

COMANCHE COUNTY FACILITIES AUTHORITY
June 30, 2012

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of
Comanche County Facilities Authority
Lawton, Oklahoma 73501

We have audited the accompanying modified cash basis financial statements of the business-type activities of **Comanche County Facilities Authority**, a component unit of Comanche County, Oklahoma, as of and for the years ended June 30, 2012, which collectively comprise the Authority's basic financial statements as listed in the table of contents. 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. 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 the 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.

As discussed in Note 1, **Comanche County Facilities Authority** prepares its financial statements on the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

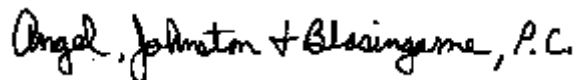
The component unit financial statements referred to above include only the financial activities of the **Comanche County Facilities Authority**. Financial activities of other component units that form the reporting entity are not included.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of **Comanche County Facilities Authority**, a component unit of Comanche County, Oklahoma, as of June 30, 2012, and the respective changes in financial position-modified cash basis and cash flows, thereof for the year then ended in conformity with the basis of accounting described in Note 1.

Comanche County Facilities Authority

In accordance with *Government Auditing Standards*, we have also issued our report dated November 17, 2012 on our consideration of the Authority's internal control over financial reporting and on our tests of 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 our audit.

The Authority has not presented the Management's Discussion and Analysis that the Governmental Accounting Standards Board (GASB) has determined is necessary supplemental information, although not a required part of the basic financial statements.

A handwritten signature in black ink that reads "Angel, Johnston & Blasingame, P.C." The signature is written in a cursive, flowing style.

ANGEL, JOHNSTON & BLASINGAME, P. C.
Certified Public Accountants
November 17, 2012

Basic Financial Statements

COMANCHE COUNTY FACILITIES AUTHORITY

LAWTON, OKLAHOMA

Statement of Net Position - Modified Cash Basis

June 30, 2012

Business-Type
Activities

ASSETS

Current Assets

Cash and Cash Equivalents	\$	928,774
Restricted Inmate Trust Funds		20,571
Employee Receivable		578
Prepaid Taxes		3,023

Total Current Assets 952,946

Non Current Assets

Capital Assets-Net		8,140,505
Construction in Progress		127,530

Total Assets 9,220,981

LIABILITIES

Current Liabilities

Inmates Trust Funds Payable		13,733
Inmates Trust Funds-Commissary Payable		6,838
Payroll Liabilities		68,849

Total Current Liabilities 89,420

Non Current Liabilities

Total Non Current Liabilities -

Total Liabilities 89,420

NET ASSETS

Invested in Capital Assets, net of related debt		8,268,035
Restricted		-
Unrestricted		863,526

Total Net Assets \$ 9,131,560

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

COMANCHE COUNTY FACILITIES AUTHORITY
LAWTON, OKLAHOMA

Statement of Revenues, Expenses and Changes in Fund Net Position - Modified Cash Basis
For the Year Ending June 30, 2012

