,859
Equipment	-	289,346	-	289,346
Capital assets not being depreciated	<u>\$ 1,793,563</u>	<u>\$ 6,907,326</u>	<u>\$ -</u>	<u>\$ 8,700,889</u>

NOTE D--REVENUE BONDS PAYABLE

The Authority's bond issue 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 Washington County or 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.

NOTES TO FINANCIAL STATEMENTS--Continued

WASHINGTON COUNTY CORRECTIONAL FACILITIES AUTHORITY

June 30, 2011

NOTE D--REVENUE BONDS PAYABLE--Continued

The following table shows total outstanding principal and the related unamortized discount as of June 30, 2011:

Principal balance	\$ 14,835,000
Less unamortized bond discounts	<u>(43,654)</u>
Principal balance, net of discounts	<u>\$ 14,791,346</u>

The following is a listing of bonds outstanding and related activity for the year ended June 30, 2011:

<u>Bond Issue</u>	<u>Maturity</u>	<u>Interest Rate At 6/30/2011</u>	<u>Principal Balance 6/30/2010</u>	<u>2011 Retirement</u>	<u>Principal Balance 6/30/2011</u>
2010 Series Revenue Bond Issue	12/1/2019	2.50-3.25%	\$15,940,000	\$ 1,105,000	\$14,835,000

Debt service requirements for fiscal years 2012 through 2016 and thereafter to maturity for bonds payable as of June 30, 2011 are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 1,400,000	\$ 389,468	\$ 1,789,468
2013	1,435,000	354,031	1,789,031
2014	1,470,000	317,719	1,787,719
2015	1,505,000	280,531	1,785,531
2016	1,545,000	242,406	1,787,406
2017-2020	<u>7,480,000</u>	<u>517,147</u>	<u>7,997,147</u>
	<u>\$ 14,835,000</u>	<u>\$ 2,101,302</u>	<u>\$ 16,936,302</u>

NOTE E--COMMITMENTS

The Authority has entered into a contract with a construction company to construct the correctional facility. The original contract amount was \$8,167,000. During 2011, change orders of \$557,899 were approved resulting in a total contract amount as of June 30, 2011 of \$8,724,899. The Authority's remaining balance to finish (including retainage) at June 30, 2011 was \$2,497,921.



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 financial statements of the governmental activities and the major fund of Washington County Correctional Facilities Authority (the Authority) as of June 30, 2011, as of and for the year then ended, and have issued our report thereon dated June 18, 2012. 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 did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

### 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  
June 18, 2012