	Business-Type Activities			TOTAL
	Volunteer Fire Dept.	Emergency Management	Detention Center	
Operating Revenues				
Lease Revenues from County Sales Tax	\$ -	\$ -	\$ 1,741,802	\$ 1,741,802
Contract Revenues	-	-	1,425,591	1,425,591
Inmate Revenue	-	-	163,381	163,381
Grant Revenue	-	144,507	-	144,507
Gain/(Loss) on Asset Disposal	-	-	(968)	(968)
Miscellaneous Income	-	10,333	856	11,189
<i>Total Revenue</i>	-	154,840	3,330,662	3,485,502
Operating Expenses				
Advertising	-	-	2,099	2,099
Automobile Expenses	-	8,746	22,933	31,679
Facilities Maintenance	-	8,418	83,997	92,415
Depreciation Expense	-	11,218	284,511	295,730
Inmate Items	-	-	15,792	15,792
Inmate Uniforms/Bedding	-	-	13,437	13,437
Inmate Food Costs	-	-	299,631	299,631
Inmate Medical Expenses	-	-	25,238	25,238
Inmate Gang Pay	-	-	4,181	4,181
Insurance	-	6,288	125,887	132,175
Interest	-	-	216	216
Janitorial Supplies	-	-	42,181	42,181
Office Expense	115	4,571	24,516	29,202
Payroll Expense - Wages	-	124,415	1,587,419	1,711,835
Payroll Expense - Employee Benefits & Costs	-	37,697	554,392	592,089
Payroll Taxes	-	10,974	154,298	165,272
Professional Fees	-	3,600	27,392	30,992
Staff Uniforms, Supplies & Misc Expenses	-	35	13,487	13,521
Supplies	-	1,133	-	1,133
Travel & Training Costs	-	3,249	1,614	4,863
Utilities	-	2,943	202,754	205,697
Telephone	-	12,309	13,173	25,482
Grant Expenses/Supplies	-	146,126	-	146,126
Volunteer Fire Departments Expenses	183,690	-	-	183,690
<i>Total Operating Expenses</i>	183,806	381,722	3,499,148	4,064,676
<i>Operating Income (Loss)</i>	\$ (183,806)	\$ (226,882)	(168,486)	\$ (579,173)
Non-Operating Revenues (Expenses)				
Other/Investment Income	-	10	-	10
<i>Total Non-Operating Revenues (Expenses)</i>	-	10	-	10
<i>Income (Loss) Before Transfers</i>	(183,806)	(226,872)	(168,486)	(579,164)
Transfers from County Sales/Use Tax	202,620	-	156,578	359,198
Transfers from County Appropriations	-	223,542	133,500	357,042
<i>Net Income (Loss)</i>	18,814	(3,330)	121,592	137,076
<i>Net Assets - Beginning of Year</i>	194,391	93,675	8,706,418	8,994,484
<i>Net Assets - End of Year</i>	\$ 213,205	\$ 90,345	8,828,010	\$ 9,131,560

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

COMANCHE COUNTY FACILITIES AUTHORITY

LAWTON, OKLAHOMA

Statement of Cash Flows - Modified Cash Basis

June 30, 2012

Business-Type Activities

Cash Flows from Operating Activities

Receipts from County Lease, Contracts & Inmates	\$ 3,485,502
Payments for Employee Payroll & Benefits	(2,465,808)
Payments for Inmate Costs	(358,279)
Payments for Grant Expense & Volunteer Fire Departments	(329,816)
Payments to Suppliers & Other Costs	<u>(631,364)</u>
<i>Net Cash Provided by (used for) Operating Activities</i>	<u>(299,765)</u>

Cash Flows from Noncapital Financing Activities

Transfers from County	<u>716,240</u>
<i>Net Cash Provided by (used for) Noncapital Financing Activities</i>	<u>716,240</u>

Cash Flows from Capital and Related Financing Activities

Asset Disposal	968
Purchase of Capital Assets	<u>(176,284)</u>
<i>Net Cash Provided by (used for) Capital and Related Financing Activities</i>	<u>(175,316)</u>

Cash Flows from Investing Activities

Investment Earnings	<u>10</u>
<i>Net Cash Provided by (used for) Investing Activities</i>	<u>10</u>

Net Increase (Decrease) in Cash and Cash Equivalents 241,169

Cash and Cash Equivalents - Beginning of Year 708,176

Cash and Cash Equivalents - End of Year \$ 949,345

Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities

Operating Income (Loss)	(579,173)
Adjustments to Reconcile Operating Income (Loss) to Net Cash provided (used) by Operating Activities	
Depreciation Expense	295,730
Change in Prepays	(3,023)
Change in Payables	(19,710)
Change in Payroll Liabilities	<u>6,411</u>
<i>Net Cash Provided by (used for) Operating Activities</i>	<u><u>\$ (299,765)</u></u>

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

COMANCHE COUNTY FACILITIES AUTHORITY
LAWTON, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Comanche County Facilities Authority is a public trust created and established by Comanche County May 7, 2001.

As discussed further in Note 1 C, these financial statements are presented on a modified cash basis of accounting. This modified basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent that they are applicable to the modified cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails.

1- A. Reporting Entity

Comanche County Facilities Authority was organized to assist Comanche County, the State of Oklahoma, Governmental Agencies municipalities and private entities, agencies and citizens in making the most efficient use of all of their economic resources and powers in accord with the needs and benefit of the State of Oklahoma and Comanche County in order to lessen the burdens on government and to stimulate economic growth and development of the Comanche County; to inventory the services, facilities and resources of the Comanche County, to own, operate and manage jails, prisons, correctional and related facilities; to foster and promote an improved economic climate within the Comanche County and to otherwise promote its general welfare and prosperity and to finance any and all programs, utilities, facilities or resources promoting or intending to promote any of the foregoing and, without restriction, in furtherance of the foregoing general objectives. The Authority is also operating Emergency Management System and distributing sales tax to the County Volunteer Fire Departments

Related Organizations

Comanche County The Authority is a public trust created and established pursuant to the term 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 and Comanche County is the beneficiary of this public trust. The elected Comanche County commissioners are also the Authority's trustees. Therefore, the Authority is considered to be a component unit of Comanche County.

COMANCHE COUNTY FACILITIES AUTHORITY
LAWTON, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

1- B. Basis of Presentation

Government-Wide Financial Statements – The Statement of Net Assets and Statement of Revenues, Expenses and Changes in Net Assets display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. These statements generally distinguish between governmental and business-type activities. However, all the activities of the Authority are business-type activities. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

Fund Financial Statements – Fund financial statements of the reporting entity are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts which, are comprised of each fund’s assets, liabilities, net assets, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements. The funds of the financial reporting entity are described below:

Proprietary Funds

1. Enterprise Funds - Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses) of providing goods or services to the general public on a continuing basis are financed or recovered primarily through user charges. The reporting entity includes the following enterprise funds:

Detention Center – Accounts for the activities of the public trust in providing jail facilities.

EMS – Emergency Management Services accounts for the emergency management services provided to the county.

Volunteer Fire Department – Provides funding to various County Volunteer Fire Departments.

1- C. Measurement Focus and Basis of Accounting

Measurement focus refers to “how” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

Measurement Focus – The proprietary funds utilize an “economic resources” measurement focus. The accounting objectives of this 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 non-current, financial, or non-financial) associated with their activities are reported. Proprietary fund equity is classified as net assets.

COMANCHE COUNTY FACILITIES AUTHORITY
LAWTON, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

1- C. Measurement Focus and Basis of Accounting (continued)

Basis of Accounting – The financial statements are presented using a modified cash basis of accounting. This basis recognizes assets, liabilities, net assets/fund equity, revenues, and expenditures/expenses when they result from cash transactions with a provision for depreciation and payroll tax liabilities. This is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provides services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) *are not recorded* in these financial statements.

1- D. Assets, Liabilities and Equity

Cash and Investments - The Authority considers all demand deposit accounts, interest bearing checking accounts and time deposits accounts including certificates of deposit and U.S. Treasury bills with maturities of three months or less to be cash and cash equivalents.

Restricted Cash-Inmate Trust Funds – The restricted portion of the cash account and corresponding liability is cash funds of the individual inmates, held in a separate bank account for their use.

Capital Assets – Capital assets acquired are capitalized and stated at cost, donated capital assets (if any) are recorded at their fair market values as of the date received. Interest incurred during the construction phase of capital assets is reflected in the capitalized value of the asset constructed. The Authority does not have a capitalization threshold amount. Depreciation of exhaustible capital assets is recorded as an expense over the estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Jail Facilities	40 Years
Food Service Equipment	25 Years
Equipment/Vehicles	7 - 10 Years
Emergency Mgmt	7 - 10 Years

Payroll Withholding and Taxes Payable – The payable consists of withholdings from employees and payroll expenses incurred and payable at year-end.

COMANCHE COUNTY FACILITIES AUTHORITY
LAWTON, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

1- D. Assets, Liabilities and Equity (continued)

Equity Classifications - In the government-wide and proprietary fund financial statements, equity is classified as net assets and displayed in three components:

- a. *Invested in capital assets, net of related debt* – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributed to the acquisition, construction, or improvements of those assets.
- b. *Restricted net assets* – Consists of net assets with constraints placed on the use either by 1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or 2) law through constitutional provisions or enabling legislation.
- c. *Unrestricted net assets* – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

It is the Authority’s policy to first use restricted net assets prior to the use of unrestricted net assets when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

1- E. Revenues, Expenditures and Expenses

Operating and Nonoperating Revenues – Operating revenues are considered those whose cash flows are related to operating activities, while revenues related to financing, capital and investing activities are reported as non-operating.

Expenditures/Expenses – Expenditures/expenses are reported by object or activity.

Interfund Activity – Transfers are the flow of assets from one fund to another where repayment is not expected and is reported as transfers in and out.

1- F. Use of Estimates

The preparation of financial statements in conformity with the other comprehensive basis of accounting (OCBOA) used by the Authority requires management to make estimates and assumptions that affect certain reported amounts and disclosures (such as estimated useful lives in determining depreciation expense); accordingly, actual results could differ from those estimates.

COMANCHE COUNTY FACILITIES AUTHORITY
LAWTON, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

NOTE 2 - DETAILED NOTES ON TRANSACTION CLASSES/ACCOUNTS

2- A. Deposits, Investments, and Collateral

Deposits and Investments – The Authority does not have a written investment policy that limits its investment choices.

Custodial Credit Risk - Deposits – Custodial credit risk is the risk that in the event of a bank failure, the Authority’s deposits may not be returned to it. The Authority does not have a written policy for custodial risk, but *Oklahoma Statutes* requires collateral for all uninsured deposits of public trust funds in financial institutions. As of June 30, 2012, none of the Authority’s bank balances were exposed to custodial credit risk.

2- B. Restricted Assets

The amounts reported as restricted assets on the Statement of Net Assets are comprised of cash restricted for inmates. The restricted assets as of June 30, 2012 were as follows:

<u>Type of Investments</u>	<u>Cash and Cash Equivalents</u>	<u>Current Investments</u>	<u>Total</u>
Cash Restricted for Inmates	\$ 20,571	-	\$ 20,571

2- C. Capital Assets

The following is a summary of the capital assets of the Proprietary Fund at June 30, 2012:

<u>Business-type Activities</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>
Capital Assets, not being depreciated:				
Construction in Progress	\$ -	127,530	-	\$ 127,530
Total capital assets, not being depreciated	-	127,530	-	127,530
Capital Assets, being depreciated				
Jail Facilities	9,950,689	2,260	-	9,952,949
Food Service Equipment	105,616	-	-	105,616
Equipment/Furn. & Fixtures	141,669	45,885	(1,662)	185,892
Vehicles	140,958	608	-	141,566
Total depreciable assets	<u>10,338,932</u>	<u>48,753</u>	<u>(1,662)</u>	<u>10,386,022</u>
Less accumulated depreciation for:				
Jail Facilities	(1,802,532)	(242,000)	0	(2,044,531)
Food Service Equipment	(33,599)	(5,634)	0	(39,233)
Equipment	(55,886)	(24,589)	574	(79,902)
Vehicles	(58,466)	(23,386)	0	(81,851)
Total accumulated depreciation	<u>(1,950,482)</u>	<u>(295,609)</u>	<u>574</u>	<u>(2,245,517)</u>
Total Capital Assets, being depreciated, net	<u>8,388,449</u>	<u>(246,856)</u>	<u>(1,088)</u>	<u>8,140,505</u>
Business-type Activities Capital Assets, net	<u>\$ 8,388,449</u>	<u>(119,326)</u>	<u>(1,088)</u>	<u>\$ 8,268,035</u>

COMANCHE COUNTY FACILITIES AUTHORITY
LAWTON, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

2- C. Interfund Transactions and Balances

The Authority's policy is to eliminate interfund transfers in the statement of net assets to avoid the grossing up of balances. Only the residual balances transferred between governmental and business-type activities are reported as internal transfers and then offset in the total column. There were no internal transfers for the year ended June 30, 2012.

NOTE 3- OTHER NOTES

3- A. Employee Pension Plans

The Authority's employees are included in Comanche County's retirement plan with the Oklahoma Public Employees Retirement System. This plan is a statewide cost-sharing multi-employer defined benefit plan. Participation in the plan for qualified employees is mandatory. During the current year, the qualified employee contributed 3.5% of their wages and the Authority contributed 14.5%. The employer contribution rate will increase by 1% each year until the rate reaches 16.5%. The pension plan costs to the Authority for years ending 2008 is \$178,307, 2009 is \$209,187, 2010 is 235,852, 2011 is \$259,965 and 2012 is \$263,631. Since the Authority's employees are not segregated from the County's employees in the retirement plan we are unable to provide segregated required information such as the actuarial valuations and amounts.

3- B. Lease Agreement and Operation and Maintenance Contract

On July 1, 2001 the Authority (lessor) and the County (lessee) entered into a lease agreement and operation and maintenance contract, whereby the County leases the jail facilities from the Authority and agrees to operate and maintain the jail facilities or to pay the cost thereof. The lease term commences July 1, 2001 and ends June 30, 2041, unless terminated sooner: provided that all indebtedness secured by the facilities has been paid. The funding and amounts of the lease payments are described in note 3 C.

3- C. Sales Tax Revenue Bonds Series 2001

In July 2001 the Authority issued \$8,750,000.00 in 4.15% to 5.00% sales tax bonds to fund construction of the Comanche County jail. The bonds were backed by a .25 percent countywide sales tax approved by a majority of voters in Comanche County and expired December 31, 2008. The County extended the sales tax at one-eighth of a percent (1/8%) until December 31, 2015, for the purpose of funding capital improvements and operational costs.

3- D. Risk Management

As per the lease agreement and operation and maintenance contract as described in note 3 B, the County will carry and maintain, or cause to be carried and maintained, and pay, or caused to be paid, the timely premiums for at least the following insurance with respect to the facilities.

COMANCHE COUNTY FACILITIES AUTHORITY
LAWTON, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

NOTE 3- OTHER NOTES (continued)

3- D. Risk Management (continued)

Property & Liability Protection Plan – The Authority is a member of the Association of County Commissioners of Oklahoma Self-Insurance Group (ACCO-SIG). The lines of coverage and limits of liability afforded by ACCO-SIG are subject to a \$10,000 deductible and are as follows:

Property - Per schedule on file with company.

Crime - \$500,000 each and every loss.

Casualty - \$25/125/1,000,000 any one claim; law enforcement liability \$1,000,000 any one claim; public officials errors & omissions \$1,000,000 any one claim, any one member; auto liability & physical damage \$1,000,000 any one claim.

Public Officials Wrongful Acts - \$1,000,000 any one claim, any one member.

Workers' Compensation – Workers compensation is covered through participation in ACCO-SIG workers compensation program. Risk of loss retained is limited to the excess of insurance liability coverage limits set by ACCO-SIG.

3- F. Commitments and Contingencies

Compensated Absences

As a result of the Authority's use of the modified cash basis of accounting, accrued liabilities related to compensated absences (accumulated but unused vacation leave, compensatory time earned but unpaid at year-end and banked holiday) are not reflected in the financial statements. At June 30, 2012 the liabilities are as follows: the Detention Center \$135,248 and Emergency Management \$13,794.

Commitments-Construction – At June 30, 2012, the Authority had pending construction project contracts in progress. The commitments related to the remaining contract balances are summarized as follows:

<u>Project</u>	Contract	Remaining
	<u>Amount</u>	<u>Balance</u>
CCTV & Security Systems	\$ 256,278	\$ 128,748
Shower Stalls-Repair/Replace	33,500	33,500
Totals	\$ 289,778	\$ 162,248

Supplementary Information

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Board of Trustees of
Comanche County Facilities Authority
Lawton, Oklahoma

We have audited the accompanying modified cash basis financial statements of the business-type activities of **Comanche County Facilities Authority**, a component unit of Comanche County, Oklahoma, as of and for the year ended June 30, 2012, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated November 17, 2012. The report was a special report on the Authority's use of a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. 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.

Internal Control Over Financial Reporting

Management of **Comanche County Facilities Authority** is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered **Comanche County Facilities 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 and 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 on the effectiveness of the Authority's internal control over financial reporting.

Our 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 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 findings and responses, we have identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

Comanche County Facilities Authority
November 17, 2012

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. We consider the deficiencies described in the accompanying schedule of findings and responses to be a material weaknesses in internal control over financial reporting, items numbered 12-2, 12-3 and 12-4.

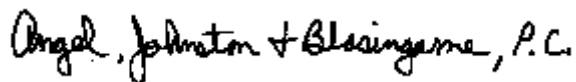
A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and responses that we consider to be significant deficiencies in internal control over financial reporting, items numbered 12-1, 12-2, 12-3 and 12-4.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether **Comanche County Facilities Authority's** financial statements are free of material misstatement, we 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 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*.

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

This report is intended solely for the information of the Authority's Board and the Comanche County Commissioners and is not intended to be and should not be used by anyone other than these specified parties.



ANGEL, JOHNSTON & BLASINGAME, P.C.
Certified Public Accountants

Chickasha, Oklahoma
November 17, 2012

COMANCHE COUNTY FACILITIES AUTHORITY
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2012

Reportable Conditions of Internal Control, Compliance and Other Matters

12-1 Criteria – A good system of internal control provides for proper segregation of the accounting functions.

Condition – The Authority has a small number of employees that perform the duties that would normally be divided among a larger number of employees. In the area of inmate trust accounts, the person that collects the money also makes the deposits, writes checks and signs the checks. In addition, the same person does all the inputting of data into the separate accounting software for the inmate trust accounts.

Cause and Effect – A lack of internal control surrounding the accounting functions resulted in an opportunity for fraud.

Recommendation – Although it may not be cost effective to hire additional administrative staff that would be necessary to adequately segregate responsibilities the Authority should attempt to segregate duties as much as possible.

Management Response – Management has subsequently changed procedures to segregate the duties, especially in the area of inmate trust funds.

12-2 Criteria – A good system of internal control should include procedures to receipt all funds received by the entity and deposit those funds daily. In addition, those receipts and funds should be properly recorded and reconciled in the accounting software.

Condition – Not all inmate trust funds received were receipted or deposited in a timely manner. For several months during the fiscal year deposits were made very late or not at all. There was inadequate record keeping and no oversight by management. Management was unaware there was a problem until the outside accounting firm discovered the deposits did not agree with records of what was recorded as collections of inmate funds.

Cause and Effect – In addition to a lack of internal control surrounding the accounting functions, poor record keeping and inadequate oversight resulted in an opportunity for fraud. A previous employee in charge of petty cash and the inmate trust funds has confessed to misappropriation of funds.

Recommendation –The Authority should attempt to segregate duties as much as possible and should put into place procedures to receipt all funds received and deposit those funds timely. Also, staff should be trained to properly record and reconcile inmate trust funds in the accounting software. Management should also provide control and oversight.

Management Response – Management has subsequently changed procedures to segregate the duties, especially in the area of inmate trust funds. In addition, procedures to receipt all funds and deposit them timely have been put into place.

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12-3 Criteria – A good system of internal control should include procedures to receipt all funds received by the entity and record all transactions.

Condition – The entity had a petty cash fund to which money received for fingerprinting was not being recorded nor were the expenses from these funds recorded.

Cause and Effect – Not receipting, tracking and recording cash received and expenses understated the Authority’s revenue and expenses and created an opportunity for fraud. A previous employee in charge of petty cash and the inmate trust funds has confessed to misappropriation of funds.

Recommendation – Procedures should be in place to receipt, track and record all funds received and any expenses from petty cash.

Management Response – Management has subsequently changed procedures to account for all funds received and record and track petty cash receipts and expenses.

12-4 Criteria – All pay rate increases should be properly approved and documented.

Condition – Of the eight personnel selected for payroll testing, we could not locate pay rate increase approvals for four employees in their personnel files. Three of the employees pay rates were approved on the monthly payroll purchase order signed by a County Commissioner. In addition, the pay rate increase for the director was not approved in the minutes by the board comprised of the County Commissioners.

Cause and Effect – An improperly approved pay rate and any subsequent increases allows for a potential overpayment of employees.

Recommendation – All employees should have a written pay rate increase authorization, signed by the Director and maintained in their personnel files. In additional, the director’s pay rate should be approved by the full board and recorded in the board minutes or by written authorization from the full board and maintained in their personnel file.

Management Response – Management agrees.